BARILLA G. e R. Fratelli Società per Azioni

ANNUAL REPORT

2003

BARILLA G. e R. Fratelli Società per Azioni

ANNUAL REPORT
2003

TABLE OF CONTENTS

BOARD OF DIRECTORS

Chairman	Guido Maria Barilla *
Vice-Chairman	Luca Barilla * Paolo Barilla *
Chief Executive Officer	Gianluca Bolla *
Directors	Antonio Aiello * Emanuela Barilla Nicolaus Issenmann * Manfredo Manfredi Alessandro Profumo

BOARD OF STATUTORY AUDITORS

Chairman	Augusto Schianchi
Statutory Auditors	Giampiero Alinovi Mario Tardini
Alternate Auditors	Franco Chierici Alberto Pizzi

INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

* executive committee

Dear Shareholders,

In 2003, the Barilla G. e R. Fratelli Group operated in a challenging environment characterised by events that negatively affected the reference markets. Despite the negative scenario, the Group confirmed its competitive strength achieving positive results both in terms of sales growth and profitability. The achievment of these objectives is of great value considering that, in 2002, sales and profitability growth rates were largely higher than the average of the reference market.
In 2003, the Group turnover rose to euro 2,512 million with a 1.5% increase compared to the previous year, despite the negative effect of the U.S. dollar devaluation; at constant U.S. dollar exchange rate, sales growth would have been 3.5%.
A strong contribution was provided by the domestic market, where sales increased by 1.9% compared with 2002, totalling euro 1,629 million.
The foreign markets reported a 6.9 % increase in sales volumes and a 1.7 % decrease in sales - totalling euro 755 million - mainly as a result of the U.S. dollar devaluation.
Profitability was slightly affected by the economic environment as confirmed by the level of the operating profit which remained substantially unchanged confirming the satisfactory profitability from the core activities.
The Group consolidated net profit amounted to euro 107 million, compared to euro 142 million of the previous year. This decrease is largely due to the higher tax charge, primarily because certain tax benefits expired during the year.

The Parent Company separate financial statements of 2003 showed a net profit of euro 135 million, compared to euro 68 million in 2002. This was primarily due to certain legal reorganization made during the year to simplify the corporate structure. As fully described in the Notes to the Financial Statements in 2003 Barilla G. e R. F.lli SpA, Forneria Lucana SpA and Barilla Capital Corporation SpA were merged into Barilla Alimentare SpA, which subsequently changed its name into Barilla G. e R. Fratelli - Società per Azioni.
The following comments provide detailed explanations of the activities performed by the Group and the Parent Company, in compliance with art. 2428 of the Italian Civil Code and art. 40 of the Italian Legislative Decree No. 127 dated 9 April 1971.

The economic scenario

The world economy is recovering from the stagnation phase started in 2002. This is also due to the weakening of international tensions and the new economic policies, to sustain growth especially in the U.S. and Asia . The oil volatility market, in connection with the Iraq war, saw a year end quotation of some USD 30 per barrel, similar to the level recorded at the end of 2002.
The United States experienced a recovery, in particular in the second half-year, supported by the increasing demand for consumer goods partially offset by a drop in purchases of durable goods. At year-end the consumers confidence showed a decrease mainly attributable to the lower than expected employment rates. The U.S. dollar, after a strengthening in summer, continued to devaluate against euro and yen, and was stable against other currencies. This weakness has not negatively affected domestic prices so far.
Japan showed positive results in industrial production and services growth rate with a sound increase in exports benefiting from the world economic cycle; conversely, it confirms the weaknesses in the domestic demand and in the consumers confidence because of the poor financial system and the lack of improvements in the labour market.
In Asia the effects of Sars caused a temporary slowdown of growth rates, which show signs of recovery, supported by a Chinese economy growth of some 9% growth on an annual basis.
Brazil experienced a significant slowdown in growth rates as a result of the restrictive monetary and fiscal policy, which contributed to the revaluation of the real near of some 40%.
Mexico continued to show a weak domestic demand and a stagnant domestic economy even if the outlook is optimistic, thanks to the lower inflation and to the expected recovery of the US demand.

The political tensions in Turkey have negatively affected the production activity partially offset by the financial aids received and the appreciation of the Turkish lira against the US dollar.
The production activity in the euro area does not succeed in achieving the normal growth rates and, despite an increase in corporate confidence, labour market and growth in domestic demand remain weak. Price dynamics record declining rates due to the euro strength and the differences in inflation rates among the Member States.
The exchange rate between euro and U.S. dollar, and the outcome of the discussion on the Stability Pact represent risk factors, whose management is closely connected to the trend of the U.S. economy.
Positive signals in production and demand have been reported in Germany where the demand is supported by the lower price dynamics than in the euro area, as well as by the expansion of social services.
In France the brightening up of the supply did not reflect on the consumption which, on the contrary, continued to decline as a result of a drop in exports.
In Spain, the growth of the private consumers' expenditure, encouraged by the increased employment and the reduced inflation, led to a general growth in the economic activity.

In Italy, the GDP reported a growth rate of 0.3% compared to 0.4% of the previous year, accompanied by a curb on industrial production especially at year-end. This growth is in line with the EC rate and was favoured by good dynamics in domestic consumption risen to some 1.5 % but penalised by the drop in investments and exports. The economic scenario was negatively influenced by the widespread climate of distrust, the uncertainties of the economic manoeuvring results, and the exchange-rate with the U.S. dollar. The inflation rate stood at some 2.5%, with a decrease versus the beginning of the year thanks to the strengthening dynamics of price reduction.

Results of the Barilla G. e R. Fratelli Group

There were no significant changes in the consolidation area of the Group during 2003.

The consolidated results are summarised as follows:

euro/Mio

	2003	2002
Net sales	**2,511.9**	**2,474.7**
% growth	1.5%	13.4%
Gross operating margin	**335.3**	**356.3**
% on net sales	13.3%	14.4%
Operating profit	**185.4**	**185.5**
% on net sales	7.4%	7.5%
Financial income/(expenses)	**2.8**	**(0.9)**
Extraordinary income/(expenses)	**(10.0)**	**-**
Pre-tax profit	**178.2**	**184.5**
Group net profit	**106.9**	**142.2**
% on net sales	4.3%	5.7%
Shareholders' equity	**816.0**	**1,018.0**
Net financial position - surplus/(deficit)	**(226.3)**	**(26.9)**
E.B.I.T.D.A.	**322.5**	**329.6**
% on net sales	12.8%	13.3%

The turnover breakdown by geographical area is as follows:

	Net sales
Italy	69.7%
Rest of Europe (Italy excluded)	18.2%
North America	7.7%
Rest of the world	4.4%
	100%

The operating profit stood stable at euro 185.4 million compared with euro 185.5 million in 2002, and this confirms the good profitability from operating activities.
EBITDA, equal to the "Difference between production revenues and costs", gross of depreciation and amortisation on Tangible and Intangible Assets, amounted to euro 322.5 million slightly below (-2%) versus the previous year result. The pre-tax profit amounting to euro 178.2 million versus euro 184.5 million in the previous year was penalised by the non-recurring extraordinary charges; excluding this effect it would have registered a 2% increase.

The indebtedness increased from euro 26.9 to 226.3 million. The increase is mainly due to the distribution of the dividends amounting to euro 288.9 million paid out to the Parent Company Barilla Holding Società per Azioni in the 2003.
The interest expense has benefited from the reduction of the interest rates on the main currencies relevant to the Group operations, namely euro, US dollar and swedish krona.
The composition and the change in the net financial position are given in the following tables:

euro/Mio

	2003	2002
Cash and Cash equivalents	111.0	62.3
Financial receivables	-	106.3
Financial assets: securities	208.8	256.5
Short-term bank borrowings	(134.3)	(118.2)
Short and long term loans	(411.8)	(333.8)
Net financial indebtedness	**(226.3)**	**(26.9)**

euro/Mio

	2003
Operating Cash flow	259.3
Other sources (uses)	(46.3)
Purchase of tangible assets	(120.0)
Purchase of investments	(3.5)
Dividends paid	(288.9)
Change in the net financial indebtedness	**(199.4)**

Operational activities

Italy

- Pasta meal business

In an Italian market influenced by a general dullness in consumption, the Group achieved net sales of euro 602 million (with an increase of 2.4% compared to 2002) and, according to the market research companies, generally increased the market shares in this category.
Particularly, in 2003 the value market share of Egg Pasta went further up to 47.2% with a 0.6 p. increase, despite a market decline. The value market share of Semolina Pasta remained stable at 38.6%.
Sauces volumes rose by 22.9% compared to the previous year, with an increasing value market share at 22.5%.
The year 2003 was characterised by the launch of Frozen pasta meal business, which in a short period acquired a value market share close to 6%.

- Bakery business

Net sales in 2003 totalled euro 1,027 million, achieving a 1.7% increase compared to the previous year; according to the market research companies, the Group gained market shares in almost all the product categories, notwithstanding the downturn in the market.
In particular, the value market share remained stable at 49.6% for rusks, and rose to 48% for crackers (up 1.7 p. com-

pared with 2002, against a 1.6 p. increase of the market) and to 40.8% for biscuits (up 1.2 p. compared with 2002). On the other hand, a market share decline is recorded in certain other categories; particularly, soft breads show a reduction compared to the previous year as a result, in general, of an aggressive competition, and in particular for this products from Hard Discounts and Private Labels. The relative market share is 45.2%.

Europe (Italy excluded)

The turnover achieved in Europe was equal to euro 454 million (an increase of 0.9% compared to 2002). Despite the general decline in consumption, also in this area the positioning of the products, according to the market research companies confirms and often improves the market share.

In France, the turnover amounted to euro 119 million with a 2.4% decrease versus 2002 mainly due to a contraction of domestic consumption and the fierce competition by Hard Discounts. In the market, pasta products achieved an increased value market share of 18.4% (1.3 p. versus 2002).

In Germany, the turnover was euro 83 million, with a 3.5% decrease with respect to 2002.
This result is influenced by a positive evolution of pasta products and a significant set-back of Wasa products. Pasta products achieved a value market share of 9.1% (up 0.6 p. versus 2002) and Barilla brand sauces achieved a market share in value terms of 15.5% (up 1.3 p. versus 2002).

In Switzerland, the turnover amounted to euro 34 million in line with the preceding year. In the market, pasta products recorded a market share of 19.1% (up 0.3 p. versus 2002) and sauces increased to 25.9% (up 2.9 p. versus 2002).
In Sweden, the turnover was euro 64 million with a 3% decrease compared to 2002. Sales from pasta and sauces increased achieving value market shares respectively of 31.2% and 18.5%.

Greece, with the two Barilla and Misko brands, recorded also this year positive results with a turnover of euro 49 million in line with the previous year and a market share in value terms of 44.8%.

In 2003, the WASA brand reported a decrease in the turnover due to the weak performance of German and Swedish markets but firmly held the leading position on the crisp bread market in the reference countries with value market shares of 88.9% in Denmark (up 3.2 p. versus 2002), 78.4% in Norway (up 0.9 p. versus 2002), 66.8% in Sweden (down 0.7 p. versus 2002) and 65.3% in Germany (down 0,7 p. versus 2002).

North America

In 2003 the North America turnover amounted to euro 190 million with a 9% decrease with respect to 2002 mainly due to the weakening of the US dollar against the euro. In fact, comparing the turnover in local currency (US$), the year 2003 reflects a 7.8 % growth versus 2002.
The Barilla brand, in the U.S., according to the market research companies, has further gained market share on the pasta market reaching 17.2% in value terms (up 2.4 p. versus 2002) and 15.1% in volume (up 2 p. versus 2002) confirming also in 2003 its market leader position on the pasta market.

Other international markets

These markets have particularly suffered the adverse international economic

scenario and the strong competitive pressure in the domestic markets.
Nevertheless, the Group on the whole achieved a total sales turnover of euro 111 million with a 2.8% growth over the excellent 2002.
In Mexico, the Group has a value market share of 26.3% (an increase of 1.6 p. compared to 2002) of which 6.5% relating to the Barilla brand products.
In Turkey, the turnover amounted to euro 37 million with a 5.7% increase compared to 2002. The pasta market share in value terms has achieved a 25.1%.

Key events in the financial year

In the course of 2003, the following transactions took place:

- Merger through incorporation of Barilla Capital Corporation SpA on October 27, 2003.
- Reverse merger of the Parent Company Barilla G.e R. F.lli SpA on December 22, 2003 into Barilla Alimentare SpA, which then changed its name into Barilla G. e R. Fratelli - Società per Azioni.
- Merger through incorporation of Forneria Lucana SpA on December 31, 2003.
- Purchase in March 2003 of a 44.9% interest in Filiz Gida S.A. achieving the full control of the company.

The updating of the procedures set forth in the Legislative Decree 196/2003, Personal Data Protection Code relative to the IT security, has been carried on. In particular, the programmatic document on data processing security will be updated within the end of June.

Transaction between the parent company and the Group Companies

Your Company has carried out transactions with subsidiaries, associated companies and other Group Companies, such as rentals, purchase, and sale of finished products, services and other supplies.
The transactions have been concluded on the basis of normal market conditions.
The detailed list of the related balance-sheet balances, costs and revenues is provided in the specific annexes to the notes of the financial statements of the Parent Company.
The Company has moreover entered into financial relationships with subsidiaries, associated companies and other Group Companies arising from interest-bearing loans and the management of reciprocal current accounts for the settlement of intragroup and third parties debits and credits.
The charged interest rate was substantially in line with the market average interest rate.
The percentage of ownership and the net profit or loss reported in the financial year by the Group Companies are provided in the specific annex to the notes to the financial statements.

Own shares and shares or quotas of the Parent Company

During the 2003 financial year, the Parent Company has voided its own shares as a result of the merger with its former parent company. In 2003 no own shares and/or shares of the Parent Company were purchased or sold directly or through trust companies or a third party.

Capital investments

The Group continued to invest in capital expenditures focused on the technological improvement and the increasing productive capacity in Italy and abroad.
The investment in capital expenditures made by the Group in the year totalled euro 120 million (euro 99 million in the previous year). With this amount, the investments made in the last five-year period aggregate to the substantial sum of some euro 630 million.
The most important investments realised during the year were relative to the installation and start-up of new production and logistic systems in Novara, Ames (USA) and Pedrignano, as well as the set-up of new production lines in Cremona and Rubbiano.
The investment in tangible assets made by the Parent Company in the year amounted to euro 73.8 million.

Research and development

In Parma and Foggia centres, the Group has continued to work on new technologies, product development and continuous upgrade of existing products in order to achieve an ever better people satisfaction and to safeguard its right to food safety.
The Group has also continued carrying out the research activity in agronomic and milling fields in order to improve the quality of raw materials, their suitability to utilisation in the production process and their nutritional value.
The Group spent euro 38 million for R&D during the year, entirely expensed in 2003, with a 15% increase with respect to the previous year.

Human resources and organisation

As at 31 December 2003, the Group employed, in line with the previous year, a workforce of 7,018 persons, of which 5,099 in Italy and 1,919 abroad.

The workforce of the Parent Company as at 31 December 2003 was of 4,785 employees subdivided as follows:

Categories	2003	2002
Managers	308	311
White Collars	1,002	986
Salesman	208	215
Blue Collars	3,267	3,497
Total	**4,785**	**5,009**

The cost of labour of the Parent Company amounted to euro 251 million, of which euro 14 million relating to the provision for leaving indemnity.
During 2003, the Group continued to implement an articulate training and educational programme directed to develop and strengthen competencies as well as managerial and technical know-how.

Subsequent events

There are no significant events occurred after the balance-sheet closing date.

Business outlook

In the first months of the financial year 2004, business results showed a weak economic trend linked to the persisting dullness of the consumer spending particularly in Europe, where the pressure of Private Labels rises and the growth of Hard Discounts continues its development.

Proposal to be voted on by the Shareholders

To the Shareholders,
The financial statements of your Company for the year ended on 31 December 2003, on which you are being invited to vote, show a net profit of euro 134,533,204 which we propose to allocate as follows:
- Euro 6,726,660 to legal reserve
- Euro 123,016,544 to extraordinary reserve
- Euro 4,790,000 to reserve ex-law 488/92

This latter reserve is required to conform the Shareholders' equity to the size of the capital expenditures foreseen in the project No. 68182-11 and the project No. 68181-11.
Finally, we would like to inform you that the term of office of Directors and the three-year term of office of the Board of Statutory Auditors have been completed.
We would like to thank you for the confidence placed in us and express our best wishes for the continuos success of the Company, and we invite you to vote the following taking into account the report of the Board of Statutory Auditors:
- Financial Statements for the year ended 31 December 2003;
- Appropriation of the net profit for the financial year 2003;
- Appointment of the Board of Directors, after having determined the number of its members;
- Appointment of the Chairman of the Board of Directors;
- Emoluments payable to the Directors;
- Appointment of the Board of Statutory Auditors;
- Appointment of the Chairman of the Board of Statutory Auditors.

THE CHAIRMAN OF THE BOARD
OF DIRECTORS

Guido Maria Barilla

CONSOLIDATED FINANCIAL STATEMENTS BARILLA G. e R. Fratelli Società per Azioni
Financial year ended 31 December 2003

BALANCE SHEET

(in thousand of euro)	2003	2002
ASSETS		
A) Subscribed capital unpaid	-	-
B) Fixed assets:		
I) Intangible assets:		
1) organisational costs	35	595
3) patents and industrial rights	890	904
4) trademarks and similar rights	33,353	40,223
5) goodwill	3,209	4,281
5 bis) difference on consolidation - goodwill	227,966	250,910
7) others	7,526	9,000
Total intangible assets	**272,979**	**305,913**
II) Tangible assets:		
1) land and buildings	300,181	322,641
2) plant and machinery	520,018	529,137
3) industrial and commercial equipment	7,240	8,208
4) other assets	21,575	23,988
5) assets under construction and payments on account	61,153	45,666
Total tangible assets	**910,167**	**929,640**
III) Financial fixed assets:		
1) investments:		
b) associated companies	2,170	341
d) other companies	399	2,889
2) Receivables:		
d) other	5,293	7,443
3) other securities	33,796	34,201
Total financial fixed assets	**41,658**	**44,874**
Total fixed assets	**1,224,804**	**1,280,427**
C) Working capital - assets:		
I) Inventories:		
1) raw materials and supplies	100,755	101,615
2) work in progress and semifinished products	11,561	8,739
4) finished goods	73,412	76,796
5) payments on account	233	833
Total inventories	**185,961**	**187,983**
II) Receivables:		
1.1) trade receivables due within one year	366,544	324,029
1.2) trade receivables due after one year	8,677	2,427
4) from parent companies	3,829	106,271
5.1) other receivables due within one year	154,865	166,119
5.2) other receivables due after one year	821	1,544
Total receivables	**534,736**	**600,390**
III) Current financial assets:		
4) other investments in equity securities	5	11
6) other securities	174,959	222,305
Total current financial assets	**174,964**	**222,316**
IV) Cash and cash equivalents:		
1) cash at bank and post office	110,774	61,967
2) cheques	30	15
3) cash on hand	211	322
Total cash and cash equivalent	**111,015**	**62,304**
Total working capital - assets	**1,006,676**	**1,072,993**
D) Accrued income and prepaid expenses	**23,156**	**14,917**
Total assets	**2,254,636**	**2,368,337**

	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity		
I) Share capital	175,440	46,440
III) Revaluation reserve	-	117,507
IV) Legal reserve	13,707	9,337
VII) Other reserves:		
- Other reserves	11,663	11,663
- Translation reserve	(24,122)	(7,500)
- Revaluation reserve I.A.S. 29	16,609	15,019
- Contribution from Shareholders	15,300	-
VIII) Retained earnings	489,254	666,251
IX) Net profit (loss)	106,866	142,191
Group Shareholders' equity	**804,717**	**1,000,908**
- Minority interest	10,318	17,368
- Minority interests' net profit/(loss)	467	(740)
Total Shareholders' equity	**815,502**	**1,017,536**
B) Provisions for contingencies and other charges:		
1) provisions for retirement benefits and similar obligation	35,840	34,319
2) provision for deferred tax and tax contingencies	58,993	56,755
3) other provisions	43,015	53,622
Total provisions for contingencies and other charges	**137,848**	**144,696**
C) Provisions for employees' leaving indemnity	**93,259**	**91,330**
D) Payables:		
3.1) banks borrowings due within one year	134,272	118,176
3.2) banks borrowings due after one year	92,966	139,172
4.1) payables to other financial institutions due within one year	18,324	4,004
4.2) payables to other financial institutions due after one year	193,253	190,656
6) trade payables	483,486	495,565
9) payables to associated companies	677	682
10) payables to parent companies	110,429	-
11) tax payables	46,517	35,207
12) payables due to social security institutes	12,939	12,163
13) other payables	79,273	79,078
Total payables	**1,172,136**	**1,074,703**
E) Accrued liabilities and deferred income	**35,891**	**40,072**
Total liabilities and Shareholders' equity	**2,254,636**	**2,368,337**
Memorandum accounts		
Financial instruments	493,688	514,253
Purchase commitments	107,991	27,009
Commitments and guarantees	123,493	165,397
Total memorandum and contingency accounts	**725,172**	**706,659**

	2003	2002
PROFIT AND LOSS		
A) Production value:		
1) revenues from sales and services	2,511,855	2,474,697
2) change in inventories of work in progress, semifinished and finished products	1,978	14,515
4) increase in tangible assets for internal work	6,950	7,004
5) other revenues	53,933	50,187
5.1) income grants	2,679	360
Total production value	**2,577,395**	**2,546,763**
B) Production costs:		
6) purchase of raw materials	(807,470)	(801,476)
7) service costs	(1,019,923)	(979,624)
8) lease and rent expenses	(26,438)	(23,330)
9) payroll costs:		
a) wages and salaries	(244,163)	(241,886)
b) social security contributions	(76,583)	(75,960)
c) employees leaving indemnity	(15,290)	(15,433)
e) other payroll expenses	(5,037)	(4,252)
10) amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	(29,422)	(28,471)
b) depreciation of tangible assets	(107,715)	(115,689)
d) bad debt expense	(3,588)	(4,457)
11) change in inventories of raw materials, consumables and supplies	(237)	(4,654)
12) provisions for contingencies	(9,195)	(22,238)
14) other operating costs	(46,961)	(43,817)
Total production costs	**(2,392,022)**	**(2,361,287)**
Difference between production revenues and costs	**185,373**	**185,476**
C) Financial income (expenses):		
15) income from equity investments	25	111
16) other financial income:		
a) from fixed financial receivables	152	219
b) from fixed financial securities	1,971	1,437
c) from other securities	15,369	27,522
d) from others:		
- others	50,876	57,684
- from parent companies	2,890	5,142
17) interests and other financial expenses:		
a) to others	(47,458)	(85,401)
Total financial income (expenses)	**23,825**	**6,714**
D) Valuation adjustments to financial assets:		
19) write downs:		
a) equity investments	(1,330)	(1,679)
c) other securities other than equity investments	(19,655)	(5,975)
Total value adjustments-net	**(20,985)**	**(7,654)**
E) Extraordinary income (expenses):		
20) Income	2,761	-
21) Expenses	(12,797)	-
Total extraordinary income (expenses)	**(10,036)**	**-**
Profit/(loss) before taxes	**178,177**	**184,536**
22.1) current income taxes for the period	(69,424)	(48,832)
22.2) deferred income taxes	(1,420)	5,747
- Net profit(loss) including the minority interests	**107,333**	**141,451**
- Net profit(loss) attributable to minority interests	467	(740)
- Net profit (loss)	**106,866**	**142,191**

Content and form

Dear Shareholders,
The consolidated financial statements, which consist of the balance sheet, the profit and loss account and the notes, have been prepared in accordance with Legislative Decree No. 127/91, which is in compliance with the VII Directive of the European Union. The consolidated financial statements have been supplemented with the consolidated cash flow statement.
Key information on Group activities, most significant events of the year, subsequent events and business outlook are discussed in the Directors' Report.
The consolidated financial statements have been audited by PricewaterhouseCoopers S.p.A..

Consolidation area

The consolidated financial statements include the accounts of Barilla G. e R. Fratelli Società per Azioni, the Parent Company, and all its subsidiaries, which are listed in Annex 1.
In 2003 the old parent company Barilla G. e R. F.lli SpA was merged into its direct subsidiary Barilla Alimentare SpA, which has been renamed Barilla G. e R. Fratelli Società per Azioni. This transaction had no effect on the consolidation area compared to previous year.
The consolidation area has been modified as a result of the incorporation of Serpasta S.A. de C.V. by Barilla Mexico S.A. de C.V., a jointly controlled entity with Grupo Herdez S.A. de C.V., which is consolidated according to the proportionate consolidation method.

No changes in the Group ownership interest in the consolidated subsidiaries has been reported in 2003 except for Gelit SpA, increased from 86% to 93%, and Filiz Gida S.A., increased from 55% to 99.995%.

The closing date of the consolidated financial statements corresponds to the closing date of the financial statements of the parent company and of the consolidated subsidiaries.

Principles of consolidation

The financial statements used in the consolidation process are those at 31 December 2003, approved by the shareholders of the individual companies or the draft financial statements prepared by the respective Board of Directors. These financial statements have been adjusted to comply with the Group accounting principles, if necessary.

All the companies included in the consolidation area, with the exception of Barilla Mexico S.A. de C.V. and its subsidiary Serpasta S.A. de C.V., which are proportionally consolidated, have been consolidated on a line by line basis. In particular:
- the assets, liabilities, revenues and costs are fully consolidated and the share of net equity and net profit or loss attributable to minority interests are shown separately;
- the book value of investments in consolidated companies has been eliminated against the related underlying net equity, from the acquisition or formation date; any positive difference has been recorded as an asset in "Difference on consolidation";
- receivables, payables, revenues and costs resulting from transactions between consolidated companies have been eliminated;
- gains and losses arising from intragroup transactions have been eliminated;
- all dividends, capital increases and write-downs of investments in consolidated companies have been eliminated;
- tax driven accruals and value adjustments recorded in the financial statements of individual companies have been eliminated, taking into account the related deferred tax effects.

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

General note

We certify that the accounting records of the Parent Company and of the subsidiaries fully reflect the transactions occurred during the year.
The line items with zero balance in both years have been eliminated from the statements. In the notes, previous year amounts are indicated in brackets.
All amounts are expressed in thousands of euro.
Compensation paid to the Directors and Statutory Auditors of the Parent Company for the performance of their duties in the Parent and other compa-

nies included in the consolidation area is as follows:

	2003	2002
Directors	3,729	4,063
Statutory Auditors	645	372

Accounting principles

The accounting principles used for the preparation of the consolidated financial statements are in compliance with the provisions of Italian Legislative Decree No. 127 of 9 April 1991, as interpreted and integrated by the accounting principles issued by the "Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri". For accounting matters not covered and not in contrast with Italian regulation, reference was made to International Financial Reporting Standards (IFRS).
The accounting principles used in 2003 are consistent with those used in the previous year.
The previous year figures, presented for comparative purposes, have been reclassified where necessary to ensure full comparability.

- Intangible assets:

Organisational costs are recorded at cost and depreciated with the straight-line method.
The difference between the acquisition cost of the investments in subsidiaries and the underlying net shareholders' equity at the date of the acquisition is reported in the balance sheet as "Difference on consolidation" when such excess cannot be allocated to the assets acquired. The difference on consolidation and goodwill is amortised using the straight-line method over a period of time deemed to reflect the future economic benefits and, in any case, not exceeding 20 years.
Trademarks are recorded at cost and amortised on the basis of their useful life, estimated at 20 years. Intangible assets, which at the date of the financial statements are permanently impaired, are written down accordingly. Impairment losses are reversed if the reasons for the previous write-down are no longer valid.

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

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

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

- Tangible assets:

Tangible assets are stated at purchase cost, revalued where permitted by specific law and shown net of accumulated depreciation. The cost does not include capitalised interest expense. The cost of assets internally produced includes only construction direct costs.
Tangible assets, that, at the date of the financial statements, are permanently impaired, are written down accordingly. Impairment losses are reversed if the reasons for the previous write-down are no longer valid. Depreciation is calculated using the straight-line method on the basis of the estimated residual useful life.

The depreciation periods are as follows:

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

Leasehold improvements are capitalised and amortised over the lower of the lease term or the useful life of the leasehold improvement.
Assets acquired under finance lease arrangements are capitalised against the corresponding lease obligation. Assets acquired under finance lease are depreciated over their useful life.
Ordinary maintenance and repair costs are expensed as incurred. Improvement and expansion costs, where they represent an increase of the asset value or useful life, are capitalised as part of the related assets.

- Financial fixed assets:

Investments

Investments in associated companies are recorded using the equity method or at cost where immaterial for the group financial statement presentation.
Investments in other companies are recorded at cost.
Investments that at the date of the financial statements are permanently impaired are written down accordingly. Impairment losses are reversed up to the original amount in subsequent years, when the reasons for the original write-down are no longer valid.

Financial receivables

Financial receivables are recorded at the estimated realisable value.

Other securities

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

- Inventories:

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

- Receivables and payables:

Receivables are recorded at their estimated realisable value.
Payables are recorded at the nominal value, representing the effective expected repayment.
Transactions denominated in foreign currency are recorded at the exchange rates prevailing at the date of the transactions. At the end of the year, accounts receivable and payable denominated in foreign currency are adjusted using the year-end exchange rates.
Foreign exchange gain and losses are recorded in the profit and loss account as part of the financial income or expense.

- Current financial assets:

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

- Cash and cash equivalents:

Cash and cash equivalents are stated at nominal value.

- Accrued income and prepaid expenses:

Prepayments and accrued income are determined on an accrual basis.

- Provisions for contingencies and other charges:

Provisions for contingencies and other charges are recorded to cover losses or liabilities that are certain or likely to be incurred, even if the amount or the date on which the liability will be settled is uncertain.

- Employees' leaving indemnity and and other similar obbligations:

Provision for employees' leaving indemnity is recorded in accordance with specific laws, national labour contracts and additional local agreements in force. The provision fully covers employees' retirement and pension obligation at the end of the year.

- Revenue recognition:

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

- Research, development and advertising costs:

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

- Government grants:

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

- Income taxes:

Current income taxes are recorded in the "Taxes payable" line on the basis of the estimated taxable income of each consolidated company according to a conservative interpretation of the tax laws, net of any taxes advance payment.
Deferred income taxes, resulting from the temporary differences between book and tax basis of assets and liabilities, are accounted for in accordance with the principle No. 25 "Accounting for Income Taxes" issued by the "Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri". Deferred tax liabilities are classified in the "Provisions for contingencies and other charges". Deferred tax assets are classified as "Other receivables" and are recorded only when there is reasonable certainty that will be recovered in future years.

- Derivative financial instruments

Derivative financial instruments qualifying for hedge accounting are recorded consistently with the hedged items.
Other derivates are recorded at the lower of cost or market value on a portfolio basis for type of derivate. The nominal value of these derivates is shown in the memorandum accounts.

- Commitments and risks:

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

- Related party transactions:

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

Employees

In addition to the information already specified in the Directors' report, the average number of employees is 7,204 (7,243), divided as follows:

	2003	2002
Managers and white collars	2,471	2,430
Blue collars	4,733	4,813
Total	**7,204**	**7,243**

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

BALANCE SHEET:
ASSETS

B) FIXED ASSETS
I) Intangible assets
euro 272,979 - (305,913)

Details of the intangible assets are as follows:

	Organisational costs	Patents and industrial rights	Trademarks	Goodwill/ consolidation difference	Others	Total
Cost	3,480	5,232	98,565	370,218	12,001	489,496
Accumulated amortisation	(2,885)	(4,328)	(58,342)	(115,027)	(3,001)	(183,583)
Net Book Value 31/Dec/2002	**595**	**904**	**40,223**	**255,191**	**9,000**	**305,913**
Increases	-	715	844	911	1,335	3,805
Exchange rate difference and other	(1)	-	(1,685)	(5,586)	(45)	(7,317)
Amortisation	(559)	(729)	(6,029)	(19,341)	(2,764)	(29,422)
Net Book Value 31/Dec/2003	**35**	**890**	**33,353**	**231,175**	**7,526**	**272,979**

Trademarks mainly comprises the Pavesi trademark.
The consolidation difference is related to acquisitions of Pavesi SpA and Wasa Group made in previous years. These differences are amortised over a period of 20 years, determined considering the strategic value of the investment and the expected profitability of the products sold under those brands. The 2003 increase in the "Difference on consolidation" is due to the goodwill paid for the acquisition of an additional 7% of Gelit SpA. The other changes are mainly due to the acquisition of a 44.995% interest in Filiz Gida S.A. at an amount lower than the underlying net assets.

II)Tangible assets
euro 910,167 - (929,640)

Details of tangible assets and of changes in the financial year are as follows:

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction	Total
Cost and other additional expenses	341,869	1,233,712	60,186	72,952	45,666	1,754,385
Revaluations	111,038	151,862	2,849	8,265	-	274,014
Accumulated depreciacion	(130,266)	(856,437)	(54,827)	(57,229)	-	(1,098,759)
Net Book Value 31/Dec/2002	**322,641**	**529,137**	**8,208**	**23,988**	**45,666**	**929,640**
Capital expenditures	-	-	-	-	119,870	119,870
Capitalisation	8,501	87,259	3,849	3,636	(103,245)	-
IAS n°29 adjustment	1,177	1,344	1	53	-	2,575
Disposals	(9,030)	(1,320)	(124)	(92)	(49)	(10,615)
Exchange rates differences	(10,111)	(7,308)	(12)	(224)	(1,089)	(18,744)
Depreciation	(12,997)	(89,094)	(4,682)	(5,786)	-	(112,559)
Net Book Value 31/Dec/2003	**300,181**	**520,018**	**7,240**	**21,575**	**61,153**	**910,167**
of which revaluation, net of depreciation	78,765	57,829	-	297	-	**136,891**

The adjustment to conform to IAS 29 principles relates to the Turkish subsidiary Filiz.
Tangible assets include monetary revaluations (as per Law 413/91 - Article 24 and subsequent Articles, Law 576/75, Law 72/83, Article 16 of the Presidential Decree 598/73, Law 823/73 and Law 342, dated 21 November 2000 - Articles 10 and 16) accounted for in previous financial years.

Depreciation of tangible assets is shown in the financial statements net of the annual release of government grants for euro 4,844 (4,184).
Buildings and plant are encumbered by mortgages and liens in favour of third-party lenders as described in the note relating to bank borrowings.

Capital expenditures amounts to euro 120 million in 2003 and euro 99 million in 2002, while capital expenditures approved by the Group for the 2003 financial year are some euro 74 million.
Accumulated depreciation includes an impairment loss of euro 31,595; the movement of the year is as follows:

	Balance at 31/Dec/2002	Increase	Decrease	Balance 31/Dec/2003
Accumulated impairment losses	23,846	7,796	(47)	31,595

III) Financial fixed assets
euro 41,658 - (44,874)

1) Investments euro 2,569 - (3,230)
The details are as follows:

	2002	Purchase from third parties	Decreases	Write-downs	2003
Sinfo Pragma S.p.A.*	341	-	-	-	341
BRW Italia S.p.A.*	-	1,829	-	-	1,829
Total associated companies	**341**	**1,829**	**-**	**-**	**2,170**
Pallino Pastaria Company		1,330	-	(1,330)	-
Grupo La Moderna	2,493	-	(2,493)	-	-
Parma Airport	221	-	-	-	221
Other minor companies	175	3	-	-	178
Total other companies	**2,889**	**1,333**	**(2,493)**	**(1,330)**	**399**
TOTAL INVESTMENTS	**3,230**	**3,162**	**(2,493)**	**(1,330)**	**2,569**

* investments valued at cost as immaterial

The 13.824% minority interest in Pallino Pastaria Company, acquired in 2003, was entirely written off in the year.

2) Receivables euro 5,293 - (7,443)

The breakdown is as follows:

	2003	2002
On account tax payments on employees' leaving indemnity as per law 140/97	4,717	5,866
Guarantee deposits	576	1,577
Total	**5,293**	**7,443**

3) Other securities
euro 33,796 - 34,201

This amount is mainly represented by investment grade corporate bonds expiring in February and March 2006. The comparison with their market value at 31 December 2003 shows an unrecorded gain of some euro 1,650.

C) Working capital
euro 1,006,676 - (1,072,993)

I) Inventories
euro 185,961 - (187,983)

	2003	2002
Raw materials and supplies	114,263	112,386
Obsolescence provision	(13,508)	(10,771)
Net inventories	**100,755**	**101,615**
Work in progress and semi-finished goods	12,300	9,177
Obsolescence provision	(739)	(438)
Net inventories	**11,561**	**8,739**
Finished goods and goods for resale	74,858	78,447
Obsolescence provision	(1,446)	(1,651)
Net inventories	**73,412**	**76,796**
Payments on account	233	833
Total	**185,961**	**187,983**

The valuation of inventories at current costs is in line with the value recorded in the financial statements.
The movement in the obsolescence provision is as follows:

	2002	Increase	Decrease	2003
Obsolescence provision	12,860	4,829	(1,996)	15,693

1) Trade receivables
euro 375,221 - (326,456).

This item consists of:

	2003	2002
Trade receivables	389,365	339,421
Bad debts provision	(14,144)	(12,965)
Total	**375,221**	**326,456**

The receivables due after one year amount to euro 8,677 (2,427) and refer to a sale of a building with payment due in 2005.
Trade receivables in foreign currencies at year-end consist primarily of US dollar 25,371,348 and swedish krona 79,477,240.
The movement in the bad debts provision is as follows:

	2002	Increase	Use/Decrease	2003
Bad debts provision	12,965	3,588	(2,409)	14,144

2) Receivables from parent companies euro 3,829 - (106,271)

The balance refers to trade receivables from the parent Barilla Holding; last year the balance included a short-term loan.

5) Other receivables
euro 155,686 - (167,663).

The detail is as follows:

	2003	2002
VAT	70,279	48,842
Other tax receivables	8,666	18,863
Deferred tax assets	8,791	9,076
Receivables from factoring companies	31,459	32,933
Receivables for government grants	3,604	1,471
Receivables from social security institutions	1,324	888
Advances to suppliers	11,721	11,447
Receivable from employees	1,719	1,654
Receivable from suppliers	3,295	2,781
Withholdings on interests and dividends	4,686	20,747
Financial receivables	-	4,458
Other	10,142	14,503
Total	**155,686**	**167,663**

Receivables from factoring companies refers to the transfers of receivable without recourse.

Others receivables comprises euro 2,517 (4,870) of unrealised gains on forward foreign exchange contracts and euro 821 (1,544) of long-term receivables.

III) Current financial assets
euro 174,964 - (222,316)

These include triple A bonds amounting to euro 173,409 issued by the World Bank and BEI, mainly denominated in US dollar and canadian dollar.

IV) Cash and cash equivalents
euro 111,015 - (62,304)

The analysis is as follows:

	2003	2002
Cash at bank	109,970	60,446
Cash at post office	19	55
Short-term liquidity investment	785	1,466
Cheques	30	15
Cash equivalents on hand	211	322
Total	**111,015**	**62,304**

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

D) Accrued income and prepaid expenses
euro 23,156 - (14,917).

Detail is as follows:

	2003	2002
Accrued interest income	12,156	8,646
Prepaid lease expenses	4,349	2,656
Prepaid advertising expenses	869	441
Other	5,782	3,174
Total	**23,156**	**14,917**

LIABILITIES

A) Shareholders' equity
euro 815,502 - (1,017,536)

The movement in Shareholders' equity is reported in Annex 2.
The share capital of Barilla G. e R. Fratelli is fully paid up and consists of 34,000,000 ordinary shares with a nominal value of euro 5.16 each.
The IAS 29 revaluation reserve relates to the Turkish subsidiary Filiz.
The decrease in the minority interests is due to the acquisition of additional interest in Gelit SpA and Filiz Gida S.A., and to dividend payment.

B) Provisions for contingencies and other charges
euro 137,848 - (144,696)

Details and movement for the year are as follows:

	2002	Increase and provisions	Decrease and utilisation	2003
Provisions for retirement benefits and similar obligations	34,319	2,606	(1,085)	35,840
Provision for deferred tax and tax litigations	56,755	6,196	(3,958)	58,993
Other provisions				
- Employee related risks	20,790	7,830	(11,208)	17,412
- Unrealised losses on interest rate derivatives	10,189	151	(3,239)	7,101
- Investments valuation	997	-	(997)	-
- Miscellaneous	21,646	1,644	(4,788)	18,502
Total other provisions	53,622	9,625	(20,232)	43,015
Total	**144,696**	**18,427**	**(25,275)**	**137,848**

The provision for retirement benefits and similar obligations includes an indemnity for sales agents calculated in conformity with laws and collective labour agreements. The amount fully covers the indemnity vested in favour of the agents.
The provision for taxes includes, in addition to the deferred tax provision, a conservative estimate of potential liabilities on open tax litigations.
The provision for risks relating to employees has been recorded in connection with a restructuring programme and other employee incentive plan.
The provision for losses on investments has been utilised following the disposal of the investment in Grupo La Moderna; this provision was recorded in previous years to cover the impairment in the carrying value of the investment.
The provision for miscellaneous risks primarily relates to commercial and corporate restructuring plan in Turkey and miscellaneous risks.
In the profit and loss account, the provisions for risks relating to employees and for miscellaneous risks have been accrued through the "Provision for contingencies" line.

C) Provisions for employees' leaving indemnity
euro 93,259 - (91,330)

The movement in the financial year is as follows:

	2003	2002
Balance at 1 January	91,330	89,018
Increase	15,290	15,281
Decrease	(13,361)	(12,969)
Balance at 31 December	**93,259**	**91,330**

The decrease reflects payments and advances made during the year.
In the first months of 2004, an amount of euro 1,196 has been paid.

D) Payables
euro 1,172,136 - (1,074,703)

3) Banks borrowings euro 227,238 - (257,348) of which euro 92,966 (139,172) due after one year.
Short-term banks borrowings of euro 134,272 (118,176) include bank overdrafts for euro 32,515 (85,204), import/export financing for euro 3,789 (1,815) and the current portion of medium and long-term debt for euro 97,968 (31,157).
At 31 December 2003, medium and long-term bank borrowings amount to euro 92,966 (139,172) net of the short-term portion of loans expiring after one year.
The medium and long-term bank borrowings guaranteed by fixed assets of the Group amount to euro 68,007 - (82,280).
The repayment schedule of medium and long-term banks borrowings is as follows:

2005	2006	2007	2008 and beyond	Total
14,529	35,669	15,984	26,784	92,966

The net financial debt position of the Group at 31 December 2003 shows a net indebtedness of euro 226 million versus euro 27 million in 2002.

4) Payables to other financial institutions euro 211,577 - (194,660), of which euro 18,324 (4,004) due after one year, is detailed as follows:

	2003	2002
Lease obligation - current portion	351	25
Guaranteed debts to other financial institutions - current portion	-	4
Unguaranteed debts to other financial institutions - current portion	17,973	3,975
Lease obligation - non current portion	2,626	-
Guaranteed debts to other financial institutions - non current portion	-	29
Unguaranteed debts to other financial institutions - non current portion	190,627	190,627
Total	**211,577**	**194,660**

Unguaranteed debts due to other financial institutions after one year refer to a loan of euro 190,593 expiring in 2006; the accrued interest of euro 3,133 is classified in the current portion.
The debts due to other financial institutions include an amount of euro 14,840 due to Finba Luxembourg, a subsidiary of the parent company Barilla Holding Società per Azioni.

6) Trade payables
euro 483,486 - (495,565)

Trade payables in foreign currencies principally consist of US dollar 27,205,672 and swedish krona 44,855,200.

9) Payables to associated companies
euro 677 - (682)

Payables to associated companies refer exclusively to trade payables due to Sinfo Pragma S.p.A..

10) Payables to parent companies
euro 110,429 - (-)

Payables to parent companies refer to a loan, including accrued interests, due to Barilla Holding Società per Azioni.

11) Tax payables
euro 46,517 - (35,207)

The analysis is as follows:

	2003	2002
Current tax payable	27,555	19,669
Equalisation tax, Law 342/2000	1,871	1,281
Tax withheld on employee compensation	10,694	9,272
Tax withheld on service providers	552	575
I.R.P.E.F. surtax	136	80
VAT	307	15
Other taxes payable	5,402	4,315
Total	**46,517**	**35,207**

At 31 December 2003, certain Group companies have tax losses carry-forward for some euro 195,616 (199,749). These losses carry-forwards can be used to reduce future taxable profits. Consistently with previous years, the potential tax benefit on these losses is recognised when realised.

12) Payables to social security institutions euro 12,939 - (12,163)

These are detailed as follows:

	2003	2002
I.N.P.S.	11,296	10,621
ENASARCO	354	332
I.N.A.I.L.	155	27
Payable to other social security institutions	1,134	1,183
Total	**12,939**	**12,163**

13) Other payables euro 79,273 - (79,078)

These are detailed as follows:

	2003	2002
Payables to employees	40,633	41,454
Vacation accrual	23,605	22,499
Payable to the Board of Statutory Auditors'	829	904
Payables to customers	2,693	5,883
Other payables	11,513	8,338
Total	**79,273**	**79,078**

E) Accrued liabilities and deferred income euro 35,891 - (40,072)

The analysis is as follows:

	2003	2002
Government capital grants	28,822	29,629
Accrued interest expense and bank commissions	1,107	2,179
Premiums on derivatives	2,670	4,003
Other	3,292	4,261
Total	**35,891**	**40,072**

The decrease in capital grants is attributable, net of the cash received during the year, to the release of the amount credited to the profit and loss account for reducing depreciation charge.

Premiums on derivatives include an amount received upfront on an interest rate swap. This premium is released to income over the life of the derivative.

MEMORANDUM ACCOUNTS

Financial instruments euro 493,688 - (514,253)

All contracts are with primary banks or financial institutions.
The amount reported in the memorandum accounts includes the notional amount of derivatives not qualifying for hedge accounting.
The contracts outstanding at 31 December 2003 for managing foreign exchange rate risk exposure having maturities ranging from one to twelve months, are the following:

Forward foreign currency transactions:

Foreign currency	Nominal value in foreign currency	Equivalent in euro	Unrealised gain (losses)
AUD	2,000,000	1,190	(26)
CHF	3,152,575	2,024	(45)
CAD	95,000,000	59,054	406
GBP	67,500,000	95,959	(273)
USD	73,000,000	59,566	1,696
Total euro		**217,793**	**1,758**

The transactions outstanding at 31 December 2003 in order to manage the interest rate exposure are as follows:

Description	Maturity	Notional amount	Unrealised gain (losses)
No. 9 interest rate swap	from 2005 to 2010	116,671	(3,267)
No. 6 interest rate options	from 2005 to 2008	159,224	(3,834)
Total euro		**275,895**	**(7,101)**

The unrealised losses of euro 7,101 are recorded within the provision for risks and charges.

Purchase commitments
euro 107,991 - (27,009)

The item includes:

1) Wheat purchase commitments
euro 56,451 - (12,663)
These are the outstanding commitments for wheat and semolina purchases.

2) Fixed assets purchase commitments euro 51,540 - (14,346)
These are the outstanding commitments for capital expenditures.

Commitments and guarantees
euro 123,493 - (165,397)

The item includes the guarantees given to the Italian Tax Authorities against Group VAT credits.

PROFIT AND LOSS

A) Production value
euro 2,577,395 - (2,546,763)

	2003	2002
Sales of finished products - Italy	1,628,857	1,598,443
Sales of finished products - other countries	754,892	767,717
Total finished products sales	**2,383,749**	**2,366,160**
Sales of by-products	22,075	24,623
Sales of packaging	6,428	5,517
Sales of semolina and raw materials	2,497	2,746
Sales of pallets	3,409	2,605
Sales of miscellaneous materials	5,810	3,847
Revenue from product distribution and other services	87,887	69,199
Total revenues from sales and services	**2,511,855**	**2,474,697**
Changes in inventories	**1,978**	**14,515**
Internal costs capitalised on fixed assets	**6,950**	**7,004**
Other income:		
- Miscellaneous income	11,292	7,922
- Release of provisions	6,626	7,573
- Gains on disposal of fixed assets	1,452	2,488
- Insurance reimbursements	555	199
- Services	12,078	11,951
- Other revenues	21,930	20,054
Total other revenues and income	**53,933**	**50,187**
Income grants for research	1,442	74
Government contributions for butter	1,237	286
Total production value	**2,577,395**	**2,546,763**

Miscellaneous income mainly includes favourable adjustments on prior years accruals.
Services mainly includes the reimbursements of the excise duties paid on behalf of customers for euro 6,198 (5,803) and revenues for personnel assigned to parent company Barilla Holding Società per Azioni for an amount of euro 3,187 (-).
Other revenues include primarily euro 4,510 (2,601) for revenues deriving from fuel sale, and euro 3,928 (1,401) relating to indemnity for damages, shortages and penalties from logistic activity.

B) Production costs
euro 2,392,022 - (2,361,287)

6) Purchase of raw material
euro 807,470 - (801,476)

	2003	2002
Purchase of raw materials and packaging	613,133	604,589
Purchase of finished and semi-finished products	150,704	156,088
Purchase of consumable, maintenance and sundries	43,633	40,799
Total	**807,470**	**801,476**

7) Service costs
euro 1,019,923 - (979,624)

	2003	2002
Promotional and advertising services	543,194	516,033
Transport and warehouse services	172,080	165,058
Maintenance	17,015	15,498
Moving services	29,247	25,713
Technical, legal, professional and other	83,999	78,895
Sales commissions	32,930	36,040
Provision for agent leaving indemnity	1,747	1,630
Purchase of power sources	48,547	47,596
Travel and reimbursement expenses	19,122	19,294
Postage and telephone	6,174	5,523
Printing services	13,385	14,793
Insurance carriers	6,401	5,840
Market research	14,242	14,476
Environmental services	12,804	12,037
Human resources training and education	1,905	1,717
Directors' fees	4,103	4,482
Statutory auditors' fees	905	876
Staff canteen	2,672	2,519
Other	9,451	11,604
Total	**1,019,923**	**979,624**

8) Lease and rent expenses
euro 26,438 - (23,330)

	2003	2002
Real estate rentals	15,948	14,460
Vehicles and plant rentals	7,871	6,868
Office equipment rentals	2,619	2,002
Total	**26,438**	**23,330**

The increase is primarily due to trailers rented for logistic activity.

9e) Miscellaneous personnel expenses
euro 5,037 - (4,252)

	2003	2002
Accessory charges	5,037	4,252
Total	**5,037**	**4,252**

12) Provision for contingencies
euro 9,195 - (22,238)

	2003	2002
Provision for employee related risks	7,830	18,652
Provision for miscellaneous risks	1,365	3,586
Total	**9,195**	**22,238**

14) Other operating costs
euro 46,961 - (43,817)

	2003	2002
Liberalities	492	812
Losses on disposal of tangible assets	4,198	2,061
Entertainment expenses	1,092	870
Membership fees	1,610	1,503
Miscellaneous expenses	7,301	7,208
Indirect taxes	10,707	8,639
Real estate taxes	2,047	1,709
Promotional articles	10,179	13,631
Other	9,335	7,384
Total	**46,961**	**43,817**

C) Financial income (expenses)
euro 23,825 - (6,714)

	2003	2002
Income		
Income from equity investments	25	111
Interest income on employees' leaving indemnity advance	152	219
Income from financial fixed assets	1,971	1,437
Income from other securities	15,369	27,522
Other income:		
- Miscellaneous interests	728	1,945
- Foreign exchange gains (trade)	4,634	5,369
- Interests on bank and post office accounts	1,276	4,479
- Other income on financial transactions	17,368	20,808
- Foreign exchange gains on financial operations	25,223	24,684
- Monetary inflation adjustment	1,647	399
Interest income from the parent company	2,890	5,142
Total income	**71,283**	**92,115**
Expenses		
Interests due to banks or other financial institutions	(6,140)	(8,367)
Interest on loans	(3,995)	(16,894)
Foreign exchange losses (trade)	(4,178)	(6,693)
Foreign exchange losses on financial transactions	(17,638)	(17,202)
Provision for risks on financial transactions	(151)	(6,332)
Realised losses on derivates	(12,526)	(26,421)
Other expenses	(2,830)	(3,492)
Total expenses	**(47,458)**	**(85,401)**
Total financial income and expenses	**23,825**	**6,714**

"Interests due to banks or other financial institutions" includes interests in accordance with a profit pooling contract for euro 3,133 (3,975).
Other expenses include interests relating to pension liabilities for an amount of euro 1,536 (1,932).

Valuation adjustments to financial assets euro 20,985 - (7,654)

	2003	2002
Write-down of investments	(1,330)	(1,679)
Write-down of securities other than investments	(19,655)	(5,975)
Total write-down	**(20,985)**	**(7,654)**
Total	**(20,985)**	**(7,654)**

The write-down of investments refers to the investment in Pallino Pastaria Company, as already mentioned under financial fixed assets.

The write-down of securities refers to securities in foreign currency held as at 31 December 2003.

E) Extraordinary income (expenses)
euro (10,036) - (-)

	2003	2002
Extraordinary income	2,761	-
Extraordinary expenses	(12,797)	-
Total	**(10,036)**	**-**

The extraordinary income includes the gain on disposal of industrial real estate in San Mauro Torinese and Muggiò (Italy).
The extraordinary expenses include euro 6,899 for restructuring costs and euro 5,898 for the Italian tax amnesty.

22) Taxes for period euro 70,844 - (43,085)

The amount includes current income taxes for euro 69,424 (48,832) and deferred taxes for euro 1,420 (-5,747).
The effective tax rate for the year 2003 is 39.7% (24%).
The increase in effective tax rate is primarily attributable to certain tax benefits expired during the year and to the favourable permanent differences recorded in the prior year.

The annexes to the notes to the Consolidated Financial Statements are the following:

Annex 1 List of Group companies

Annex 2 Movement of Shareholders' equity

Annex 3 Cash flow statement

Annex 4 Exchange rates

LIST OF INVESTMENTS IN CONSOLIDATED COMPANIES

Company, Business, Headquarters	Currency	Share capital (in thousand of the considered currency)	%		Held by
Barilla Alimentare Mediterranea SpA Via Mantova, 166 - Parma (Italy) Production and trade of food products	EURO	18,060	100.000	100.000	Barilla G. e R. Fratelli SpA
Barilla Iniziative Srl Via Mantova, 166 - Parma (Italy) Rental of own properties	EURO	190,000	100.000	100.000	Barilla G. e R. Fratelli SpA
Pasta World SpA Via Mantova, 166 - Parma (Italy) Catering services for travellers	EURO	500	100.000	100.000	Barilla G. e R. Fratelli SpA
Barilla Servizi Finanziari SpA Via Mantova, 166 - Parma (Italy) Leasing and factoring	EURO	30,000	100.000	100.000	Barilla G. e R. Fratelli SpA
Barilla Finanziamenti 1 Srl Via Mantova, 166 - Parma (Italy) Financial	EURO	150,000	97.990	97.990	Barilla Servizi Finanziari SpA
CO.RI.AL. Scpa S.S.16 Zona Industriale Incoronata - Foggia (Italy) Food industry consortium research	EURO	8,264	100.000	95.455 4.545	Barilla G. e R. Fratelli SpA Barilla Alim. Mediterranea SpA
Academia Barilla SpA Via Mantova, 166 - Parma (Italy) Trade	EURO	100	100.000	100.000	Barilla G. e R. Fratelli SpA
F.I.R.S.T. Retailing SpA Via Mantova, 166 - Parma (Italy) Commissionaire	EURO	5,000	100.000	100.000	Barilla G. e R. Fratelli SpA
F.I.R.S.T. Commerciale Srl Via Mantova, 166 - Parma (Italy) Trade	EURO	10	100.000	100.000	F.I.R.S.T. Retailing SpA
Barilla France S.A. 2 Place des Vosges, Immeuble Lafayette, La Défense Courbevoie 92400 - Paris (France) Trade	EURO	456	99.007	99.007	Barilla G. e R. Fratelli SpA
Misko Pasta Manifacturing A.E. 26 Pappou & Ahragantos Str. - Atene (Greece) Production and trade	EURO	12,114	100.000	100.000	Barilla G. e R. Fratelli SpA
Barilla International NV Officia 1, De Boelelaan, 7 1083 - Amsterdam (Nederlands) Financial	EURO	12,231	100.000	100.000	Barilla G. e R. Fratelli SpA

Company, Business, Headquarters	Currency	Share capital (in thousand of the considered currency)	%		Held by
Barilla America Inc 1200 Lakeside Drive 60015-1243-Bannockvurn Lincolnshire (USA) Production and trade	USD	1	100.000	100.000	Barilla G. e R. Fratelli SpA
Barilla Luxembourg SA 121 Av. de la Faiancerie, L 1511 Luxembourg Financial	EURO	1,500	100.000	100.000	Barilla G. e R. Fratelli SpA
Barilla Do Brasil Ltda A.V. Pinzon, 144 - 7° Andar CJ 71 e 72 Vila OLimpia Sao Paulo (Brazil) Trade	BRL	19,538.08	100.000	100.000	Barilla G. e R. Fratelli SpA
Barilla Japan K.K. Shuwa Kiochio TBR Building 1001, 5-7 Kojimachi chioda-ku -102-0083 Tokio (Japan) Trade	JPY	10,000	100.000	100.000	Barilla G. e R. Fratelli SpA
Barilla Austria GmbH Valiergasse 61/3/5, a-62020 Innsbruck (Austria) Trade	EURO	436	100.000	100.000	Barilla G. e R. Fratelli SpA
Barilla Mexico SA de CV Calzada San Bartolo Naucalpan 360 Col. Argentina Poniente - Deleg. Miguel Hidalgo, 11230 City of Mexico (Mexico) Production and trade	MXN	50	50.000	50.000	Barilla G. e R. Fratelli SpA
Serpasta Pastificio SA de CV Calzada San Bartolo Naucalpan 360 Col. Argentina Poniente - Deleg. Miguel Hidalgo, 11230 City of Mexico (Mexico) Production and trade	MXN	50	49.000	98.000	Barilla Mexico S.A. de C.V.
Number 1 Logistics Group Srl Via Mantova, 166 - Parma (Italy) Distributive logistics services	EURO	5,000	100.000	100.000	Barilla G. e R. Fratelli SpA
Filiz Gida Sanayi Ve Ticaret SA Buyukdere cad. - Dogus Han, 42 Mecidiyekoy Istanbul (Turkey) Production and trade	TRL	2,940,000,000	99.995	99.995	Barilla G. e R. Fratelli SpA
Barilla A.G. Zugerstrasse 76B - 6340 Baar (Switzerland) Trade	CHF	1,000	99.500	99.500	Barilla International NV
Wasabrod AB 80 Commune Stockolm (Sweden) Production and trade	SEK	5,000	100.000	100.000	Barilla G. e R. Fratelli SpA

Company, Business, Headquarters	Currency	Share capital (in thousand of the considered currency)	%		Held by
Ideal Wasa AS Myrveten 12 - 23T2 Ottestad N - 2301 Hamar (Norway) Production and trade	NOK	1,950	100.000	100.000	Wasabrod AB
Wasabrod AS Mileparken, 18 DK 2740 Skovlunde (Denmark) Trade	DKK	500	100.000	100.000	Wasabrod AB
Wasa Barilla Poland Sp. Z.o.o. ul. Poleczki 23 - 822 Warsaw (Poland) Production and trade	PLN	12,150	100.000	100.000	Wasabrod AB
Barilla Wasa Deutschland GmbH Ettore Bugatti Strasse, 35 D 51149 Koln (Germany) Production and trade	EURO	51.1	100.000	100.000	Wasabrod AB
Falu Spisbrodsfabrik AB Konsul Lundstroms vag 11 - Filipstad (Sweden) Dormant company	SEK	1,000	100.000	100.000	Wasabrod AB
Barilla Australia PTY Ltd Deane Street, 9 Burwood 2134 - NSW Sidney (Australia) Trade	AUD	19,050	100.000	100.000	Barilla G. e R. Fratelli SpA
Barilla Wasa Benelux BV De Molen 13, 3994 DA Utrecht (Netherlands) Trade	EURO	18	100.000	100.000	Wasabrod AB
Aktiva Lebensmittel GmbH Wasastrasse 10 Celle (Germany) Trade	EURO	25	100.000	100.000	Barilla Wasa Deutschland GmbH
Gelit SpA Via Ninfina km. 2,700 04012 Cisterna di Latina (LT) (Italy) Production and trade	EURO	774.75	93.000	93.000	Barilla G. e R. Fratelli SpA

LIST OF INVESTMENTS IN OTHER COMPANIES

Company, Business, Headquarters	Currency	Share capital (in thousand of the considered currency)	%		Held by
Sinfo Pragma SpA Via Benedetta, 77/a - Parma (Italy) Software	EURO	550	30.000	30.000	Barilla G. e R. Fratelli SpA
ISTUD SpA Via Principe Amedeo, 1 - Milano (Italy) Staff training	EURO	1,136	0.091	0.0910	Barilla G. e R. Fratelli SpA
S.I.F. Società Investimenti Fieristici SpA Via F.Rizzi, 67 - Baganzola - Parma (Italy) Exhibitions Organization	EURO	5,161	1.235	1.235	Barilla G. e R. Fratelli SpA
CE.P.I.M. SpA Loc. Bianconese - Fontevivo - Parma (Italy) Warehousing	EURO	6,643	0.380095	0.380095	Barilla G. e R. Fratelli SpA
Immobiliare Caprazucca SpA Str. al Ponte Caprazucca, 6 - Parma (Italy) Real Estate	EURO	7,518	0.00002857	0.00002857	Barilla G. e R. Fratelli SpA
SOGEAP - Aeroporto di Parma Società per la gestione SpA Via dell'Aeroporto, 44/a Fontana - Parma (Italy) Airport activities	EURO	7,491	3.510	3.510	Barilla G. e R. Fratelli SpA
CPG Market.com S.A. 1216 Genève Cointrin (Switzerland) Trade	CHF	121,217	0.820	0.820	Barilla G. e R. Fratelli SpA
BRW SpA Via Savona, 97 - Milano (Italy) Advertising	EURO	5,160	29.000	29.000	Barilla G. e R. Fratelli SpA
Pallino Pastaria Company 1207 208th Avenue S.E. - Sammamish 98075 - Washington (USA) Production and trade	USD	10,005	13.824	13.824	Barilla America Inc.

Annex 2

	Balance at 31/Dec/02	Profit distribution	Other movements	Issue of share cap.	Currency translation	Revaluation reserve	Dividends paid	Net profit for the year	Balance at 31/Dec/03
Share capital	46,440	-	-	129,000	-	-	-	-	175,440
Legal reserve	9,337	3,407	963*	-	-	-	-	-	13,707
Revaluation res. Law 342/2000	117,507	-	7,366*	(124,873)	-	-	-	-	-
Detail of other reserves:									
Translation difference reserve	(7,500)	-	-	-	(16,622)	-	-	-	(24,122)
IAS 29 revaluation reserve	15,019	-	-	-	-	1,590	-	-	16,609
Sundry reserve	11,663	-	-	-	-	-	-	-	11,663
Future capital increase	-	-	15,300*	-	-	-	-	-	15,300
Retained earnings and profit (losses) carried forward	666,251	138,784	(23,629)*	(4,127)	-	-	(288,025)	-	489,254
Net profit of the year	142,191	(142,191)	-	-	-	-	-	106,866	106,866
Group Shareholders' equity	**1,000,908**	**-**	**-**	**-**	**(16,622)**	**1,590**	**(288,025)**	**106,866**	**804,717**
Minority interests:									
Capital and reserves	17,368	(740)	(6,079)	-	-	-	(231)	-	10,318
Net income (loss)	(740)	740	-	-	-	-	-	467	467
Total equity	**1,017,536**	**-**	**(6,079)**	**-**	**(16,622)**	**1,590**	**(288,256)**	**107,333**	**815,502**

* reclassifications resulting from the reverse merger between Barilla G. e R. Fratelli S.p.A. and Barilla Alimentare S.p.A.

(in thousand of euro)

	2003	2002
OPERATING ACTIVITIES		
Group net profit	106,866	142,191
Profit (loss) attributable to minority interests	467	(740)
- Depreciation and amortisation	137,137	144,160
- Provision for employees' leaving indemnity	15,290	15,281
- Write-down of investments	1,330	1,106
Increase/(decrease) in cash and cash equivalents resulting from the following changes		
- Trade and other receivables	(38,462)	(57,607)
- Inventories	2,022	(8,760)
- Accrued income and prepaid expenses	(8,239)	6,282
- Payables and provisions	(17,004)	70,659
- Accrued liabilities and deferred income	(5,159)	(755)
- Provision for taxes	2,238	(1,360)
- Tax payables	11,310	3,891
- Utilisation of provision for employees' leaving indemnity	(13,361)	(12,969)
- Translation and change in minority interests equity	(21,644)	2,307
CASH FLOWS GENERATED BY OPERATING ACTIVITIES	**172,791**	**303,686**
INVESTING ACTIVITIES		
- Purchase of tangible assets	(119,870)	(99,207)
- Disposal of tangible assets	29,359	32,259
- Purchase of investments	(3,162)	(406)
- Disposal of investments	2,493	-
- Net increase in other financial assets	405	(10,024)
- Purchase of intangible assets, net of disposals	(2,894)	(11,745)
- Goodwill (difference on consolidation Gelit and Filiz)	4,364	(12,036)
- Change in the consolidation area (Gelit)	-	(12,595)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(89,305)**	**(113,754)**
FINANCING ACTIVITIES		
Proceeds from long-term borrowings	176,673	129,384
Repayments of financial debt	(31,397)	(408,477)
Increase in financial receivables	106,266	(54,731)
Dividends paid	(288,025)	(97,470)
Dividends received from third parties	(231)	-
Capital grants cashed	5,822	529
CASH FLOWS USED IN FINANCING ACTIVITIES	**(30,892)**	**(430,765)**
Increase/(Decrease) in cash and cash equivalents	52,594	(240,833)
Cash and cash equivalents at the beginning of period	193,597	434,430
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**246,191**	**193,597**

Annex 4

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

		Profit and loss average exchange rate	Balance sheet Spot rate 31/Dec/03
AUD	Australian dollar	1.7381	1.6802
BRL	Brazilian real	3.4558	3.6564
CHF	Swiss franc	1.5211	1.5579
DKK	Danish krone	7.4307	7.4450
JPY	Japanese yen	130.9700	135.0500
MXN	Mexican peso	12.1567	14.1986
NOK	Norwegian krone	8.0027	8.4141
PLN	Polish zloty	4.4014	4.7019
SEK	Swedish krona	9.1244	9.0800
TRL	Turkish lira	1695090	1771638
USD	US dollar	1.1310	1.2630

REPORT
OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED ACCOUNTS AS AT 31 DECEMBER 2003, IN ACCORDANCE TO ARTICLE 41 OF THE LEGISLATIVE DECREE NUMBER 127, DATED 9 APRIL 1991

Dear Shareholders,
We have verified, as per our duties and according to the provisions of article 41 of the Legislative Decree 127/91, the consolidated accounts of the Barilla G. e R. Fratelli Società per Azioni as of 31 December 2003 (which reports a net income of euro 107,333,000, total assets of euro 2,254,636,000, shareholders' equity of euro 815,502,000 and memorandum accounts of euro 725,172,000) together with the Directors' Report.

1. Our examination has been performed according to the Rules of Conduct for the Board of Statutory Auditors recommended by the Consiglio Nazionale dei Dottori Commercialisti and, where necessary, according to International Financial Reporting Standards (IFRS).
2. In our opinion, the Consolidated Accounts referred to above, in all material respects, present fairly the financial position of the Barilla G. e R. Fratelli Società per Azioni group and the results of its operations for the year ended 31 December 2003, according to the norms on the Consolidated Accounts mentioned in paragraph 1.
3. The Group financial activity involving derivative instruments is merely finalised to hedge financial risks arising from Group's industrial activities, without a speculative aim and without bearing risks of unlimited losses.
4. We reviewed the Directors' Report accompanying the Consolidated Accounts, to verify its compliance with the provisions of article 40 of the Legislative Decree 127/91 and to verify that it is congruent with the Consolidated accounts, as dictated by article 41 of said Decree. Based on the work performed the Board of Statutory Auditors believes that the Directors' Report is correct and consistent with the Consolidated Accounts.
5. In addition, we remark the content of our Report on the Accounts of the parent company Barilla G. e R. Fratelli Società per Azioni.

Parma, 14 April 2004

The Statutory Auditors

Augusto Schianchi
Giampiero Alinovi
Mario Tardini

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Barilla G. e R. Fratelli SpA (formerly Barilla Alimentare SpA)

1 We have audited the consolidated financial statements of Barilla G. e R. Fratelli SpA and its subsidiaries as of and for the year ended 31 December 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 27 June 2003.

3 In our opinion, the consolidated financial statements present fairly the financial position of Barilla G. e R. Fratelli SpA and its subsidiaries as of 31 December 2003 and the results of their operations for the year then ended in accordance with the Italian regulation governing financial statements.

Milan, 22 April 2004

PricewaterhouseCoopers SpA

Paolo Caccini
(Partner)

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

Sede legale: Milano 20124 Via Vittor Pisani 20 Tel. 0267831 Fax 0266981433 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta all'Albo Consob – Altri uffici: **Ancona** 60123 Via Corridoni 2 Tel. 0713688I – **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Milano** 20122 Corso Europa 2 Tel. 0277851 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 0817644441 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 V.le Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Manzoni 16 Tel. 0461237004 – **Treviso** 31100 Piazza Crispi 8 Tel. 0422542726 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Marinoni 12 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

BALANCE SHEET

(amounts in euro)

ASSETS	2003	2002
B) Fixed assets:		
I) Intangible assets:		
1) organizational costs	24,768	70,266
3) patents and industrial rights	688,473	639,635
4) trademarks and similar rights	786,396	821,941
5) goodwill	12,092	4,560,943
7) others	-	13,885
Total intangible assets	**1,511,729**	**6,106,670**
I) Tangible assets:		
1) land and buildings	66,460,875	49,879,261
2) plant and machinery	252,596,042	247,057,659
3) industrial and commercial equipment	4,580,905	4,402,880
4) other assets	5,614,197	7,446,791
5) assets under construction and payments on account	31,654,067	29,518,114
Total tangible assets	**390,906,086**	**338,304,705**
III) Financial assets:		
1) Investments:		
a) subsidiaries	432,005,122	354,513,925
b) associated companies	2,169,638	40,799,267
d) other companies	323,689	2,506,293
2) Receivable:		
d) other	4,892,728	6,008,235
Total financial assets	**439,391,177**	**403,827,720**
Total fixed assets	**801,808,992**	**748,239,095**
C) Working capital - assets:		
I) Inventories:		
1) raw materials and supplies	76,355,909	68,736,630
2) work in progress and semifinished products	9,908,224	8,247,943
4) finished goods	43,527,144	46,266,686
5) payments on account	172,010	832,614
Total inventories	**129,963,287**	**124,083,873**
II) Receivables:		
1) trade receivables	179,605,493	164,644,954

	2003	2002
2) from subsidiaries	732,259,150	808,791,794
3) from associated companies	-	633,002
4) from parent companies	3,827,942	123,750,395
5) other receivables	140,725,465	91,142,819
Total receivables	**1,056,418,050**	**1,188,962,964**
III) Current financial assets:		
5) other securities	1,550,000	29,041,285
Total current financial assets	**1,550,000**	**29,041,285**
IV) Cash and cash equivalents:		
1) cash at bank and post office	92,066,392	34,439,917
3) cash on hand	159,300	146,700
Total cash and cash equivalent	**92,225,692**	**34,586,617**
Total working capital - assets	**1,280,157,029**	**1,376,674,739**
D) Accrued income and prepaid expenses	**7,484,324**	**3,367,979**
Total assets	**2,089,450,345**	**2,128,281,813**

LIABILITIES AND SHAREHOLDERS' EQUITY

	2003	2002
A) Shareholders' equity:		
I) Share capital	175,440,000	399,879,360
III) Revaluation reserve	2,027,725	114,615,885
IV) Legal reserve	13,707,028	10,300,192
VII) Other reserves	92,845,441	128,729,758
IX) Net profit	134,533,204	68,136,714
Total Shareholders' equity	**418,553,398**	**721,661,909**
B) Provisions for contingencies and other charges		
1) provisions for retirement benefits and similar obligations	942,536	1,073,859
2) provision for deferred tax and tax contingencies	8,003,230	3,445,633
3) other provisions	32,766,399	38,975,379
Total provisions for contingencies and other charges	**41,712,165**	**43,494,871**
C) Provisions for employees' leaving indemnity	**90,194,423**	**86,090,467**
D) Payables:		
3.1) banks borrowings due within one year	68,307,188	49,906,418
3.2) banks borrowings due after one year	61,939,424	73,137,889
6) trade payables	349,810,395	356,475,775
8.1) payables to subsidiaries due within one year	201,132,650	382,119,741
8.2) payables to subsidiaries due after one year	621,000,000	319,000,000
9) payables to associated companies	372,462	682,200
10) payables to parent companies	110,424,454	9,296,698
11) tax payables	27,647,711	8,832,323
12) payables due to social security institutes	10,064,171	9,330,033
13) other payables	56,367,180	57,100,586
Total payables	**1,507,065,635**	**1,265,881,663**
E) Accrued liabilities and deferred income	**31,924,724**	**11,152,903**
Total liabilities and Shareholders' equity	**2,089,450,345**	**2,128,281,813**

	2003	2002
Memorandum accounts		
Commitments for lease hold properties	149,404,135	160,246,530
Our obligations guaranteed by third parties	43,470,874	88,332,080
Commitments for purchase of wheat and semolina	56,451,333	12,663,000
Commitments for purchase of fixed assets	42,443,438	14,346,000
Guarantees to Group's companies	29,876,797	55,675,022
Guarantees to third parties	123,492,800	-
Guarantees to subsidiaries	38,038,715	118,690,874
Financial instruments	493,687,285	514,252,935
Total memorandum and contingency accounts	**976,865,377**	**964,206,441**

PROFIT AND LOSS

A) Production revenues:		
1) revenues from sales and services	1,867,893,449	1,838,141,647
2) change in inventories of work in progress, semifinished and finished products	(1,079,261)	7,368,286
4) increase in tangible assets for internal work	7,070,699	6,832,111
5) other revenues and income	60,705,016	59,327,355
5.1) income grants	4,018,416	227,872
Total production revenues	**1,938,608,319**	**1,911,897,271**
B) Production costs:		
6) purchase of raw materials	676,094,026	722,520,888
7) service costs	734,607,788	691,295,973
8) lease and rent expenses	28,065,180	20,871,277
9) payroll costs:		
a) wages and salaries	177,203,036	166,088,219
b) social security contributions	58,169,076	56,164,969
c) employees leaving indemnity	14,565,309	13,842,773
e) other payroll expenses	686,538	727,269
10) amortisation, depreciation and write-downs:		
a) amortisation of intangible assets	6,380,997	6,132,235
b) depreciation of fixed assets	84,617,569	89,192,332
d) bad debt expense	1,206,864	1,402,144
11) change in raw materials, consumables and supplies	(2,589,636)	1,962,023
12) provision for contingencies	8,678,447	20,182,611
14) other operating costs	27,695,122	26,823,963
Total production costs	**1,815,380,316**	**1,817,206,676**
Difference between production revenues and costs	**123,228,003**	**94,690,595**
C) Financial income (expenses):		
15) Income from equity investments:		
- from subsidiaries	100,824,263	94,844,485
- from other companies	-	9,564
- withholding tax on dividends	1,113,815	50,247,847

	2003	2002
16) other financial income:		
a) from fixed financial receivables	144,543	195,505
c) from other securities	122,332	2,567,461
d) from others		
- parent companies	2,889,926	3,823,192
- subsidiaries	19,286,148	8,761,092
- others	46,276,113	47,849,735
17) interests and other financial expenses:		
a) to others:		
- parent companies	(112,302)	(7,017)
- subsidiaries	(49,141,801)	(8,786,624)
- others	(37,245,558)	(44,924,589)
Total financial income and expenses	**84,157,479**	**154,580,651**
D) Value adjustments to financial assets:		
19) write downs:		
a) equity investments	17,416,537	129,718,023
c) other securities other than investments	-	656,138
Total value adjustments-net	**(17,416,537)**	**(130,374,161)**
E) Extraordinary income and expenses		
20) income	537,307	6,739,629
21) expenses	(5,897,963)	-
Total extraordinary income and expenses	**(5,360,656)**	**6,739,629**
Profit/(loss) before taxes	**184,608,289**	**125,636,714**
22) current income taxes for the period	50,075,085	57,500,000
Net profit (loss)	**134,533,204**	**68,136,714**

BARILLA G. e R. Fratelli Società per Azioni

Registered Office in Parma - Viale Riccardo e Pietro Barilla, 3/A

Share Capital euro 175.440.000 full paid
Companies register of Parma al N.01654010345
Financial intermediaries register n. 4.771
A.E.R. N° 169146
Taxpayer's code n. 01654010345
VAT Number n. 01654010345

Headquarters in Parma - Via Mantova, 166
Tel. +39 (0) 521-2621
Fax +39 (0) 521-270621-270668

External Relations
Tel. +39 (0) 521-262217-262438
Fax +39 (0) 521-262083
relazioniesterne@barilla.it

www.gruppobarilla.it
www.barillagroup.com

Graphic Design: BLL Parma
Print: Grafiche STEP - Parma

Barilla