



CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31 2001

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REPORT ON OPERATIONS FOR THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31 2001

To the shareholders,

The year 2001, the results of which are reported in the accompanying financial statements, was an exceptional and dramatic year by nature of events that characterised it. Facts that, even if in an indirect manner, negatively affected the Group's performance for the year.

The trend seen in 2001 was marked by a first half with growth in both sales and operating results, followed by a slowdown in the second half of the year.

This brusque downturn can be explained by events of an extraordinary nature not related to the Group's activities, and other circumstances dictated by market trends in raw material and the need to reorganise operations within the parent company.

Despite this sales were not affected and maintained the trend seen in the early months of the year, confirming the forecast and showing appreciable growth rates in both volumes and revenues.

During the course of 2001 the price of raw material increased sharply as a result of the negative economic situation and difficulties in the agricultural sector. Even so the Group continued to obtain supplies through its habitual channels in the belief that the quality and guaranteed source of milk from selected Piedmontese farms were extremely vital factors for its production needs.

A policy such as this, aimed at sacrificing as little as possible of the distinctive elements of production so as to guarantee quality for consumers, is not always financially beneficial in the short term.

2001 was also the year that saw the parent company's shares listed in the new telematic STAR segment of the Italian Stock Exchange. The acronym STAR stands for High Requirement Share Segment, a segment that lists shares of small and medium-sized companies in terms of capitalisation, equipped to guarantee transparency for both the market and small and large-scale investors. To ensure this the parent company has adopted a code of self-discipline and has improved already existing control systems for accounting-administrative procedures. In addition a quarterly Audit Committee has been established comprising independent experts coordinated by a non-Board or company member, and a specialist has been assigned the task of ensuring the liquidity of the listed shares.

We believe it is extremely gratifying to know the company has the requisites to enable it to be part of a segment populated by important domestic and international companies and groups.

In the second half, and more precisely after the tragic events of September 11th, shares of Centrale del Latte di Torino & C. S.p.A., like many other companies, suffered significant losses.

Based on a resolution passed in the shareholders' meeting of April 30 2001, the parent company purchased treasury stock. Following a drop in the share price, the company wrote down the 150,750 shares of treasury stock in its portfolio for a total amount of 252 thousand euros. This operation re-established the unit value of these shares to the average Stock Exchange price recorded in the last

month of the year, with the result that the amount previously mentioned was written off to financial expenses.

But 2001 was also a year of investments in new technology. In fact the two new PET milk bottling lines became operative during the year.

These lines, which also include bottle forming equipment, required an investment of 3,536 million euros, of which part (1,500 million euros) was incurred financially in 2000 but only became productive in January 2001, whereas the remaining part was recorded in 2001.

According to original plans the second line should have become operative in 2002, however strong sales of fresh milk packaged in this new bottle made it necessary to bring forward the start-up date.

Utilisation of the new deposit facility controlled by the Centro Latte Rapallo S.p.A. subsidiary has been intensified, reaching the standards set last year at the time it was built.

The subsidiary has continued to pursue its quality improvement policy, both as regards products and the marketing and distribution organisation, which has also involved providing personnel the opportunity to follow training courses in the marketing and IT area.

During 2001 the INPS social security institute carried out an inspection of the subsidiary. This led to the issue of an inspection report on August 27th notifying the Company that INPS did not accept the status of the distributors of the company's products, who are treated by the subsidiary as independents: instead INPS claimed that they were employees of the subsidiary. This claim is held to be incorrect, given similar practices adopted widely by other companies in our sector, and consequently the company instructed its legal advisors to appeal against the claim.

During the past year the Group made an important investment by acquiring 40% of the capital stock in Frasccheri S.p.A., a company located in Bardineto (Savona) with deposits in Borghetto S. Spirito and Imperia. This represented a continuation of the Group's expansion project and established a presence of products bearing our brand name in western Liguria and lower Piedmont.

At the end of October the new line of "Fior di Bio" ® brand biological agriculture products was presented to the sales force and press.

The logo for "Fior di Bio" features the brand name in a stylized, blue, serif font. The word "Fior" is in a larger, bolder font than "di Bio", which is in a smaller font. The entire logo is set against a white background.

"Fior di Bio" ® will be the first brand of Centrale del Latte di Torino & C. S.p.A. to be distributed nationally, a move which will enable the Group to broaden its marketing and user base.

For the moment the range includes UHT milk, mozzarella and stracchino cheese, butter, eggs and extra-pure olive oil. However the range will be expanded in 2002 to include additional products, constituting an absolutely innovative assortment when compared to competitors in this specific segment.

In conclusion, it is believed that despite the extraordinary circumstances that led to absorbing the writedown for treasury stock, reorganisation costs and expenses for participation in privatisation bids for other municipal milk producers, 2001 can be considered a positive year.

The Group has in fact managed to maintain operating margins while continuing to grow, it has invested in new technology and new product lines, and so continued its policy to strengthen and expand its position in the market.

Operating results for the Centrale del Latte di Torino & C. S.p.A. Group

Reclassified consolidated statement of operations

	31-12-01		31-12-00	
	€		€	
<i>Value of production</i>				
Revenues from sales and services	62,711,250	99.2%	58,761,956	98.9%
Change in inventories	86,797	0.1%	163,873	0.3%
Other income and revenues	434,202	0.7%	486,689	0.8%
Value of production	63,232,248	100.0%	59,412,518	100.0%
<i>Value of production</i>				
Revenues from sales and services	(1) (14,223,199)	-22.5%	(12,298,567)	-20.7%
Change in inventories	(36,783,470)	-58.2%	(35,337,581)	-59.5%
Other income and revenues	(769,638)	-1.2%	(1,061,475)	-1.8%
Value of production	11,455,940	18.1%	10,714,895	18.0%
Personnel costs	(6,384,557)	-10.1%	(6,003,422)	-10.1%
Gross operating margin	5,071,384	8.0%	4,711,473	7.9%
Writedown of accounts receivable	(86,376)	-0.1%	(94,509)	-0.2%
Depreciation and amortisation of fixed assets	(4,367,822)	-6.9%	(3,544,122)	-6.0%
Operating income	617,186	1.0%	1,072,843	1.8%
Interest and financial income	730,304	1.2%	262,995	0.4%
Financial expenses	(993,532)	-1.6%	(774,409)	-1.3%
Extraordinary income	142,113	0.2%	284,340	0.5%
Extraordinary expense	(688,327)	-1.1%	(332,975)	-0.6%
Income (loss) before taxes	(192,256)	-0.3%	512,793	0.9%
	(619,236)			
Income taxes for the period		-1.0%	(662,614)	-1.1%
Prepaid (deferred) taxes	(23,403)	0.0%	(58,264)	-0.1%
Legal reserves	-	0.0%	-	0.0%
	(834,894)			
Net total income (loss)		-1.3%	(208,085)	-0.4%
Minority interest income (loss)	-	0.0%	-	0.0%
	(834,894)			
Income (loss) for the period		-1.3%	(208,085)	-0.4%

(1) The amount includes 131,352 euros for "rental and leasing of third-party assets"

Sales revenues

The year ended December 31 2001 showed a 6.7% growth in turnover to 62,711 million euros compared with 2000.

The table below summarises the sales trends by product segment.

	31-12-01		31-12-00		Change	
	€		€		€	
Fresh milk	32,746,327	52.2%	31,213,623	53.1%	1,532,704	4.9%
UHT milk	13,585,821	21.7%	13,132,984	22.3%	452,837	3.4%
Yoghurt	1,732,812	2.8%	1,714,122	2.9%	18,690	1.1%
Bulk milk and cream	2,009,839	3.2%	2,684,544	4.6%	(674,705)	-25.1%
Other packaged products	12,636,451	20.2%	10,016,683	17.0%	2,619,768	26.2%
Total	62,711,250	100.0%	58,761,956	100.0%	3,949,294	6.7%

Fresh milk. The fresh milk segment represented 52.2% of total sales, for an increase of 4.9% over the previous year whereas volumes remained essentially stable. This result is encouraging given the downturn in consumption recorded at national level.

UHT milk. Sales of UHT milk rose despite termination of production for third-party brands in 2001 as it was not sufficiently remunerative: volume increased too by 2.57%.

Yoghurt. Sales for this segment, which for some time now has been considered a separate market and includes a number of highly qualified and specialised competitors, were substantially stable.

Bulk milk and cream. This sales segment (shown separately to provide a better analysis of "other products") showed a reduction as a result of infra-group sales of bulk milk as opposed to the previous practice of sales on the free market.

Other packaged products. The Group continued to pursue its strategy of boosting sales of these high margin products in the fresh and ultra-fresh product sector; turnover increased by 26.2% and the segment now represents 20.2% of total turnover (17% in 2000).

A geographical breakdown is believed to be meaningless as the Group's activities are largely concentrated in Piedmont and Liguria.

Other revenues

The table below gives a breakdown of other revenues by type.

	31-12-01	31-12-00	Change	
	€	€	absolute	%
Rents received	87,691	73,853	13,838	18.7%
Sales of recovered, scrapped and consumable materials	79,596	187,892	(108,296)	-57.6%
Contribution from suppliers of consumables	160,534	159,643	891	0.6%
Revenues from compensation	12,398	17,302	(4,904)	-28.3%
Capital gains from disposals	21,415	-	21,415	100%
Revenue grants	72,568	47,998	24,570	51.2%
Total	434,202	486,689	(52,487)	-10.8%

Operating costs

The table below summarises operating costs by type for the year ended December 31 2001.

	31-12-01			31-12-00			Change	
	€	% of net revenues	% of total costs	€	% of net revenues	% of total costs	absolute	%
Raw, ancillary, consumable materials and goods (1)	36,783,470	58.7%	58.7%	35,337,580	60.1%	60.6%	1,445,890	4.1%
Services	14,091,848	22.5%	22.5%	12,157,246	20.7%	20.8%	1,934,601	15.9%
Rental and leasing costs	131,352	0.2%	0.2%	141,321	0.2%	0.2%	(9,970)	-7.1%
Personnel expenses	6,384,557	10.2%	10.2%	6,003,423	10.2%	10.3%	381,134	6.3%
Amortisation of intangible f/assets	1,759,451	2.8%	2.8%	1,450,787	2.5%	2.5%	308,664	21.3%
Depreciation of tangible f/assets	2,608,371	4.2%	4.2%	2,093,334	3.6%	3.6%	515,037	24.6%
Provision for doubtful accounts	86,376	0.1%	0.1%	94,509	0.2%	0.2%	(8,133)	-8.6%
Sundry operating costs	769,638	1.2%	1.2%	1,061,474	1.8%	1.8%	(291,836)	-27.5%
Total operating costs	62,615,062	99.8%	100.0%	58,339,675	99.3%	100.0%	4,275,387	7.3%

(1) net of changes in inventory

As can be seen from the table, the incidence of raw material consumption on net revenues diminished as a result of the move to centralised purchasing by the parent company, Centrale del Latte di Torino & C. S.p.A., which makes purchases for all of its own needs and those of the Centro Latte Rapallo subsidiary.

The economic situation and difficulties in the agricultural sector had a negative impact on the price of raw material, which in the last quarter of 2001 alone rose by 6.12% to total 9% for the whole year. This was only partly offset by increases in list prices.

Other cost items remained essentially stable with the exception of purchase of products for resale, the incidence of which was related to the sales growth in this segment.
Their incidence on relevant revenues was 68.2% against 52.1% in 2000.

		31-12-01 % of net revenues	% of total costs		31-12-00 % of net revenues	% of total costs	Change absolute	%
	€			€			€	
Purchase of milk	21,786,968	34.7%	59.2%	23,153,247	39.4%	65.5%	(1,366,279)	-5.9%
Transport of milk (1)	-	-	-	528,934	0.9%	1.5%	-	-
Purchase of other food products	212,979	0.3%	0.6%	194,188	0.3%	0.5%	18,791	9.7%
Purchase of products for resale	8,615,238	13.7%	23.4%	5,217,764	8.9%	14.8%	3,397,474	65.1%
Packaging material	5,051,248	8.1%	13.7%	5,260,114	9.0%	14.9%	(208,866)	-4.0%
Ancillary and consumable materials	1,117,037	1.8%	3.0%	983,334	1.7%	2.8%	133,703	13.6%
Total (2)	36,783,470	58.7%	100.0%	35,337,580	60.1%	100.0%	1,445,890	4.1%

(1) The cost of milk transport has been reclassified to service costs

(2) Net of changes in inventory

Service costs. Costs for services rose mainly because of an increase in sundry administrative expenses that were not incurred in the previous year. These were directly related to listing the Company's shares on the Italian Stock Exchange (62,580 euros) and other non-recurring consultancy costs for updating the procedure manual for accounting and administrative controls (95,000 euros).

		31-12-01 % of net revenues	% of total costs		31-12-00 % of net revenues	% of total costs	Change absolute	%
	€			€			€	
Transport of non-milk purchases	444,903	0.7%	3.2%	456,548	0.8%	3.6%	(11,645)	-2.6%
Transport of milk purchases	610,177	1.0%	4.3%	528,934	0.9%	4.2%	81,243	15.4%
Product distribution services	5,689,131	9.1%	40.4%	5,291,672	9.0%	41.7%	397,459	7.5%
Commissions	231,117	0.4%	1.6%	196,254	0.3%	1.5%	34,863	17.8%
Electricity and power	545,346	0.9%	3.9%	497,348	0.8%	3.9%	47,998	9.7%
Potable water	189,322	0.3%	1.3%	141,509	0.2%	1.1%	47,813	33.8%
Natural gas	300,786	0.5%	2.1%	245,833	0.4%	1.9%	54,953	22.4%
Studies, analyses and consultancy	243,810	0.4%	1.7%	258,228	0.4%	2.0%	(14,418)	-5.6%
Industrial services	781,110	1.2%	5.5%	725,622	1.2%	5.7%	55,488	7.6%
External maintenance	766,520	1.2%	5.4%	729,754	1.2%	5.8%	36,766	5.0%
Advertising-sponsorship	1,432,287	2.3%	10.2%	1,043,243	1.8%	8.2%	389,044	37.3%
Sundry marketing services	285,992	0.5%	2.0%	328,467	0.6%	2.6%	(42,475)	-12.9%
Sales promotion grants	1,658,294	2.6%	11.8%	1,415,092	2.4%	11.2%	243,202	17.2%
Insurance	173,922	0.3%	1.2%	153,388	0.3%	1.2%	20,534	13.4%
Telephone	76,698	0.1%	0.5%	84,182	0.1%	0.7%	(7,484)	-8.9%
Sundry administrative expense	617,310	1.0%	4.4%	554,158	0.9%	4.4%	63,152	11.4%
Personnel services	45,123	0.1%	0.3%	35,947	0.1%	0.3%	9,176	25.5%
Total services	14,091,848	22.5%	100.0%	12,686,180	21.6%	100.0%	1,405,668	11.1%

(1) Milk transport cost for 2000 has been reclassified

Personnel costs. Compared with 2000 personnel costs increased by 379,469 euros or 6.4%.

This cost increase can be attributed to an increment in the production bonus for non-executive personnel in the parent company (+1% compared with the prior year), calculated using parameters related to production efficiency and operating results for 2000, which showed significant improvement. In addition, a new executive was hired in the month of July to manage the biological line and overall costs were also affected by normal trends seen for labour costs.

The workforce at December 31 2001 numbered 148 people, with the following breakdown.

Executives	10
Managers	5
White-collar	54
Blue-collar	79

	31-12-01			31-12-00			Change	
	€	% of	% of	€	% of	% of	Absolute	%
		net revenues	total costs		net revenues	total costs		
Direct personnel	1,603,947	2.6%	25.3%	1,290,109	2.2%	21.6%	313,838	24.3%
Indirect personnel	2,611,961	4.2%	41.2%	2,675,763	4.6%	44.9%	(63,802)	-2.4%
Marketing personnel	925,598	1.5%	14.6%	867,648	1.5%	14.6%	57,950	6.6%
Administrative personnel	1,198,205	1.9%	18.9%	1,126,722	1.9%	18.9%	71,483	6.3%
Total	6,339,711	10.1%	100.0%	5,960,242	10.1%	100.0%	379,469	6.4%

Amortisation and depreciation. Amortisation of intangible fixed assets increased by 308,664 euros, mainly as a result of the start of amortisation of share listing costs that in 2000 were calculated on a pro rata basis.

Depreciation of tangible fixed assets rose by 515,037 as a result of new capital expenditure.

This aspect is covered in greater detail in the notes in the section referring to intangible and tangible fixed assets.

Sundry operating costs. The following table illustrates the breakdown of sundry operating costs.

	31-12-01			31-12-00			Change	
	€	% of net revenues	% of total costs	€	% of net revenues	% of total costs	absolute	%
Taxes other than income tax	207,759	0.3%	27.0%	191,764	0.3%	18.1%	15,995	8.3%
Directors and Statutory Auditors	263,676	0.4%	34.3%	198,082	0.3%	18.7%	65,594	33.1%
Contest prizes (2)	-	-	-	383,407	0.7%	36.1%	(383,407)	(100%)
Market research (2)	-	-	-	37,381	0.1%	3.5%	(37,381)	(100%)
Membership fees	63,273	0.1%	8.2%	56,768	0.1%	5.3%	6,505	11.5%
Magazine subscriptions and books	10,098	0.0%	1.3%	5,681	0.0%	0.5%	4,417	77.8%
Losses on disposals	73,677	0.1%	9.6%	-	0.0%	0.0%	73,677	100.0%
Fines and penalties	2,074	0.0%	0.3%	1,267	0.0%	0.1%	807	63.7%
Gifts and entertainment (1)	90,367	0.1%	11.7%	97,647	0.2%	9.2%	(7,280)	-7.5%
Sundry costs and losses	58,714	0.1%	7.6%	89,477	0.2%	8.4%	(30,763)	-34.4%
Total	769,638	1.2%	100.0%	1,061,474	1.8%	100.0%	(291,836)	-27.5%

(1) includes self-invoiced costs for gifts of company products given out during events

(2) amounts reclassified to service costs

The items "financial income and expense" and "extraordinary income and expense" are covered in the notes.

Balance sheet for the Centrale del Latte di Torino & C. S.p.A. Group

Reclassified consolidated balance sheet

	31-12-01		31-12-00	
	€		€	
Fixed assets				
Tangible fixed assets	18,000,679		17,231,837	
Intangible fixed assets	14,297,896		15,642,111	
Investments and securities	1,884,763		27,429	
Total fixed assets	34,183,338	102.6%	32,901,377	102.2%
Current assets				
Trade receivables	11,592,593		10,643,595	
Inventories	1,745,632		1,842,510	
Accrued income and prepayments	312,081		384,820	
Other current assets	6,306,406		7,022,481	
Trade payables	(14,997,378)		(15,254,970)	
Other payables	(4,421,747)		(4,120,038)	
Accrued expenses and deferred income	(1,073,480)		(435,543)	
Taxes payable	(318,595)		(792,443)	
Net current assets	(854,487)	-2.6%	(709,589)	-2.2%
TOTAL CAPITAL EMPLOYED	33,328,851	100.0%	32,191,788	100.0%
Reserves for long-term liabilities				
Reserve for employee severance indemnity	2,155,293		2,030,949	
Taxes for the period	-		-	
Other provisions	-		-	
Provision for deferred taxes	259,000		244,645	
Total long-term liabilities and reserves	2,414,293	7.2%	2,275,594	7.1%
Financial position				
Cash, banks and securities	(16,163,013)		(15,567,676)	
Treasury stock	(382,995)		0	
Payables to banks	12,191,101		9,079,486	
Receivables from controlling companies	(96,836)		(96,836)	
Medium/long-term financing	500,532		500,532	
Net financial position	(3,951,210)	-11.9%	(6,084,494)	-18.9%
Shareholders' equity				
Capital stock	20,600,000		20,600,000	
Reserves	15,100,662		15,608,773	
Net income	(834,894)		(208,085)	
Total shareholders' equity	34,865,768	104.6%	36,000,688	111.8%
TOTAL OWN AND MINORITIES CAPITAL EMPLOYED	33,328,851	100.0%	32,191,788	100.0%

Net financial position. The changes in the main balance sheet items for 2001 are summarised in the following table.

	31-12-01	31-12-00
	€	€
Net fixed assets	34,183,338	32,901,377
Shareholders' equity	34,865,768	36,000,688
Net financial position	3,951,210	6,084,494
Own capital / Net fixed assets	101.99%	109.42%

As illustrated in the introduction to this report, investments in tangible, intangible and financial fixed assets continued.

The net financial position for the Group was positive for an amount of 3,951,211 euros and the breakdown of the consolidated position at December 31 2001 was as shown below.

	31-12-01	31-12-00
Liquid assets	9,315,413	9,035,004
Financial assets not constituting fixed assets	6,847,599	6,532,672
Treasury stock	382,995	0
Receivables from controlling companies	96,836	96,836
	16,642,844	15,664,512
Payables to banks	(12,191,101)	(9,079,486)
Payables to other financing sources	(500,532)	(500,532)
	(12,691,633)	(9,580,018)
Net financial position	3,951,210	6,084,494

Net current assets. The following changes were recorded in net current assets:

	31-12-01	31-12-00
	€	€
Trade receivables	11,592,593	10,643,595
Inventories	1,745,632	1,842,510
Prepaid expenses and accrued income	312,081	384,820
Other current assets	6,306,406	7,022,481
Trade payables	(14,997,378)	(15,254,970)
Other payables	(4,421,747)	(4,120,038)
Accrued expenses and deferred income	(1,073,480)	(435,543)
Taxes payable	(318,595)	(792,443)
Total	(854,487)	(709,589)

Treasury stock. The shares concerned are reported at acquisition cost, including associated charges, or at market value if this is less. The latter is defined as the average Italian Stock Exchange price during the last month of the year. If reasons for the writedown should cease to exist then the book value is readjusted up to a maximum of the acquisition cost.

Changes in treasury stock	no. shares	average Book value		Total
Balance at 31/12/2000	-	-	-	-
Increases	152,750	€ 4.21	€	643,078
Decreases	2,000	€ 4.21	€	8,420
Writedowns	-	-	€	251,664
Balance at 31/12/2001	150,750		€	382,994

Category	no. shares	percentage of		average book value		Par value
		category	capital	per share	total	per share
Ordinary shares	150,750	1.51%	1.51%	€ 4.21	€ 634,658	€ 2.60

Infra-group operations

Operations during the year with the subsidiary company, Centro Latte Rapallo S.p.A., and associated company, Frasccheri S.p.A., were conducted at normal market conditions and are indicated below. The receivable due to the holding company concerns transactions that took place in prior fiscal years.

Company	Accounts receivable	Payables	Charges	Revenues
Centro Latte Rapallo S.p.A. - subsidiary company	1,998,664	8,809	10,568	6,846,108
Frasccheri S.p.A. - associated company	53,325	16,028	95,545	185,656
Finanziaria Centrale del Latte di Torino S.p.A. - holding company	96,836	-	-	-

Group financial position

	31-12-01 €	31-12-00 €
CASH FLOW GENERATED BY OPERATIONS		
Net income (loss) for the period (A)	(834,894)	(208,132)
<i>Adjustments for items not affecting cash flow</i>		
Amortisation and depreciation	4,367,822	3,543,927
Allocations to employee severance indemnity less amount paid out	124,344	116,203
Allocations (utilisation) of provisions for risks and charges	14,355	(98,643)
<i>Total adjustments for items not affecting cash flow (B)</i>	<i>4,506,521</i>	<i>3,561,487</i>
<i>Changes in current assets and liabilities:</i>		
Net trade and other accounts receivable	(232,924)	(2,171,425)
Inventories	96,878	(465,844)
Accrued income and prepaid expenses	72,739	(152,683)
Changes in accounts receivable from holding company	-	(97,094)
Changes in accounts payable to subsidiary companies	-	(894,503)
Trade payables	(257,593)	3,410,132
Other accounts payable	301,709	2,619,469
Accrued expenses and deferred income	637,937	139,443
Taxes payable	(473,848)	(3,777,729)
<i>Total changes in current assets and liabilities (C)</i>	<i>144,898</i>	<i>(1,390,234)</i>
Total cash flow generated by operations (A+B+C)	3,816,525	1,963,121
CASH FLOW GENERATED BY INVESTMENT ACTIVITY		
Net purchase of technical fixed assets	(3,377,213)	(4,410,025)
Financial investments	(1,857,334)	-
Financial divestments	-	123,950
(Increases) decreases in intangible fixed assets	(415,236)	(1,865,442)
Total cash flow generated by investment activity	(5,649,782)	(6,151,518)
CASH FLOW GENERATED BY FINANCIAL ACTIVITY		
Changes in medium/long-term financial debt	3,968,270	(1,096,438)
Dividends paid	(300,000)	-
Reduction (increase) in other non-fixed asset activity	(697,923)	(6,532,663)
Increase in share capital	-	19,549,959
Total cash flow generated by financial activity	2,970,347	11,920,858
Increase (decrease) in cash and bank accounts	1,137,090	7,732,461
CASH AND BANKS AT BEGINNING OF FINANCIAL YEAR	6,930,920	(801,541)
CASH AND BANKS AT END OF FINANCIAL YEAR (excluding payables for mortgages and financing. Short-term payables and securities in portfolio)	8,068,010	6,930,920

Information on the subsidiary company

The subsidiary Centro Latte Rapallo S.p.A. closed 2001 with a net income of 164,830 euros compared with a net income of 142,455 for 2000. The result reported is after amortisation of intangible fixed assets amounting to 375,726 euros, normal and accelerated depreciation on tangible fixed assets of 692,491 euros and income taxes for the period of 363,500 euros.

Total turnover net of infra-group sales was 20,796 million euros, representing an increase of 2,343 million euros or 12.70% over the year 2000.

The company continued to strengthen its image in the market and incurred advertising and promotional expenses for a total of 787,675 euros.

Statement of Operations – Centro Latte Rapallo S.p.A.	31-12-01		31-12-00	
Value of production	20,886,490	100.0%	18,536,817	100.0%
Production costs	(17,277,855)	-82.7%	(15,487,365)	-83.5%
Added value	3,608,635	17.3%	3,049,452	16.5%
Personnel costs	(1,825,899)	-8.7%	(1,619,176)	-8.7%
Gross operating margin	1,782,736	8.5%	1,430,276	7.7%
Writedown of accounts receivable	(41,827)	-0.2%	(37,963)	-0.2%
Depreciation and amortisation of fixed assets	(1,068,218)	-5.1%	(929,215)	-5.0%
Operating income	672,691	3.2%	463,098	2.5%
Net financial revenues (charges)	(92,888)	0.4%	(130,334)	0.7%
Extraordinary income/(expense)	(51,473)	0.0%	13,691	0.1%
Income (loss) before tax	528,330	2.5%	346,455	1.9%
Income taxes for the period	(363,500)	-1.7%	(204,000)	-1.1%
Net income (loss)	164,830	0.8%	142,455	0.8%

Balance Sheet - Centro Latte Rapallo S.p.A.	31-12-01		31-12-00	
Net fixed assets				
Tangible fixed assets	4,351,456		4,212,152	
Intangible fixed assets	152,300		442,962	
Investments and securities	27,295		27,295	
Total fixed assets	4,531,051	68.5%	4,682,409	69.1%
Current assets				
Trade receivables	3,317,503		2,918,259	
Inventories	387,114		345,461	
Other current assets	910,567		1,084,564	
Trade payables	(2,071,933)		(1,937,988)	
Other payables	(457,609)		(320,707)	
Net current assets	2,085,643	31.5%	2,089,589	30.9%
TOTAL CAPITAL EMPLOYED	6,616,693	100.0%	6,771,998	100.0%
Reserve for employee severance indemnity	596,682		534,820	
Total long-term liabilities and reserves	596,682	9.0%	534,820	7.9%
Financial position				
Payables to banks	557,945		1,385,062	
Payables to controlling companies	1,950,002		1,373,474	
Receivables from controlling companies	(19,003)		(16,709)	
Net financial position	2,488,944	37.6%	2,741,827	40.5%
Shareholders' equity				
Capital stock	2,600,000		2,582,284	
Reserves	766,237		770,612	
Net profit (loss)	164,830		142,455	
Total shareholders' equity	3,531,067	53.4%	3,495,351	51.6%
TOTAL OWN AND MINORITIES CAPITAL EMPLOYED	6,616,693	100.0%	6,771,998	100.0%

Shares held by Directors and Statutory Auditors (Article 79 of Consob regulation 1197/98)

The following tables are based on regulations established by Consob as regards shareholdings in the Company and its subsidiaries of Directors and Statutory Auditors, their spouses and children who are minors, whether such shares be held personally or through a company controlled by the individual concerned.

Company shares held

	Owned at 31/12/2000	Purchased in 2001	Sold in 2001	Owned at 31/12/2001	Type of ownership
Luigi LUZZATI Chairman of the Board	156,500	3,454	31	159,923	Directly and through holding company
Antonio Felice FORCHINO Vice Chairman of the Board	288,492	5,716	58	294,150	Through holding company
Riccardo POZZOLI Executive Vice Chairman and Managing Director	62,750	1,082	13	63,819	Through holding company
Aroldo LUZZATI Managing Director	156,500	2,704	31	159,173	Through holding company
Adele ARTOM Director	2,730,882	52,732	548	2,783,066	Through holding company
Ermanno Restano Director	25,000	382	5	25,377	Through holding company

Shares owned in the subsidiary company, Centro Latte Rapallo S.p.A.

	Shares owned at 31/12/2000	Purchased in 2001	Sold in 2001	Shares owned at 31/12/2001
Luigi LUZZATI Chairman of the Board	125,100	-	-	125,100
Antonio Felice FORCHINO Vice Chairman of the Board	281,046	-	-	281,046
Riccardo POZZOLI Executive Vice Chairman and Managing Director	50,040	-	-	50,040
Aroldo LUZZATI Managing Director	125,100	-	-	125,100
Adele ARTOM Director	2,564,607	-	-	2,564,607

Significant events after the close of the year

Concerning the privatisation procedure conducted by the municipality of Vicenza with regard to Centrale Latte Vicenza S.p.A., Centrale del Latte di Torino & C. S.p.A. has presented an expression of interest with a request for an exclusive in the negotiations together with other companies in the sector. The aim was to formalise a binding offer for the acquisition of control of the Vicenza-based company.

The municipality of Vicenza and the advisor for the operation, Banca OPI, judged that the conditions indicated in the expression of interest were in conformity with those requested by the municipality and awarded the exclusive for 100% of the company concerned for an amount of approximately 23,750,000 euros.

Chairman of the Board of Directors
Luigi LUZZATI

CONSOLIDATED BALANCE SHEET

(in euros)

ASSETS	31-12-01	31-12-00
B) FIXED ASSETS		
I * Intangible fixed assets		
1) Set-up & expansion costs	1,187,635	1,497,453
2) Research & development costs	289,365	92,356
3) Industrial patents and intellectual property rights	145,820	140,770
4) Franchises, licenses, trademarks and similar rights	11,560,966	12,232,094
5) Goodwill	995,505	1,445,486
7) Other fixed assets	118,605	233,952
Work in progress and down payments	-	-
Total intangible fixed assets	14,297,896	15,642,111
II * Tangible fixed assets		
1) Land and buildings	8,111,563	8,284,576
2) Plant & machinery	8,129,569	6,112,743
3) Industrial, commercial and office equipment	1,195,928	982,416
4) Other	228,880	286,741
5) Work in progress & down payments	334,738	1,565,362
Total tangible fixed assets	18,000,679	17,231,837
III * Financial fixed assets		
1) Investments in:		
b) associated companies	1,857,334	-
d) other companies:	27,429	27,429
Total financial fixed assets	1,884,763	27,429
TOTAL FIXED ASSETS	34,183,338	32,901,378
C) CURRENT ASSETS:		
I * Inventories		
1) Raw materials and supplies	897,361	876,634
4) Finished products and goods	848,271	771,671
5) Down payments	-	194,205
Total inventories	1,745,632	1,842,510
II * Accounts receivable		
1) Trade receivables	11,539,268	10,643,595
2) From associated companies	53,325	-
3) From subsidiary companies	-	-
4) From holding companies	96,836	96,836
5) From others	6,306,406	7,022,481
Total accounts receivable	17,995,835	17,762,911
III * Non-fixed asset financial assets		
4) Treasury stock in portfolio	382,995	-
5) Other securities	6,847,599	6,532,672
IV * Liquid assets		
1) Bank and post office accounts	9,273,139	8,935,979
3) Cash on hand	42,275	99,024
Total liquid assets	9,315,413	9,035,004
TOTAL CURRENT ASSETS	36,287,475	35,173,097
D) ACCRUED INCOME & PREPAID EXPENSES		
a) interest on loans	86,239	77,708
b) miscellaneous	225,842	307,112
TOTAL ASSETS	70,782,894	68,459,294

LIABILITIES	31-12-01	31-12-00
A) SHAREHOLDERS' EQUITY		
I * Share capital	20,600,000	20,600,000
II * Share premium reserve	14,608,768	14,608,768
III * Revaluation reserve	196,523	196,523
IV * Legal reserve	316,738	293,993
V * Reserve for treasury stock in portfolio	382,995	-
VII * Other reserves	434,883	509,489
VIII * Retained earnings (loss)	(839,245)	-
IX * Net income for the year	(834,894)	(208,085)
TOTAL SHAREHOLDERS' EQUITY	34,865,768	36,000,688
B) PROVISIONS FOR CONTINGENCIES & CHARGES		
4) Deferred taxes	259,000	244,645
TOTAL PROVISIONS FOR CONTINGENCIES AND CHARGES	259,000	244,645
C) RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY	2,155,293	2,030,949
D) ACCOUNTS PAYABLE		
3) To banks	12,191,101	9,079,486
4) To other financing sources	500,532	500,532
5) Down payments	-	311,020
6) Trade payables	14,981,350	15,254,970
7) Notes payable	263,049	368,269
9) To subsidiary companies	16,028	-
11) Tax liabilities	318,595	792,443
12) Social security contributions	270,755	254,771
13) Other accounts payable	3,887,943	3,185,978
TOTAL ACCOUNTS PAYABLE	32,429,353	29,747,470
E) ACCRUED EXPENSES & DEFERRED INCOME		
b) miscellaneous	1,073,480	435,543
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	70,782,894	68,459,294

MEMORANDUM ACCOUNTS

(in euros)

MEMORANDUM ACCOUNTS	31-12-01	31-12-00
B) COMPANY ASSETS HELD BY THIRD PARTIES		
1) Company assets held	44,491	71,927
C) RISKS		
1) Recourse on discounted bills	434,750	248,866
2) Disputed 1994 tax demand	37,657	37,657
D) GUARANTEES		
1) Guarantees from holding company	-	2,011,600
2) Guarantees issued to third parties	20,712,164	43,293,066
3) Guarantees from third parties	2,995,334	3,452,882
4) Mortgages in favour of third parties	8,411,017	10,112,743
5) Securities in portfolio deposited as surety	6,872,216	5,032,425
6) Cash deposited with banks as surety	1,663,525	7,874,061
TOTAL MEMORANDUM ACCOUNTS	41,171,154	72,135,227

These notes have been prepared in conformity with the last paragraph of Art. 2424 and Art. 2427 no. 9 of the Civil Code.

Company assets held by third parties are refrigerators assigned to the Group's most important customers.

The item "guarantees issued to third parties" amounting to 20,712,164 euros concerns:

	amounts in euros
- guarantees issued to suppliers as surety for prompt payment	778,752
- guarantee issued to the Piedmont Region as surety for disbursement of FEOGA financing	427,697
- guarantees issued to Turin and Chiavari VAT offices as surety for reimbursements made	16,714,263
- guarantee issued to the Consorzio Mediofidi Liguria as surety for financing granted	464,811
- guarantee issued to the Municipality of Vicenza as surety for participation in the privatisation bid concerning Centrale del Latte Vicenza S.p.A.	2,326,638

The item "mortgages in favour of third parties" amounting to 8,411,017 euros includes guarantees issued to Centrobanca for 5,681,026 euros and to Mediocredito Ligure for 2,729,991 euros.

"Guarantees from third parties" of 2,995,334 euros concern guarantees for payment of withholdings for supplementary taxes as per Law 468/92 ("milk quota" case).

Government bonds were deposited as surety with Banca CRT for the granting of guarantees in relation to the acquisition procedure concerning Centrale Latte Vicenza S.p.A..

CONSOLIDATED STATEMENT OF OPERATIONS

(in euros)

	31-12-01	31-12-00
A) VALUE OF PRODUCTION		
1) Revenues from sales and services	62,711,250	58,761,956
2) Changes in inventories for semi-finished products and finished goods	86,797	163,873
5) Other revenues and income:		
* miscellaneous	361,634	438,691
* operating grants	72,568	47,998
TOTAL VALUE OF PRODUCTION	63,232,248	59,412,518
B) PRODUCTION COSTS		
6) Raw, ancillary, consumable materials and goods	36,794,001	35,515,744
7) Services	14,091,848	12,157,246
8) Rental and leasing of third-party assets	131,352	141,321
9) Personnel costs		
a) salaries and wages	4,475,432	4,177,045
b) social security contributions	1,516,700	1,444,515
c) severance indemnity	347,579	338,682
e) other costs	44,845	43,181
10) Amortisation, depreciation and writedowns		
a) amortisation of intangible fixed assets	1,759,451	1,450,787
b) depreciation of tangible fixed assets	2,608,371	2,093,334
d) writedown of accounts receivable	86,376	94,509
11) Changes in inventories for raw, ancillary, consumable materials and goods	(10,531)	(178,163)
14) Sundry production costs	769,638	1,061,475
TOTAL PRODUCTION COSTS	62,615,062	58,339,675
OPERATING INCOME - (A - B)	617,186	1,072,843

	31-12-01	31-12-00
C) FINANCIAL INCOME AND EXPENSE		
15) Income from shareholdings:		
from others	75,814	75,814
16) Other financial income		
from securities in current assets	342,586	92,471
from others	311,904	94,710
17) Interest and other financial charges		
from others	(715,625)	(774,409)
Adjustment to value of financial assets		
Writedown of treasury stock in portfolio	(277,907)	-
TOTAL FINANCIAL INCOME AND EXPENSE	(263,228)	(511,415)
E) EXTRAORDINARY INCOME AND EXPENSE		
20) Income		
a) gains on disposals	-	14,670
b) miscellaneous	142,113	269,670
21) Expenses		
a) losses on disposals	-	(1,859)
b) taxes relating to prior years		
c) miscellaneous	(688,327)	(331,116)
Adjustment to value of financial assets		
TOTAL FINANCIAL INCOME	(546,214)	(48,635)
INCOME (LOSS) BEFORE TAX	(192,256)	512,793
22) Income taxes		
a) on current year earnings	(619,236)	(662,614)
c) deferred income tax	(23,403)	(58,264)
23) NET INCOME (LOSS) FOR THE PERIOD	(834,894)	(208,084)

<p style="text-align: center;">Notes on the Consolidated Financial Statements of Centrale del Latte di Torino & C. S.p.A. at December 31 2001</p>
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Structure and content of the Consolidated Financial Statements

The Consolidated Financial Statements for the year have been prepared in conformity with the provisions of the Civil Code and include the balance sheet (prepared in conformity with the format indicated in Articles 2424 and 2424bis of the Civil Code), the statement of operations (prepared in conformity with the format indicated in Articles 2425 and 2425bis of the Civil Code), and the notes. The purpose of the notes is to illustrate, analyse and, in certain cases, supplement data reported in the Financial Statements and they contain all information required by Art. 2427 of the Civil Code and other requirements prescribed by Legislative Decree 127/1991 or other previous laws. In addition, supplementary information is provided which is believed necessary in order to give a fair and correct representation of the Group's financial situation, even though such information is not required by any specific law.

The Consolidated Financial Statements at December 31 2001 are expressed in euros. In order to make data comparable the Consolidated Financial Statements for the Centrale del Latte Group at December 31 2000 have been converted to euros using the conversion rate of 1936.27 lire established on December 31 1998.

As required by Consob directive no. 11971 of May 14 1999, information concerning the emoluments of Board Members and Statutory Auditors and the shares the latter own in Centrale del Latte & C. S.p.A. and Centro Latte Rapallo are shown in the section "Other information" of these notes and in the report on operations.

Consolidation area

The company Centro Latte Rapallo SpA is 99.98% controlled and has been consolidated on a line-by-line basis with reference to financial statements at December 31 2001.

The 40% investment in the company Frasccheri S.p.A. has been excluded from the consolidation area bearing in mind the limited control the parent company has over it as a result of the ownership structure of this associated company.

Consolidation techniques

Financial statements for companies included in the consolidation are derived from those prepared by the respective Boards of Directors. Where necessary they have been modified to harmonise them with accepted accounting principles and in order to conform to criteria for presentation established by the governing body of the Italian Institute of Chartered Accountants.

1) The book value of the investment in Centro Latte Rapallo has been netted out against the subsidiary company's shareholders' equity as the consolidation includes its assets, liabilities, revenues

and costs on a line-by-line basis. The difference between acquisition cost of the investment and the shareholders' equity value in the accounts at the date the company Centro Latte Rapallo was first included in the consolidation amounts to 14,214,365 euros and has been recorded as follows:

- Centro Latte Rapallo trademark for 12,813,296 euros, amortised over 20 years starting from the consolidated statement of operations at December 31 1999;
- goodwill for 1,401,069 euros, amortised over 10 years starting from the consolidated statement of operations at December 31 1999, inasmuch as it is directly related to the activities of the subsidiary, which operates in a sector that is not subject to sudden technological changes.

2) Accelerated depreciation recorded by Centro Latte Rapallo, made exclusively in application of tax regulations, has been excluded from the consolidation.

3) Entries giving rise to accounts receivable and payable, revenues and costs between consolidated companies have been eliminated, as have dividends distributed within the Group. Profit on products sold to Centro Latte Rapallo S.p.A. and held by the latter in inventory have not been eliminated since the amount involved is insignificant.

4. Minority interests have not been mentioned given their insignificance in terms of value.

Evaluation criteria

The evaluation criteria used to prepare the Consolidated Financial Statements do not differ from those adopted in previous years and are in conformity with the provisions of Art. 2426 of the Civil Code.

The evaluation criteria and accounting principles adopted are shown below.

Intangible fixed assets

Intangible fixed assets have been recorded at acquisition cost and are amortised on a straight-line basis.

All such assets are amortised over five years with the exception of advertising costs, which are amortised over their useful life (estimated as being three years), a practice approved by both the external and statutory auditors, and trademarks, which are amortised at an annual rate of 5%, and therefore over 20 years.

Costs relating to the listing of the Company's shares on the Italian Stock Exchange have also been recorded as an asset and are amortised over 5 years.

Tangible fixed assets

Tangible fixed assets have been recorded at acquisition cost, including directly associated charges. The amount reported is net of accumulated depreciation.

The asset values reported include revaluation as shown in the table covering "asset revaluations" in the notes.

Depreciation charged to the statement of operations has been calculated systematically on an annual straight-line basis, reduced by 50% in the year assets are purchased, and is based on rates that reflect the useful economic-technical life of the assets concerned.

It should be noted that the rates applied are those approved for tax purposes as stated in the Ministerial Decree dated December 31 1988 for assets acquired starting 1989 and by the Ministerial Decree dated October 29 1974 for those acquired previously, as indicated in the table showing assets reported in the balance sheet grouped by homogeneous categories.

Fixed assets in progress and advances have been recorded inclusive of directly associated charges and refer to:

- renovation and structural consolidation costs for the plant located in Via Filadelfia, 220 for a total of 101,453 euros.

As regards fixed assets in progress, no depreciation was applied, as specified by accounting principles and in conformity with Art. 67, paragraph 1 of the Consolidation Act.

Accelerated depreciation was calculated and charged to the statement of operations by the subsidiary company but was reversed out in the consolidation.

As prescribed in Article 10 of Law 72 dated March 19 1983, no monetary or economic revaluations have been made other than mandatory ones prescribed by Law 576 dated December 2 1975, Law 72 dated March 19 1983 and Law 413 dated December 30 1991.

Ordinary maintenance and repair costs are charged to the statement of operations for the year in which they are sustained, whereas those of an extraordinary nature are capitalised.

The normal depreciation rates applied are as follows:

- Buildings	4%
- General plant and machinery	10%
- Specific plant and machinery	16%
- Tools and equipment	20%
- Furniture and normal office equipment	12%
- Electronic equipment	20%
- Vehicles and equipment for internal transport	20%
- Motor vehicles	25%

Assets subject to revaluation are reported in a specific table. Values for land and buildings only refer to the latter and amounts reported are gross of depreciation and include changes that took place during the year.

No revaluations were made during the year.

Financial fixed assets

These are recorded at acquisition cost and reflect writedowns for long-term loss of value.

Inventories

These are recorded at the lesser of purchase costs and market value. As regards finished products, the amount reported represents the direct production cost including any structural costs directly associated with the product. For raw, ancillary, consumable materials and goods for resale, values reported are based on the average cost for the year or alternatively the FIFO method is used, as indicated in Art. 59, paragraph 3bis of the Consolidation Act.

Accounts receivable and payable

Receivables are reported at forecast realisable value.

Payables are reported at nominal value.

Accounts payable in foreign currency were recorded using the exchange rate prevailing on the day they arose or the nearest day preceding this and did not require adjusting entries at year-end.

Non-fixed asset financial assets and treasury stock

These assets are recorded at the lesser of acquisition cost, including associated charges, and market value. The latter is defined as the average share price on the Italian Stock Exchange in the last month of the year. If reasons for any writedown should cease to exist then the book value is readjusted up to a maximum of the acquisition cost.

Prepayments, accruals and deferrals

Prepaid expenses and accrued income, accrued expenses and deferred income are calculated using the principle of financial and temporal competence in order to match revenues and costs.

Employee severance indemnity

The liability for employee severance indemnity includes amounts due as at year-end, less any advances made to employees, in accordance with the law and contractual conditions in force.

Revenues and costs

These are included in the Consolidated Financial Statements based on the principle of financial competence. Revenues, income, costs and charges are recorded net of returns, discounts, premiums and allowances.

Income taxes

Reserves for income taxes for the year have been calculated by applying the tax regulations in force. The reserves recorded in the balance sheet are net of any advance payments or withholdings.

In addition prepaid taxes are calculated relevant to temporal differences between asset values included in the balance sheet and the value of such items for tax purposes, and deferred taxes calculated on reversal of accelerated depreciation recorded by the subsidiary company.

Memorandum accounts

Assets used by third parties are reported at book value.

Guarantees are reported at nominal value.

Securities deposited as guarantees are shown at book value.

BALANCE SHEET

ANALYSIS OF INDIVIDUAL ITEMS IN ASSETS

Intangible fixed assets

Changes in intangible fixed assets:

INTANGIBLE FIXED ASSETS	Share listing costs	R & D and advertising costs	Industrial patents	Licences and trademarks	Goodwill	Other	Total
	€	€	€	€	€	€	€
Historical cost	1,549,090	3,726,402	355,184	13,591,210	4,518,356	1,059,126	24,799,368
Accumulated amortisation	51,636	3,634,046	214,414	1,359,116	3,072,871	825,173	9,157,256
Balance at 31/12/00	1,497,453	92,356	140,770	12,232,094	1,445,486	233,953	15,642,112
Acquisitions	-	260,902	71,960	8,884	-	73,489	415,235
Reclassifications	-	137,471	-	-	-	(137,471)	-
Amortisation	309,818	201,365	66,910	680,012	449,981	51,365	1,759,451
Balance at 31/12/01	1,187,635	289,364	145,820	11,560,966	995,504	118,606	14,297,897

Changes in reserves for amortisation of intangible fixed assets:

RESERVES FOR INTANGIBLE FIXED ASSETS	Share listing costs	R & D and advertising costs	Industrial patents	Licences and trademarks	Goodwill	Other	Total
	€	€	€	€	€	€	€
Reserves at 31-12-00	51,636	3,634,045	214,414	1,359,116	3,072,871	825,173	9,157,256
Amortisation for the year	309,818	201,365	66,910	680,012	449,981	51,365	1,759,451
Decreases in the year	-	-	-	-	-	-	-
Reserves at 31-12-01	361,454	3,835,410	281,324	2,039,128	3,522,852	876,538	10,916,707

Tangible fixed assets

Changes in tangible fixed assets:

TANGIBLE FIXED ASSETS	Land and buildings	Plant and machinery	Commercial and industrial equipment	Other	Total Fixed Assets	Fixed Assets in progress	Advances	Total
	€	€	€	€	€	€	€	€
Historical cost	9,290,104	17,704,569	4,251,058	568,130	31,813,861	1,553,450	11,912	33,379,223
Revaluations	2,461,551	116,263	5,545	-	2,583,359	-	-	2,583,359
Reserve for depreciation	3,467,079	11,708,089	3,274,187	281,389	18,730,744	-	-	18,730,744
Balance at 31-12-00	8,284,577	6,112,743	982,416	286,741	15,666,476	1,553,450	11,912	17,231,839
Acquisitions	294,119	2,124,344	670,884	99,874	3,189,221	350,589	-	3,539,810
Reclassifications	5,268	1,519,049	41,920	-	1,566,237	(1,569,301)	(11,912)	(14,975)
Disposals and write-offs	-	447,722	221,563	50,173	719,458	-	-	719,458
Utilisation of reserves	(2)	404,749	120,342	46,746	571,835	-	-	571,835
Depreciation	472,399	1,583,594	398,071	154,308	2,608,373	-	-	2,608,373
Balance at 31-12-01	8,111,563	8,129,569	1,195,928	228,880	17,665,940	334,738	-	18,000,678

Revaluation of tangible fixed assets:

TANGIBLE FIXED ASSETS	Land and buildings	Plant and machinery	Commercial and industrial equipment	Other	Total
	€	€	€	€	€
Historical cost before revaluation	9,589,491	20,900,240	4,742,299	617,831	35,849,862
Revaluation Law 72/1983	362,072	116,263	3,996	-	482,331
Revaluation Law 413/1991	893,831	-	-	-	893,831
Revaluation Law 576/1975	32,613	-	1,549	-	34,163
Revaluation 1990 merger loss	402,745	-	-	-	402,745
Revaluation 1999 merger loss	770,290	-	-	-	770,290
Total revaluations	2,461,551	116,263	5,545	-	2,583,359
Revalued historical cost	12,051,042	21,016,502	4,747,844	617,831	38,433,221

Changes in reserves for depreciation of tangible fixed assets:

TANGIBLE FIXED ASSETS	Land and buildings	Plant and machinery	Commercial and industrial equipment	Other	Total
	€	€	€	€	€
Reserves at 31-12-00	3,467,079	11,708,089	3,274,187	281,389	18,730,745
Depreciation for the year	472,400	1,583,594	398,071	154,308	2,608,373
Decreases in the year	-	404,749	120,342	46,746	571,835
Reserves at 31-12-01	3,939,479	12,886,933	3,551,916	388,951	20,767,281

Financial fixed assets

FINANCIAL FIXED ASSETS	Investments in associated companies	Investments in other companies	Total
	€	€	€
Balance at 31-12-00	-	27,429	27,429
Acquisitions	1,857,334	-	1,857,334
Disposals	-	-	-
Writedowns	-	-	-
Balance at 31-12-01	1,857,334	27,429	1,884,763

List of investments in non-consolidated associated companies:

Investments in associated company			
FRASCHERI S.p.A.			
Via C.Battisti 29			
Bardineto (Sv)			
Capital stock	(1)	€	516,457
Shareholders' equity	(1)	€	486,252
Net income (loss) for the year	(1)	€	(173,517)
Percentage owned			40.00%
Amount recorded for investment in the Financial Statements		€	1,857,334

(1) Amounts refer to the latest approved Financial Statements at December 31 2000.
Approval of Financial Statements for the period ended December 31 2001 will take place after approval of the present Financial Statements.

List of investments in other non-consolidated companies:

Investments in other non-consolidated companies	
	Amount recorded for investment in the Financial Statements
	€
Unionfidi Piemonte	129
Soc.consortile CELPI	5
Consorzio Mediofidi Liguria	310
Sogea S.c.p.a. - Genova	1,033
Consorzio cooperativo Vallestura a.r.l.	25,952
Total	27,429

Breakdown of receivables based on due date

Trade receivables

Trade receivables are the result of normal sales operations and are reported net of respective reserves for writedowns, in particular reserves set up for receivables subject to legal proceedings and those referred to in Art. 25 of Presidential Decree 42/1988 cover the entire amount of such receivables and therefore the book value in assets is zero.

The make-up of these reserves and changes for the year, which were in conformity with accepted accounting and fiscal principles, are shown in the table below.

Receivables from associated companies were the result of normal sales operations between the companies concerned.

Breakdown of accounts receivable by due date					
	Due within 1 year	Due beyond 1 year, within 5 years	Due beyond 5 years	Total due beyond 1 year	Total receivables
CURRENT ASSETS					
Accounts receivable					
1) trade receivables	11,539,268	-	-	-	11,539,268
2) from associated companies	53,325	-	-	-	53,325
4) from holding company	96,836	-	-	-	96,836
5) from others	6,306,406	-	-	-	6,306,406
TOTAL RECEIVABLES	17,995,835	-	-	-	17,995,835

Utilisation of and allocation to provisions for writedown of accounts receivable				
	Balance at 31-12-00	Increases	Decreases	Balance at 31-12-01
	€	€	€	€
Provision for risks Art. 71/917				
Taxed provision for writedown of receivables	102,208	40,459	7,712	134,955
Provision for risks on receivables - 0.5%	191,472	45,917	119,806	117,583
TOTAL FISCAL PROVISION FOR WRITEDOWNS	293,680	86,376	127,518	252,538
Provision for writedown of receivables for negotiated settlements	62,217	-	-	62,217
Provision for writedown of receivables as per Art. 25 DPR 42/1988	23,768	-	416	23,352
TOTAL PROVISION FOR NEGOTIATED SETTLEMENTS	85,985	-	416	85,569
TOTAL	379,665	86,376	127,934	338,107

Other receivables

Other receivables include:

receivables for suretyships received as guarantees for payment of supplementary taxes as per Law 486/92 (milk quota)	€	2,714,000
VAT reimbursement due	€	2,079,836
taxes to be compensated	€	500,683
payments to be received	€	393,213
tax reimbursements due	€	173,733
advances to suppliers	€	161,265
tax credit for withholdings on employee severance indemnity	€	152,392
VAT in transit on infra-group operations	€	51,012
Sundry	€	35,793
Deposits made	€	13,874
Advances on salaries and wages	€	12,986
Advances to INAIL	€	6,253
Loans to employees	€	3,917
Tax advances	€	6,002
Withholding tax on interest	€	1,446
Total other receivables	€	6,306,406

Prepaid expenses and accrued income

A breakdown of prepayments and accruals is given in the following table.

	31-12-01
	€
PREPAYMENTS	
Long-term charges re Sabatini Law	44,977
Long-term charges on financing	35,839
Total long-term charges on financing	80,816
Prepaid expenses	
* suretyships for VAT	94,762
* income taxes	12,720
* commissions on financing	6,838
* advertising and prizes for competitions	19,324
* other costs	3,745
* other personnel costs	2,369
* leasing of machinery	861
* insurance	797
* software fees	599
* maintenance fees	1,580
* rents payable	3,665
Total prepaid expenses	147,260
TOTAL PREPAYMENTS	228,076
ACCRUED INCOME	
* interest on securities	60,245
* interest on bank current accounts	23,760
TOTAL ACCRUED INCOME	84,005
TOTAL PREPAID EXPENSES AND ACCRUED INCOME	312,081

ANALYSIS OF INDIVIDUAL ITEMS IN LIABILITIES

Shareholders' equity

Share capital

The fully paid-up share capital amounts to 20,600,000 euros, represented by 10,000,000 shares with a par value of 2.06 euros each.

Reserve for shareholders' equity

As a result of the shareholders' meeting held on April 30 2001, during the year the net income for 2000 was allocated to the Legal reserve for an amount of 22,745 euros and 132,160 euros to the Extraordinary reserve.

In conformity with the resolution taken by the shareholders' meeting of April 30 2001 concerning the operation to purchase treasury stock, a new "Reserve for purchase of treasury stock" was set up by transferring the value of shares purchased (including relevant commissions) to the Extraordinary reserve.

Following the re-evaluation of treasury stock held in the portfolio by applying the average price for shares in the last month of the year, the difference was transferred from the Reserve for purchase of treasury stock to the Extraordinary reserve, applying accepted accounting principles based on which the Reserve for purchase of treasury stock should be equal to the value of treasury stock held in portfolio.

Changes in shareholders' equity									
	Capital stock	Share premium reserve	Revaluation reserve	Legal reserve	Treasury stock reserve	Other reserves	Retained earnings (losses)	Net income (loss) for the year	Total
	€	€	€	€	€	€	€	€	€
Balance at 31-12-00	20,600,000	14,608,768	196,523	293,993		685,719	(176,230)	(208,085)	36,000,688
Dividends	-	-	-	-	-	-	(300,000)	-	(300,000)
Reallocations within shareholders' equity	-	-	-	-	-	-	(208,085)	208,085	-
Allocations of net income to reserves	-	-	-	22,745	-	132,160	(154,905)	-	-
Creation of new reserve for treasury stock	-	-	-	-	382,995	(382,995)	-	-	(25)
Other consolidation adjustments	-	-	-	-	-	-	25	-	-
Group consolidated net income (loss)	-	-	-	-	-	-	-	(834,894)	(834,894)
Total changes during year	-	-	-	22,745	382,995	(250,835)	(663,015)	(626,809)	(1,134,919)
Balance at 31-12-01	20,600,000	14,608,768	196,523	316,738	382,995	434,884	(839,245)	(834,894)	34,865,768

Reserve for employee severance indemnity

At December 31 2001 the reserve for employee severance indemnity amounted to 1,558,611 euros net of advances made and allocations to the supplementary pension fund for those white-collar, blue-collar and executive personnel who participate in this initiative.

Utilisation of reserve for employee severance indemnity.				
	Opening balance	Increases and allocations	Decreases and utilisation	Balance at 31-12-01
	€	€	€	€
RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY	2,030,949	347,579	223,235	2,155,293

Average number of employees by category

Breakdown of average number of employees by category				
	employees at 31-12-00	average employees at 31-12-00	Employees at 31-12-01	average employees at 31-12-01
Executives	9	9.00	10	10.42
Managers	5	5.00	5	5.00
White-collar	55	54.00	54	52.17
Supervisors	-	1.00	-	-
Blue-collar	76	74.00	79	80.25
TOTAL	145	143.00	148	147.84

Accounts payable

Below is an analysis of items, with a breakdown by due date, which represent the Group's financial liabilities.

Breakdown of accounts payable by due date					
	Due within 1 year	Due beyond 1 year, within 5 years	Due beyond 5 years	Total due beyond 1 year	Total payables
	€	€	€	€	€
ACCOUNTS PAYABLE					
to banks for mortgages	3,412,715	6,282,189	1,248,792	7,530,981	10,943,696
to banks for overdrafts	1,247,404	-	-	-	1,247,404
to other financing sources	40,746	232,766	227,020	459,786	500,532
trade payables	12,401,350	-	-	-	12,401,350
trade payables for plant systems	860,000	1,720,000	-	1,720,000	2,580,000
notes payable (Sabatini Law)	105,220	157,830	-	157,830	263,050
to associated companies	16,028	-	-	-	16,028
to tax authorities	318,595	-	-	-	318,595
to social security institutions	270,755	-	-	-	270,755
to others	3,887,943	-	-	-	3,887,943
Total	22,560,756	8,392,785	1,475,812	9,868,597	32,429,353

Medium and long-term financing

Details of medium and long-term bank financing are summarised in the following table.

	within 12 months	between 1 and 5 years	beyond 5 years	Total
	€	€	€	€
Centrobanca	139,443	853,187	1,248,792	2,241,422
Banca di Roma	-	1,549,371	-	1,549,371
Banca Intesa BCI	574,079	1,311,338	-	1,885,417
Mediobanca	1,549,371	-	-	1,549,371
Mediocredito (<i>disbursed 12/02/01</i>)	344,304	1,205,066	-	1,549,370
Mediocredito (<i>disbursed 21/12/01</i>)	516,457	1,032,914	-	1,549,371
Mediocredito Ligure	32,279	48,418	-	80,696
Mediocredito Ligure	49,063	196,142	-	245,205
Credito Italiano	69,314	-	-	69,314
Banca Intesa BCI	33,565	17,236	-	50,801
Banca Intesa BCI	52,041	14,437	-	66,478
Banca Intesa BCI	34,865	36,647	-	71,512
Banca Intesa BCI	17,934	17,435	-	35,368
	3,412,715	6,282,191	1,248,792	10,943,696

The item "payables to other financing sources" refers to a loan granted by Minindustria on July 17 1996 - Special rotating fund for technological innovation as per Law 46 of February 17 1982 - with a duration of 15 years with repayment over the last 10 years of the term.

The item "notes payable" refers to a leasing contract with right to purchase, in accordance with Law 1329 dated November 28 1965 (Sabatini Law), signed on June 15 1999 by the Company and Mariani S.a.s., which refers to the supply of a mechanisation system. Payment is by means of 10 six-monthly notes with the last one falling due on May 30 2004.

The item "payables to tax authorities" includes the following balances:

payables for employee tax withholdings	€ 181,317
payables for current income taxes	€ 124,791
payables for tax withholdings for freelance workers	€ 12,487
Total payables to tax authorities	€318,595

The item "payables to social security institutions" comprises payables for contributions due on salaries and wages of full-time employees.

"Other payables" includes:

Payables for supplementary taxes Law 486/92 (milk quota)	€ 3,071,487
Credit notes to be issued	€ 459,216
Payables for salaries and wages	€ 145,087
Payables for withholdings from milk producers Law 88/88	€ 77,697
Other payables	€ 77,356
Payables for emoluments to Directors and Statutory Auditors	€ 36,661
Payables for deposits received	€ 18,915
Payables for employee union dues withheld	€ 1,524
Total other payables	€ 3,887,943

Accrued expenses and deferred income

The breakdown of these accruals and deferrals is given in the following table.

	31-12-01 €
DEFERRED INCOME AND ACCRUED EXPENSES	
Deferred income	
* operating grants (FEOGA)	341,810
* contributions from suppliers	33,847
Total deferred income	375,657
ACCRUED EXPENSES	
Accrued expenses	
* accrued employee compensation and related charges	598,525
* interest on bank financing	86,717
* insurance premiums	6,648
* other	5,933
Total accrued expenses	697,823
TOTAL DEFERRED INCOME AND ACCRUED EXPENSES	1,073,480

STATEMENT OF OPERATIONS

Financial income and expense

Details of financial income and expense are reported in the following table.

	31-12-01	31-12-00
FINANCIAL INCOME AND INTEREST		
Income from investments		
* tax credit on dividends	€ 75,814	€ 75,814
Total income from investments	€ 75,814	€ 75,814
Other financial income		
miscellaneous income		
from others		
* bank interest	€ 270,715	€ 83,853
* interest on securities in portfolio	€ 342,586	€ 92,471
* interest on overdue trade payables	€ 9,048	€ 1,282
* interest on VAT credit	€ 21,275	€ 4,171
* interest on employee loans	€ 537	€ 733
* other	€ 10,328	€ 4,671
Total other financial income	€ 654,490	€ 187,181
TOTAL FINANCIAL INCOME	€ 730,304	€ 262,995
FINANCIAL CHARGES AND INTEREST		
Financial charges		
Other financial charges		
from others		
* interest on mortgages and loans	€ 522,789	€ 460,722
* interest on bank overdrafts	€ 109,913	€ 190,141
* dividend warrants	€ 4,056	€ 44,748
* interest to suppliers	€ 14,145	€ 11,590
* charges for guarantees	€ 49,974	€ 49,218
* collection expenses	€ 14,750	€ 17,990
* writedown of treasury stock in portfolio	€ 277,907	€ -
Total financial charges	€ 993,532	€ 774,409
TOTAL FINANCIAL CHARGES AND INTEREST	€ 993,532	€ 774,409

Extraordinary income and expense

	31-12-01	31-12-00
	€	€
EXTRAORDINARY INCOME		
* contingent assets	142,113	172,834
* extraordinary income from holding company	-	96,836
* gains on disposals	-	14,670
TOTAL EXTRAORDINARY INCOME	142,113	284,340
EXTRAORDINARY EXPENSES		
* losses on disposals	-	1,859
* contingent liabilities	86,822	15,169
* extraordinary expenses		
prior year taxes	51,473	-
consultancy and legal fees and guarantees	259,214	315,947
personnel costs for company reorganisation	290,818	-
TOTAL EXTRAORDINARY EXPENSES	688,327	331,116

Emoluments to Directors and Statutory Auditors (in accordance with Article 78 of Consob resolution no. 11971 dated May 14 1999)

Below are details by name and position held of emoluments to Directors and Statutory Auditors.

Name and Surname	Position held	Expiry of term (on approval of Financial Statements for the year)	Emoluments for position held	Bonuses and other incentives	Salary
			€		
(1)					
Luigi LUZZATI	Chairman of the Board	2001	24,790	-	(2) 82,798
Antonio Felice FORCHINO	Vice Chairman of the Board	2001	(2) 56,583	-	-
Riccardo POZZOLI	Executive Vice Chairman and Managing Director	2001	61,975	-	104,311
Aroldo LUZZATI	Managing Director	2001	(2) 56,810	-	(2) 92,752
Adele ARTOM	Director	2001	1,033	-	-
Pietro Angelo CERRI	Director	2001	1,317	-	-
Alessandro MARINA	Director	2001	1,033	-	-
Ermanno RESTANO	Director	2001	258	-	-
Germano TURINETTO	Director	2001	775	-	-
Alessandro RAYNERI	Chairman - Board of Stat.Auditors	2002	13,654	-	-
Giovanni D'AMELIO	Auditor	2002	9,172	-	-
Vittoria ROSSOTTO	Auditor	2002	9,419	-	-

(1) expiry refers to the position held in Centrale del Latte di Torino & C. S.p.A.

(2) the emoluments and salaries refer to Centrale del Latte di Torino & C. S.p.A. and the subsidiary

Reconciliation between Group shareholders' equity and the result for the year

	Result for the year €	Net Equity €
As reported in Financial Statements of Centrale del Latte di Torino & C. S.p.A.	(125,430)	36,414,478
Difference between value of investment in Centro Latte Rapallo S.p.A. and relevant shareholders' equity (1)	-	244,776
Amortisation of trademarks	(640,665)	(1,921,994)
Amortisation of start-up costs	(140,107)	(420,322)
Net result for the year of Centro Latte Rapallo S.p.A.	164,830	164,830
Elimination of dividend received from Centro Latte Rapallo S.p.A.	(129,088)	
Reversal of accelerated depreciation recorded by Centro Latte Rapallo S.p.A.	35,566	384,000
Balances as per Consolidated Financial Statements	(834,894)	34,865,768

(1) net of initial allocations of consolidation differences for intangible fixed assets €3,366,238-(17,335,826-14,214,364)