



NOTES

to Consolidated Financial Statements at December 31 2000

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Turin Chamber of Commerce no. 631/77
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Format and contents of the Financial Statements

The consolidated financial statements have been prepared in accordance with the provisions of the Civil Code and include the balance sheet (prepared in conformity with indications given in Articles 2424 and 2424bis of the Civil Code) and the income statement (prepared in conformity with indications given in Articles 2425 and 2425bis of the Civil Code), accompanied by the notes.

The purpose of these notes is to provide comments, analyses and, in certain cases, supplementary data to the financial statements and also information required by Article 2427 of the Civil Code, by other provisions of Law Decree 127/1991 or by prior 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.

In compliance with Consob notification no. 98083971 dated October 26 1998, the balance sheet and income statement are also given in euros, converted from lire using the fixed parity, in order to provide clearer and more complete information.

Area of consolidation

The consolidated financial statements at December 31 2000 include the financial statements at December 31 2000 of the Holding Company, Centrale del Latte di Torino & C. S.p.A., and its subsidiary company, Centro Latte Rapallo S.p.A.

Consolidation method adopted

The financial statements for the companies consolidated are essentially those prepared for each company's Board of Directors for presentation to the relevant shareholders' meeting. 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.

The consolidation has been prepared using the line-by-line method, given that the shareholding in the subsidiary company is 99.98% (details on page 32) and reflects the following adjustments and exceptions (details on page 32).

- 1) The book value of the Holding Company's shareholding has been offset against the shareholders' equity in the Holding Company itself, net of profit for the current year; the consolidation difference of 27,522,848,674 lire has been allocated as follows:
 - 24,810,000,000 lire representing the value of the Centro Latte Rapallo trademark, amortised over 20 years starting from the year ended December 31 1999;
 - 2,712,848,674 lire representing goodwill, amortised over 10 years starting from the year ended December 31 1999, inasmuch as it is directly related to the activities of the subsidiary company which are not subject to sudden changes in technology.
- 2) Consolidation adjustments have been made to reverse out provisions made solely for fiscal reasons:
 - reversal of accelerated amortisation and depreciation recorded by the Holding Company in the years 1997/1998/1999 and 2000 for a total of 1,470,360,536 lire;

- resumption of accelerated amortisation and depreciation up to December 31 2000 for fixed assets written off entirely during the year, for an amount totalling 322,000,000 lire.
- 3) Adjustments have been made to eliminate intra-group costs, revenues, payables and receivables (details on page 32). 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.

The evaluation criteria adopted for the consolidation do not differ from those used for the financial statements of the companies consolidated.

Given this, the consolidation criteria for the two companies consolidated are fully compatible and reflect the principle expressed in Article 2426 of the Civil Code.

In particular, accounts payable in foreign currency have been 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.

Accounts receivable are stated at their estimated realisable value.

Accounts payable are stated at their nominal value

Inventories of finished products are evaluated on the basis of their direct production cost plus the operations cost directly related to the products concerned. Inventories of products marketed, raw materials, supplementary materials and consumables have been evaluated at the average purchase cost prevailing during the year, in accordance with the provisions of Article 59, paragraph 3bis of the consolidated act.

Revenues and costs are reported in the financial statements on the basis of the period to which they pertain by means of relevant accruals, prepayments or deferrals.

It is confirmed that no financial charges have been made during the year to amounts reported as assets in the balance sheet

Furthermore:

- the memorandum accounts contain all commitments existing at the end of the year;
- the breakdown of revenues by geographical area is not significant inasmuch as it has been performed at regional level and in Liguria;
- there is no income other than dividends on the shareholdings, as prescribed by Article 2425 no. 15 of the Civil Code;
- no adjustments or accruals on the basis of regulations of a purely fiscal nature have been made;
- and, lastly, the Company has not issued any preference shares, bonds convertible into shares, securities or similar stocks.

Intangible fixed assets

Intangible fixed assets are recorded at purchase cost and 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, and trademarks, which are amortised at an annual rate of 5%, and therefore over 20 years, bearing in mind their value to the Group.

Costs relating to the listing of the Holding Company, Centrale del Latte di Torino & C. S.p.A., on the Italian Stock Exchange have also been recorded as an asset. An annual amortisation rate of 20% has been applied and in the year reported the relevant amount has been calculated pro-rata on the basis of the months between the initial date of listing and the end of the financial year, namely, 2/12ths.

Analysis of intangible fixed assets at December 31 2000							
(in thousands of lire)							
	Historical Cost	Reserve for amortisation	Balance at 31/12/99	Acquisit.n	Disposals and write-offs	Amort.n	Balance at 31/12/00
I - INTANGIBLE FIXED ASSETS							
1) Share listing costs	0	0	0	2,999,456		99,982	2,899,474
2) R & D and advertising costs	7,131,018	6,872,172	258,846	84,302		164,321	178,827
3) Industrial patents and intellectual property rights	542,854	298,081	244,773	144,878		117,083	272,568
4) Franchises, licenses, trademarks and similar rights	26,310,538	1,315,789	24,994,749	5,715		1,315,827	23,684,637
5) Goodwill	8,748,757	5,078,622	3,670,135	0		871,285	2,798,850
7) Other fixed assets	1,672,842	1,357,140	315,702	377,912		240,618	452,996
TOTAL	44,406,009	14,921,804	29,484,205	3,612,263		2,809,116	30,287,352

Tangible fixed assets

Tangible fixed assets are recorded at purchase cost plus any directly related charges. The year-end balances are shown net of accumulated depreciation.

The value of these assets includes the revaluations indicated in the specific table below covering this aspect.

Depreciation charged to the income statement has been calculated in a systematic and consistent manner. It is based on rates believed to be representative of the estimated technical-financial useful life of the assets concerned and, furthermore, the annual charge is reduced by 50% for assets acquired during the year.

The rates applied are those allowed for fiscal purposes as stated in the Ministerial Decree dated December 31 1988 for assets acquired from financial year 1989

onwards, and in the Ministerial Decree dated October 29 1974 for assets acquired in prior years, as illustrated in the table below for homogeneous groups of assets.

The intangible fixed asset "work in progress and down payments" includes general plant and machinery for an overall amount of 3,030 million lire. This figure mainly concerns the new PET bottling line at the Turin plant which became operational in early 2001.

No amortisation was recorded for this asset, based on accounting principles and indications given in Article 67, paragraph 1 of the consolidated act.

Accelerated amortisation was calculated and charged by the subsidiary company but was reversed out in the consolidation.

The item "land and buildings" includes the original amount of 1,491,489,315 lire which is the result of the difference of the merger by incorporation of DEPLA S.r.l. in financial year 1999, allocated to the building located in Rapallo used as the new warehouse facility.

In accordance with Article 10 of Law 72 dated March 19 1983, it is confirmed that no monetary or financial revaluations have been made other than the mandatory ones established by Law 576 dated December 2 1975 and Law 72 dated March 19 1991 (see table below).

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

The intangible fixed asset "work in progress" has been evaluated at cost plus directly associated expenses.

Analysis of tangible fixed assets at December 31 2000								
(in thousands of lire)	Historical Cost	Reserve for depreciation	Balance at 31/12/99	Acquisitions	Disposals and write-offs	Recovery accel. depr.	Depreciat.n	Balance at 31/12/00
II - TANGIBLE FIXED ASSETS								
1) Land & buildings	20,068,519	5,940,740	14,127,779	2,685,859	0	0	772,463	16,041,175
2) Plant & machinery	31,042,241	20,167,202	10,875,039	3,602,862	5,162	134,000	2,502,818	11,835,921
3) Ind., commercial & office equipment	7,807,680	5,702,185	2,105,495	656,167	121,912	100,000	637,527	1,902,223
4) Other fixed assets	973,163	404,394	568,769	214,891	0	88,000	140,453	555,207
5) Work in progress & down payments			0	3,030,964				3,030,964
TOTAL	59,891,603	32,214,521	27,677,082	10,190,741	127,074	322,000	4,053,261	33,365,490

Revalued assets

The following table summarises assets subject to revaluation.

Revalued assets at December 31 2000								
(in thousands of lire)								
	Original historical cost	Revaluation per Law 576/1975	Revaluation per Law 72/1983	Revaluation per Law 413/1991	Revaluation merger diff. 1990	Revaluation merger diff. 1999	Total revaluations	Revalued historical cost
B) FIXED ASSETS								
II - Tangible fixed assets								
1) Land & buildings	17,988,151	63,148	701,069	1,730,698	779,823	1,491,489	4,766,227	22,754,378
2) Plant & machinery	34,280,825	0	225,116	0	0	0	225,116	34,505,941
3) Industrial, commercial & office equipment	8,231,197	3,000	7,738	0	0	0	10,738	8,241,935
4) Other fixed assets	1,100,054							1,100,054
5) Work in progress & down payments	3,030,965						0	3,030,965
TOTAL	64,631,192	66,148	933,923	1,730,698	779,823	1,491,489	5,002,081	69,633,273

The revaluations made by the two companies have been consolidated as the sum of the individual balance sheets included in the consolidation.

These were carried out in prior financial years on the basis of laws indicating certain mandatory revaluation, and as a result of voluntary operations of a financial nature. Amounts indicated under "land and buildings" only refer to buildings, given that land has never been subject to revaluation.

Amounts are shown gross before depreciation.

No revaluations were made during the past financial year.

The amounts include changes during the financial year.

Change in Reserves for Amortisation Of intangible Fixed assets

The table below summarises changes in reserves for amortisation of intangible fixed assets during the year ended December 31 2000.

Changes in reserves for amortisation of intangible fixed assets			
(in thousands of lire)			
	Reserves for amortisation at 31/12/99	Amortisation in financial year	Reserves for amortisation at 31/12/00
Share listing costs	0	99,982	99,982
R & D and advertising costs	6,872,172	143,167	7,015,339
New product advertising costs	47,937	178,576	226,513
Set-up and extension costs	227,512		
Patents and intellectual property rights	298,081	117,082	415,163
Franchises, licenses, trademarks, etc.	1,315,789	1,315,827	2,631,616
Goodwill	5,078,622	871,286	5,949,908
Maintenance cost for third-party assets	1,309,203	83,196	1,392,399
TOTAL RESERVES FOR INTANGIBLE FIXED ASSETS	15,149,316	2,809,116	17,730,920

**Changes in
reserves for
depreciation
of tangible
fixed assets**

The table below summarises the changes in reserves for depreciation of tangible fixed assets during the year ended December 31 2000.

Changes in reserves for depreciation of tangible fixed assets			
(in thousands of lire)			
	Reserves for depreciation at 31/12/99	Depreciation in financial year	Reserves for depreciation at 31/12/00
Land & buildings	5,940,738	772,463	6,713,201
Machinery & equipment	20,167,202	2,502,819	22,670,021
Industrial, commercial and office equipment	5,702,185	637,526	6,339,711
Other fixed assets	404,394	140,452	544,846
TOTAL RESERVES FOR TANGIBLE FIXED ASSETS	32,214,519	4,053,260	36,267,779

**List of non-
consolidated
investments**

Investments held by the two companies have been consolidated as the sum of the individual balance sheets included in the consolidation.

During the year ended December 31 2000 the subsidiary company, Centro Latte Rapallo S.p.A., sold its investment of 240,000 shares in the Genoa-based company, B.P.C. S.p.A., for a gain of approximately 48 million lire.

List of non-consolidated investments		
(in thousands of lire)	31/12/00	31/12/99
III - FINANCIAL FIXED ASSETS		
1) Investments in:		
d) other companies		
Consorzio Mediofidi Liguria	600	600
Unionfidi Piemonte	250	250
Soc.Consortile arl CELPI	10	0
SOGEA S.c.p.A. - Genoa	2,000	2,000
B.P.C. S.p.A. - Genoa	0	240,000
Consorzio Cooperativo Vallestura a.r.l.	50,250	50,250
TOTAL	53,110	293,100

**Breakdown
of accounts
receivable on
the basis of
due date**

The item " trade receivables" includes receivables deriving from normal sales transactions that are shown net of the relevant provisions for writedowns, details of which are given later in a specific table.

Intra-group sales transactions have been eliminated.

Breakdown of accounts receivable on the basis of due date					
(in thousands of lire)	Short-term receivables	Beyond 1 and within 5 years	Long-term receivables	Total receivables beyond 1 year	Total receivables
C) CURRENT ASSETS					
II - Accounts receivable					
1) trade receivables	20,608,873				20,608,873
2) from holding company	187,500				187,500
5) from others	13,597,419				13,597,419
TOTAL ACCOUNTS RECEIVABLE	34,393,792				34,393,792

The breakdown of the item "other receivables" is as follows:

- amount due from the Tax Authorities for V.A.T. of 5,814,651,000 lire;
- IRPEG and ILOR tax for a total of 339,224,000 lire;
- for guarantees received as surety for payments of the supplementary funds prescribed by Law 468/92 relating to dairy product campaigns for 1995/96 - 1996/97 - 1997/98 - 1998/99 - 1999/00, amounting to 5,000,927,375 lire;
- advance payments for IRPEG and IRAP taxes of 1,249,559,000 lire;
- IRPEG and IRAP tax prepayments of 29,140,000 lire;
- withholding tax credits on employee severance indemnity of 318,748,740 lire;
- tax credits on dividends of 146,795,635 lire;
- withholding tax on interest received of 44,431,381 lire;
- sale or return distributor accounts for an amount of 175,692,529 lire;
- advance payments for INAIL contributions of 11,703,886 lire;
- loans to employees of 11,566,000 lire;
- various security deposits amounting to 57,519,043 lire;
- miscellaneous receivables amounting to 33,346,080 lire;
- loans to distributors of 364,114,149 lire

<p>Utilisation of and allocations to provisions for writedowns of accounts receivable</p>
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Changes in the provision for writedowns of accounts receivable during the year, recorded in the balance sheet as a direct deduction from the nominal value of trade receivables, were in accordance with accepted accounting and fiscal principles.

In particular, provisions made for disputed accounts receivable and those covered by Article 25 of Presidential Decree 42/1988 have been totally and directly deducted from the relevant asset values and are therefore reported at zero value in the balance sheet.

Utilisation of and allocations to provisions for writedown of accounts receivable				
(in thousands of lire)				
	Balance at 31/12/99	Increases	Decreases	Balance at 31/12/00
* Provision for writedown of taxed accounts receivable	167,902	30,000	0	197,902
* Provision for writedowns of accounts receivable 0.5%	222,740	152,934	4,933	370,741
TOTAL PROVISION FOR WRITEDOWNS	390,642	182,934	4,933	568,643
* Provision for writedown of disputed accounts receivable	131,480	61	11,073	120,468
* Provision for writedown of accounts receivable Art. 25 PD 42/988	46,022	0	0	46,022
TOTAL PROVISION FOR WRITEDOWN OF DISPUTED ACCOUNTS RECEIVABLE	177,502	61	11,073	166,490
TOTAL	568,144	182,995	16,006	735,133

Changes in shareholders' equity

The table below summarises the changes in shareholders' equity during the year ended December 31 2000 and were the result of the following actions.

- Resolution of the Ordinary Shareholders' Meeting of the Company held on May 9 2000 to allocate net profit for 1999 as follows: 10,724,734 lire to the legal reserve and 203,769,935 lire to the extraordinary reserve.
- Resolution of the Extraordinary Shareholders' Meeting of the Company held on July 18 2000 to convert the share capital from lire to euros, with conversion of the nominal share value from 4,000 lire rounded down to 2.06 euro that, as a consequence, reduced the share capital to 14,677,500 euro (28,420 million lire) and resulted in a credit of the excess to the legal reserve for an amount of 80 million lire, equal to 41,522 euro.
- On November 3 2000 and following the Italian Stock Exchange notification no. 1288 dated October 12 2000 and Consob notification no. 76766 dated October 17 2000, the Company's shares were listed on the Stock exchange. As a result of a global offering of 3,449,500 shares, of which 2,875,000 were newly issued at a price of 6.80 euro including a premium of 4.74 euro, the share capital of the Company increased from 14,677,500 euro to 20,600,000 euro.

Changes in shareholders' equity				
(in thousands of lire)	Balance at 31/12/99	Increases and Allocations	Decreases and utilisation	Balance at 31/12/00
A) SHAREHOLDERS' EQUITY				
I - Share capital	28,500,000	11,467,559	80,397	39,887,162
II - Share premium reserve	1,900,000	26,386,519		28,286,519
III - Revaluation reserve	380,521			380,521
IV - Legal reserve	478,128	91,122		569,250
VII - Other reserves	1,123,967	651,892	789,351	986,508
VII - Net profit carried forward	475,875		475,875	0
IX - Profit (loss) for the period	(402,908)			(402,908)
TOTAL SHAREHOLDERS' EQUITY	32,455,583	38,597,092	1,345,623	69,707,052

**Breakdown
of share
capital**

Number and nominal value of each category of shares						
	SITUATION AT 31/12/99		CHANGES IN THE YEAR		SITUATION AT 31/12/00	
	Number of shares	Nominal value lire	Number of shares	Nominal value	Number of shares	Nominal value euro
* Ordinary shares	28,500,000	1,000				
1 for 4 consolidation And conversion of nominal value From lire to euro (Extraordinary shareholders' meeting 18/07/00)			7,125,000	lire 4000		
			7,125,000	euro 2.06		
Public issue and listing on the Italian Telematic Stock Exchange November 3 2000			2,875,000	euro 2.06		
* Ordinary shares					10,000,000	2.06

**Utilisation of
and
allocations to
provisions
for risks and
charges**

The following table summarises changes in provisions for risks and charges in the year ended December 31 2000.

Utilisation of and allocations to provisions for risks and charges				
(in thousands of lire)				
	Balance at 31/12/99	Increases and Allocations	Decreases and utilisation	Balance at 31/12/00
B) PROVISIONS FOR RISKS AND CHARGES				
2) For current year taxes	0	0	0	0
3) Other provisions	200,000	0	200,000	0
4) Deferred taxes	464,570	141,954	132,825	473,699
TOTAL PROVISIONS FOR RISKS AND CHARGES	664,570	141,954	332,825	473,699

Utilisation of and allocations to the provision for employee severance indemnity

The table below summarises changes in the provision for employee severance indemnity during the financial year ended December 31 2000.

The column "increases" includes allocations made for personnel employed as at December 31 2000, in addition to the revaluation of the provision itself.

Advances against employee severance indemnity made during the course of 2000 are included in the column "decreases".

The changes indicated include allocations to and utilisation of the provision during the year and are therefore inclusive of employment terminated during the financial year itself.

The provision is in conformity with Article 2120 of the Civil Code and has been updated to reflect regulations applying to our sector as regards the position of individual employees in the workforce.

Utilisation of and allocations to the provision for employee severance indemnity				
(in thousands of lire)				
	Balance at 31/12/99	Increases and Allocations	Decreases and utilisation	Balance at 31/12/00
C) PROVISION FOR EMPLOYEE SEVERANCE INDEMNITY	3,708,252	649,456	425,243	3,932,465

**Breakdown
of accounts
payable on
the basis of
due date**

Details of medium and long-term bank loans are as follows:

- Loan granted by San Paolo IMI on April 2 1998 of 600,000,000 lire.
Debt outstanding at December 31 2000 amounts to 124,968,220 lire.
- Loan granted by Centrobanca on May 14 1998 of 5,000,000,000 lire.
Debt outstanding at December 31 2000 amounts to 4,594,000,000 lire.
The above loan is guaranteed by a mortgage on the building located in Via Filadelfia 200, Turin, in the amount of 11,000,000,000 lire.
- Loan granted by Banca di Roma on October 2 2000 of 3,000,000,000 lire.
Debt outstanding at December 31 2000 amounts to 3,000,000,000 lire.
- Loan granted by Banca Commerciale Italiana on October 17 2000 of 4,000,000,000 lire.
Debt outstanding at December 31 2000 amounts to 4,000,000,000 lire.
- Mortgage granted by Mediocredito Ligure; debt outstanding at December 31 2000 amounts to 836,033,187 lire.
- Mortgage granted by Banca Commerciale Italiana; debt outstanding at December 31 2000 amounts to 686,942,115 lire.
- Mortgage granted by Credito Italiano; debt outstanding at December 31 2000 amounts to 261,978,409 lire.

The situation can therefore be summarised as follows:

		within 12 months	between 1 and 5 years	beyond 5 years
(in thousands of lire)				
San Paolo IMI	lire	124,968		
Centrobanca	lire	254,000		
Comit	lire	709,000		
Mediocredito Ligure	lire	204,783		
Comit	lire	253,849		
Credito Italiano	lire	127,768		
Centrobanca	lire		1,548,000	
Comit	lire		3,291,000	
Banca di Roma	lire		3,000,000	
Mediocredito Ligure	lire		631,250	
Comit	lire		433,093	
Credito Italiano	lire		134,211	
Centrobanca	lire			2,792,000
Total	lire	1,674,368	9,037,554	2,792,000

- The "payable to other financing sources" refers to a loan granted by Minindustria on July 17 1996 - Special Revolving Fund for Technological Innovation as per Law

46 dated February 17 1982 - for a duration of 15 years, with repayments due during the last 10 years of this period.

The outstanding debt at December 31 2000 amounts to 969,166,000 lire.
Last instalment due on July 17 2012.

- The term "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.

The residual debt at December 31 2000 amounts to 713,068,468 lire.

Repayment will be by means of 10 half-yearly notes.

Last payment due on May 30 2004.

- The item "tax liabilities" refers to the following entries in the accounts:

liabilities for IRPEF tax withheld on employee compensation	312,038,544 lire
liability for withholding tax on Directors' emoluments	5,100,000 lire
liability for withholding tax on professional fees	23,302,780 lire
liabilities for other taxes	305,948,560 lire
liabilities for IRPEG and IRAP taxes for the current year	888,000,000 lire

When compared with the financial year ended December 31 1999, the item "tax liabilities" no longer includes accrued liabilities for the supplementary amount due under EEC Law 468/92 (milk quota) concerning the dairy campaigns for a number of years.
This liability has been reclassified to "other payables" as indicated in detail below.

- The accounts payable item "for social security contributions" includes contributions due on salaries and wages.

- The item "other payables" includes:

payables for emoluments to Board Members	12,040,000 lire
payables for emoluments to Statutory Auditors	63,941,400 lire
payables for salaries and wages	265,717,881 lire
payables for employee loan repayments to banks	3,430,460 lire
payables for employee union dues	3,022,562 lire
milk producers' withholdings per Law 88/88 (milk quota)	150,441,732 lire
miscellaneous payables	44,668,610 lire
EEC supplementary withholding 1995/96 dairy campaign	1,397,280,525 lire
EEC supplementary withholding 1996/97 dairy campaign	302,268,686 lire
EEC supplementary withholding 1997/98 dairy campaign	1,149,662,512 lire
EEC supplementary withholding 1998/99 dairy campaign	1,846,628,420 lire
EEC supplementary withholding 1999/00 dairy campaign	787,656,953 lire
EEC supplementary withholding 2000/01 dairy campaign	142,153,251 lire

The accounts payable concerning the above supplementary withholdings are not tax liabilities for the Group inasmuch as they are due from individual producers. The Group has received guarantees covering these payables in the amount of 5,000,927,977 lire and has withheld 624,722,369 lire. It should be noted that as a result of new calculations prepared by the competent authorities, the total amount of fines has reduced considerably.

Breakdown of accounts payable on the basis of due date					
(in thousands of lire)					
	Short-term payables	Beyond 1 and within 5 years	Long-term payables	Total payables beyond 1 year	Total payables
D) ACCOUNTS PAYABLE					
3) to banks					
for mortgages	1,674,368	9,037,554	2,792,000	11,829,554	13,503,922
for overdrafts	4,076,414			0	4,076,414
4) to other financing sources			969,166	969,166	969,166
5) advance payments made	602,219			0	602,219
6) trade payables	24,858,865			0	24,858,865
to suppliers of systems	2,098,876	2,580,000		2,580,000	4,678,876
7) notes payable	203,734	509,335		509,335	713,069
11) tax liabilities	1,534,384			0	1,534,384
12) social security contributions	493,305			0	493,305
13) other accounts payable	6,168,913			0	6,168,913
TOTAL ACCOUNTS PAYABLE	41,711,078	12,126,889	3,761,166	15,888,055	57,599,133

Breakdown of accrued income and prepaid expenses

Accruals and prepayments have been recorded in the balance sheet on the basis of accounting principles and the year to which they pertain.

Breakdown of accrued income and prepaid expenses	
(in thousands of lire)	Balance at 31/12/00
D) ACCRUED INCOME AND PREPAID EXPENSES	
a) costs	
Long-term financing costs	
* long-term costs for San Paolo IMI financing	4,821
* long-term costs for Centrobanca financing	71,094
* long-term costs Sabatini Law	74,548
Total long-term financing costs	150,463
b) miscellaneous	
Prepaid expenses	
* VAT guarantee policies	141,538
* leasing of machinery	1,667
* maintenance instalments	3,273
* insurance	1,620
* leasing of software	910
* rental costs	7,012
* commissions on financing	21,245
* expenses for guarantees	234,533
* advertising expenses	37,605
* prepayment to INAIL	10,334
* other personnel costs	6,084
* other prepaid expenses	125
Total prepaid expenses	465,946
Accrued income	
b) interest on securities	128,705
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	745,114

**Breakdown
of accrued
expenses and
deferred
income**

Accruals and deferrals have been recorded in the balance sheet on the basis of accounting principles and the year to which they pertain.

Breakdown of accrued expenses and deferred income	
(in thousands of lire)	Balance at 31/12/00
E) ACCRUED EXPENSES AND DEFERRED INCOME	
b) miscellaneous	
Accrued expenses	
* accrued personnel expenses	608,418
* interest on bank financing	75,050
* tax on contest with prizes	7,356
* insurance premiums	6,347
* advertising and miscellaneous expenses	6,737
Total accrued expenses	703,908
Deferred income	
* operating grants (FEOGA)	107,774
* grants from suppliers	31,647
Total deferred income	139,421
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	843,329

**Breakdown
On financial
Income and
expenses**

Financial income and interest		
(in thousands of lire)	2000	1999
FINANCIAL INCOME		
Income from shareholdings		
'* other income		
dividends from shareholdings	0	350
tax credits on dividends/other income	146,796	0
Total income from shareholdings	146,796	350
Other financial income		
* miscellaneous income		
from others		
bank interest	162,363	14,845
interest on securities	179,048	0
interest on overdue trade receivables	2,482	1,843
interest on VAT reimbursement	8,076	4,450
interest on employee loans	1,419	976
other income	9,044	8,402
Total other financial income	362,432	30,516
TOTAL FINANCIAL INCOME	509,228	30,866

**Breakdown
of financial
charges and
interest**

Financial charges and interest		
(in thousands of lire)	2000	1999
FINANCIAL CHARGES AND INTEREST		
Financial costs		
from holding company		
costs for guarantees	0	56,975
Total financial costs from holding company	0	56,975
Other financial charges		
from others		
interest on mortgages and loans	892,082	685,809
interest on overdrafts	368,164	203,829
interest to suppliers	22,441	36,001
dividend warrants	86,645	0
discounts on agrarian bills	0	163,196
collection expenses	34,834	27,943
costs of guarantees	95,299	31,830
Total other financial charges	1,499,465	1,148,608
TOTAL FINANCIAL CHARGES AND INTEREST	1,499,465	1,205,583

**Breakdown of
extraordinary
income**

Extraordinary income		
(in thousands of lire)	2000	1999
EXTRAORDINARY INCOME		
gains on disposals		
* plant and machinery	218	7,425
* equipment	1,900	5
* furniture and normal office equipment	2	20
* electronic equipment	285	892
* vehicles and internal transport	21,500	33,578
* motor cars	4,500	0
* from sale of shareholding B.Pop.Lodi	0	11,117
Total gains on disposals	28,405	53,037
b) miscellaneous		
* extraordinary income from holding company	187,500	
* contingent asset income	334,654	110,391
TOTAL EXTRAORDINARY INCOME	550,559	163,428

As regards the above income, it should be mentioned that it includes the amount of 251 million lire for the regional capital grant (FEOGA) within the framework of a complex investment plan introduced in the 1997-1998 period for the technological restructuring and updating of the Turin plant.

Extraordinary expenses		
(in thousands of lire)	2000	1999
EXTRAORDINARY EXPENSES		
losses on disposals		
* buildings	0	3,840
* plant and machinery	0	60,301
* furniture and normal office equipment	0	898
* electronic equipment	1,614	4,015
* losses on sale of securities	1,985	0
Total losses on disposals	3,599	69,054
prior year taxes		
* taxes to be assessed	0	254,679
miscellaneous		
* contingent liability expenses	29,371	111,080
* extraordinary expenses	611,759	158,528
Total miscellaneous	641,130	524,287
TOTAL EXTRAORDINARY EXPENSES	644,729	593,341

It should be noted that the item "extraordinary expenses" includes costs amounting to 226,875,000 lire for the preparation of studies, associated and other costs concerning participation in bids for privatisation of the companies Centrale del Latte di Milano, Centrale del Latte di Vicenza and Centrale del Latte di Salerno.

**Breakdown
of sundry
production
costs**

Sundry production costs		
(in thousands of lire)		
	2000	1999
SUNDRY PRODUCTION COSTS		
* Current year taxes	371,307	416,986
* Emoluments to directors and statutory auditors	383,541	401,999
* Membership fees	109,919	83,895
* Magazine subscriptions and books	10,999	14,075
* Gifts	118,103	109,312
* Business expenses	48,400	19,188
* Fines and penalties	2,453	7,197
* Losses on accounts receivable and exchange rate	1,265	1,418
* Grants to ONLUS	22,568	8,850
* Miscellaneous	66,633	31,154
* Advertising	0	850,955
* Contest prizes	742,379	492,624
* Market research	72,380	15,470
* Legal and notarial expenses	37,528	43,043
* Leasing payments	52,701	78,693
* Training courses	15,125	
TOTAL SUNDRY PRODUCTION COSTS	2,055,301	2,574,859

Advertising expenses for the year 2000 have been included under "services".

**Number of
employees
by
category**

Number of employees by category		
	workforce at 31/12/00	workforce at 31/12/99
Management	9	9
Supervisors	5	2
Clerical	54	47
Intermediate	1	2
Workers	74	83
TOTAL	143	143

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

Information concerning the emoluments and salaries paid to Board Members and Statutory Auditors is given by category as opposed to by individual, in accordance with Article 78 of Consob resolution no. 11971 dated May 14 1999.

The Board of Directors, comprising nine members and nominated by the shareholders' meeting held on May 9 1999, will remain effective up to the time of approval of financial statements for the year ending December 31 2001.

The Board of Statutory Auditors, comprising three effective and three supplementary members, will remain effective up to the time of approval of financial statements for the year ending December 31 2002.

	Emoluments from Emoluments from Centrale del Latte di Torino & C. S.p.A.	Salaries from Salaries from Centrale del Latte di Torino & C. S.p.A.	Emoluments from Emoluments from Centro Latte Rapallo S.p.A.	Salaries from Salaries from Centro Latte Rapallo S.p.A.
(in thousands of lire)				
Board of Directors				
* Chairman Luigi LUZZATI	48,000	0	0	146,667
* Vice Chairman Antonio Felice FORCHINO	79,560	0	30,000	109,560
* Executive Vice Chairman Managing Director Riccardo POZZOLI	120,000	197,501	0	0
* Managing Director Aroldo LUZZATI	60,000	0	50,000	162,445
* Board Member Adele ARTOM	3,500	0	0	0
* Board Member Germano TURINETTO	2,500	0	0	0
* Board Member Pietro Angelo CERRI	2,040	0	0	0
* Board Member Ermanno RESTANO	1,500	0	0	0
* Board Member Alessandro MARINA	2,500	0	0	0
TOTAL	319,600	197,501	80,000	418,672

	Emoluments from Centrale del Latte di Torino & C. S.p.A.
(in thousands of lire)	
Statutory Board of Auditors	
* Chairman Alessandro RAYNERI	26,367
* Board Member Giovanni D'AMELIO	18,970
* Board Member up to May 8 2000 Gianfranco GURLINO	5,956
* Board Member from May 9 2000 Vittoria ROSSOTTO	12,648
TOTAL	63,941

Subsidiary companies

Subsidiary companies					
(in thousands of lire)	Share capital	Shareholders' equity	Profit (loss) for period	% owned	value of shareholding in holding company balance sheet
Centro Latte Rapallo S.p.A. Via Nino Bixio 20/1 Chiavari - Italy Headquarters: Via S.Maria del campo 175 Rapallo (Genoa) - Italy	5,000,000	6,492,113	275,831	99.98	33,566,840
TOTAL	5,000,000	6,492,113	275,831	99.98	33,566,840

Reconciliation of statutory and consolidated financial statements

Reconciliation of statutory and consolidated financial statements					
(in thousands of lire)	Holding Company	Holding Company	Consolidation adjustments	Consolidation adjustments	Consolidated Fin. Statements
BALANCE SHEET					
Intangible fixed assets					
Trademark Centro Latte Rapallo			24,810,000		24,810,000
Goodwill Centro Latte Rapallo			2,712,849		2,712,849
Shareholding in subsidiary	33,566,840			(33,566,840)	0
Accounts receivable					
from subsidiary	2,650,024			(2,650,024)	0
from holding company		32,352		(32,352)	0
Accounts payable					
to subsidiary	22,960		(22,960)		0
to holding company		2,659,416	(2,659,416)		0
Shareholders' equity					
Share capital	39,887,162	5,000,000		(5,000,000)	39,887,162
Legal reserve	569,250	492,113		(492,113)	569,250
Other reserves	29,994,777	1,000,000	448,120	(1,789,350)	29,653,547
Profit (loss) for period	880,819	275,831	(8,222,589)	6,663,032	(402,907)
Shareholders' equity	71,332,008	6,767,944	(7,774,469)	(618,431)	69,707,052
INCOME STATEMENT					
Sales revenues	84,087,437	35,730,336	(6,161,726)	122,964	113,779,011
Other revenues	729,976	153,659	(34,210)		849,425
Purchases of raw and supp. materials	53,238,419	21,602,623	(122,964)	6,195,936	68,768,070
Amortisation intangible fixed assets	592,980	704,351	(1,511,785)		2,809,116
Depreciation tangible fixed assets	3,302,531	1,094,860		344,131	4,053,260
Income from shareholdings					
in subsidiaries	249,950	0	(249,950)		0
Deferred taxes	0	0	(141,954)		(141,954)
Total			(8,222,589)	6,663,031	

