## 2009 Separate and Consolidated Financial Statements

## Centrale del Latte di Torino & C. S.p.A.

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Share capital: € 20,600,000 fully paid-up

Turin Chamber of Commerce (C.C.I.A.A.) no. 520409

Turin Court no. 631/77

TIN - VAT number 01934250018

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Report of the Board of Statutory Auditors to the Consolidated Financial Statements

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#### **BOARD OF DIRECTORS**

#### Luigi LUZZATI

Chairman

#### Riccardo POZZOLI

Vice Chairman and Managing Director

#### Nicola CODISPOTI

Managing Director

#### **Adele ARTOM**

Director

#### **Guido ARTOM**

Director (\*\*\*)

#### **Antonella FORCHINO**

Director (\*\*)

#### **Ermanno RESTANO**

Director

#### **Luciano ROASIO**

Director (\*) (\*\*)

#### **Alberto TAZZETTI**

Director (\*) (\*\*) (\*\*\*)

#### **Germano TURINETTO**

Director (\*) (\*\*\*)

- (\*) Independent Director
- (\*\*) Members of the audit committee
- (\*\*\*) Members of the committee for the remuneration of Directors

#### **BOARD OF STATUTORY AUDITORS**

#### **Marco Maria BALOSSO**

Chairman

#### Giovanni RAYNERI

Statutory auditor

#### **Vittoria ROSSOTTO**

Statutory auditor

#### **AUDITING AND CERTIFYING FIRM**

KPMG S.p.A.

## **Centrale del Latte di Torino Group**

# 2009 Separate and Consolidated Financial Statements

**Directors' Report** 

#### Dear Shareholders,

The financial crisis severely affected Italy during 2009, with a major negative impact on household spending and a clear fall in food consumption. Given this scenario, families were partially more likely to purchase cheaper goods, sometimes paying scant attention to product quality. It is also important to point out that during 2009 structural changes continued to take place in the dairy sector, with significant shifts that saw a rapid, ongoing rise in the growth of private labels and distribution channels that increasingly strengthened the role of major retail chains, to the detriment of traditional small-scale retailers. The last quarter of 2009, aided by the festive season purchases, saw a slight slowdown in the decrease in consumption, registering a small amount of growth that allowed the Group to recover part of the loss in turnover recorded up to 30 June 2009. The situation in the fourth quarter cannot be considered as a turnaround in the trend, with consumption rising once more. The negative situation is expected to persist at least throughout 2010.

In spite of such a complex scenario, the new facility in Vicenza has overcome the difficulties typically associated with the start-up of a new facility, covering 100% of the Group's needs in terms of yogurt, improving quality standards across the whole product range and implementing a coherent growth plan.

Although it has no effect on the consolidated statement of comprehensive income, it should be noted that the parent company Centrale del Latte di Torino & C. S.p.A. wrote down its interest in Centrale del Latte di Vicenza S.p.A. for € 3680.

On 3 July 2009, pursuant to article 2504 bis of the Italian Civil Code, the merger by incorporation of Salads & Fruits S.r.I - which produces fresh salads - into Centrale del Latte di Torino & C. S.p.A. became fully effective, as per the deed of 30 June 2009. The accounting and fiscal effects of the merger will begin from 1 January 2009. The merger is part of the corporate reorganisation process set in motion in order to streamline organisation, with the twin aim of allowing Centrale del Latte di Torino to directly carry out the activities conducted by Salads & Fruits, and of increasing efficiency and cutting decision making and operating costs thanks to a leaner Group structure.

Tension regarding milk prices at source continued, albeit to a smaller extent, during 2009. Prices varied throughout the year, although they remained below the average prices for 2008. This allowed the Group to make it through a year characterised by a drop in consumption and changes in the dairy market with less difficulty than was experienced in other sectors of the economy and industry.

The consolidated financial statements at 31 December 2009 closed with a net profit of  $\in$  800 thousand, after income taxes for  $\in$  2,036 thousand, amortisation and depreciation for  $\in$  5,543 thousand, provisions for future liabilities for  $\in$  231 thousand and write-downs for  $\in$  118 thousand.

At the end of the financial year, the main indicators in the income statement were summarised and compared with those of the previous year in the table that follows.

(€/000)	31 Dec 09	31 Dec 08	
Revenue from sales and services	98,341	104,493	-6%
Value of production	99,265	106,388	-7%
Gross operating margin	9,599	6,754	+42%
Net operating margin	3,650	727	+402%
Pre-tax result	2,350	(692)	+439%
Net result after taxes	800	(1,221)	+166%

The Group's net revenue amounted to  $\in$  98,341 thousand, compared to  $\in$  104,493 thousand of the previous FY. It is broken down in the following chart:

	31 Dec 09		31 Dec 08		Change	•
Fresh milk	44,802	46%	47,553	46%	(2,751)	-6%
UHT milk	18,805	19%	20,374	19%	(1,569)	-8%
Yogurt	7,229	7%	8,175	8%	(946)	-12%
Fresh vegetables	6,295	6%	7,209	7%	(914)	-13%
Bulk milk and cream	3,012	3%	3,112	3%	(100)	-3%
Other packaged products	18,198	19%	18,071	17%	127	1%
Total	98,341	100,0%	104,493	100%	(6,152)	-6%

The fresh milk segment showed a drop in value of € 2751 thousand. In a scenario where consumption has fallen in general, in the three regions concerned— which represent 16.8% of the national market – the Group has maintained a market share superior to that of its two main national competitors, reaching a figure of 22.5% (source: IHA Italia –household consumption 2009).

**In the long-life (UHT) segment,** a fall of  $\in$  1569 thousand has been recorded. In the three regions concerned, which represent 17.8% of the national long-life milk market, the market share is 12.9%, lower than the figure for Parmalat (15.2%), but higher than that of the other main national competitor Granarolo (10.2%) (source: IHA Italia −household consumption 2009).

**The yogurt segment** shows a drop in sales amounting to € 946 thousand. In the reference market, contended by a number of aggressive, specialised competitors and representing 25.7% of the national market, the Group's share stands at 4.3%, largely in line with 2008. (source: IHA Italia –household consumption 2009).

The fresh vegetable segment, which comprises salads and fruit, showed a drop in value of  $\in$  914 thousand. In general, this segment, characterised by a higher service content, has been less significantly affected by the drop in consumption.

The segment comprising other packaged products showed a rise in value of  $\in$  127 thousand.

#### Geographical breakdown

The table below shows turnover at 31 December 2009, divided up into geographical areas:

(€/000)	Fresh milk	UHT milk	Yogurt	Fresh vegetables	Bulk milk and cream	Other packaged products	Total
Piedmont							
31 Dec 09	23,785	12,629	2,078	2,079	443	4,743	45,756
31 Dec 08	25,073	13,229	2,214	2,211	663	4,800	48,190
% change	-5.1%	-4.5%	-6.1%	-6.0%	-33.3%	-1.2%	-5.1%
Liguria							
31 Dec 09	13,515	1,995	722	3,032	362	9,736	29,363
31 Dec 08	14,500	2,053	744	3,159	390	9,417	30,264
% change	-6.8%	-2.8%	-2.9%	-4.0%	-7.3%	3.4%	-3.0%
Veneto							
31 Dec 09	7,502	4,180	4,429	536	393	3,719	20,759
31 Dec 08	7,980	5,091	5,218	713	129	3,854	22,984
Variazione %	-6.0%	-17.9%	-15.1%	-24.8%	204.5%	-3.5%	-9.7%
Altre							
31 Dec 09	-	-	-	648	1,815	-	2,463
31 Dec 08	-	-	-	1,125	1,930	-	3,055
% change	-	-	-	-42.4%	-6.0%	-	-19.4%
Total	-	-	-			-	
31 Dec 09	44,802	18,805	7,229	6,295	3,012	18,198	98,341
31 Dec 08	47,553	20,374	8,175	7,209	3,112	18,071	104,493
% change	-5.8%	-7.7%	-11.6%	-12.7%	-3.2%	0.7%	-5.9%

**Other revenue** amounted to € 1,067 thousand compared to € 2,051 thousand in FY 2008. It is broken down in a pertinent table of the notes.

**Operating costs.** Milk prices remained below the average prices for 2008, allowing the Group to recover a number of percentage points on sales margins. Consumption of raw materials and packaging products went from  $\in$  55,710 thousand in 2008 to  $\in$  47,819 thousand in 2009. Service costs fell by 7%, from  $\in$  27,993 thousand in 2008 to  $\in$  26,007 thousand in 2009.

**Personnel costs** reached € 14,174 thousand in 2009, compared to € 14,275 thousand in 2008. The average number of employees at 31 December 2009 was 268, compared to an average of 277 in 2008.

Managers	No. 15
Middle management	No. 8
White-collar personnel	No. 105
Blue-collar personnel	No. 140

**Depreciation** of tangible assets went from  $\in$  3,571 thousand in 2008 to  $\in$  3,984 thousand, whereas amortisation of intangible assets remained unchanged, i.e.  $\in$  1,559 thousand.

**Allocations for risks** amounted to € 230 thousand, and mainly regarded the re-establishment of the fund for future capital losses following the write-down of the equity investment in GPP Genova Pasta e Pesto S.p.A. held by Centro Latte Rapallo.

Financial income and expenses. Financial expenses registered at the end of FY 2009 amounted to a total of  $\in$  1497 thousand, a fall compared to the  $\in$  2010 thousand of the previous FY, and are mainly attributable to interest on loans and financing.

Financial expenses reached € 315 thousand, compared to € 434 thousand of the FY closed on 31 December 2008.

For each of the paragraphs considered hitherto, regarding revenue and costs for FY 2008, statements illustrating the figures and comparing them with the previous financial year have been drawn up and published in the explanatory notes.

The economic management and the equity position of the Group in FY 2009 are illustrated in the income statement and in the reclassified equity position in annex a). This annex contains a description of the criteria adopted for drawing up the reclassified accounting statements, notes referring back to the items in the statutory financial statements and information regarding "alternative performance indicators".

#### Financial situation.

The Group's net financial position at 31 December 2009 was negative for € 30,005 thousand (€ 30,041 thousand at the end of 2008).

(€/000)	31 Dec 09	31 Dec 08
Cash and cash equivalents (15ne+16ne)	7,195	7,224
Securities held for trading (12ne)	-	439
Total current financial assets	7,195	7,663
Payables to banks (23ne)	(8,081)	(3,968)
Current share of medium/long-term loans (24ne)	(4,648)	(3,868)
Current share of payables to other lenders (25ne)	(783)	(815)
Total current financial liabilities	(13,512)	(8,651)
Payables for medium/long-term loans (18ne)	(16,607)	(21,258)
Payables to other lenders for medium/long-term loans (19ne)	(7,081)	(7,795)
Total non-current financial liabilities	(23,688)	(29,053)
Total financial liabilities	(37,200)	(37,704)
Net financial position	(30,005)	(30,041)

#### INFORMATION ON FINANCIAL AND OPERATING RISKS OF THE GROUP.

#### Risks associated to the business activity

The main risk related to the Group's specific industrial activity regards fluctuations in milk raw material prices. The Group contains this risk by drawing up annual agreements with milk producers, which set the purchase prices at the beginning of the dairy year and maintain those prices for the whole of the period that runs from 1 April to 31 March of the following year, save for particular circumstances in which agreements may be reached on a different basis.

For purchases made outside of the main supply channel, reference is made to the most advantageous market conditions available when the need arises.

#### Financial risks.

The financial instruments of the Group comprise bank loans, sight and short-term bank deposits. The aim of these instruments is to finance the Group's operating activities. Other financial instruments of the Group are trade payables and receivables deriving from operating activity.

The main risks generated by financial instruments, are the interest rate, the liquidity and the credit risks.

#### Interest rate risk.

The Group's exposure to interest rate risk is connected mainly to long-term loans and financing, to which are normally applied interest rates equivalent to 3 month and 6 month Euribor rates plus a fixed spread. With the application of the so-called "Basel 2" all the companies in the Group are subjected to an analysis on the part of credit institutes that attribute a rating to them; the fixed spread may vary depending on the rating assigned. At the date of closure of these consolidated financial statements, no variations had been applied. Details of the rates applied to individual loans is provided in the following note regarding financial payables.

**Liquidity risk.** The Group contains liquidity risk by planning the use of liquidity by considering financial investments, financial assets (trade receivables and other financial assets) and cash flows expected from transactions.

**Credit risk**. The Group mainly deals with familiar, reliable clients. Receivables are monitored during the financial year in order to limit exposure to losses. The maximum risk is equivalent to the book value of these assets in the event of insolvency on the part of the counterparty. At the date of the financial statements, there were no overdue receivables that had not suffered impairment.

**Other risks.** During the fourth quarter of 2009, the parent company Centrale del Latte di Torino & C. S.p.A. underwent a taxation inspection by the Guardia di Finanza (Italian financial police) for FYs 2007 and 2008. To date, no assessment notice has been served on the Company. Accordingly, the possible effects on the income statement cannot be foreseen at this time.

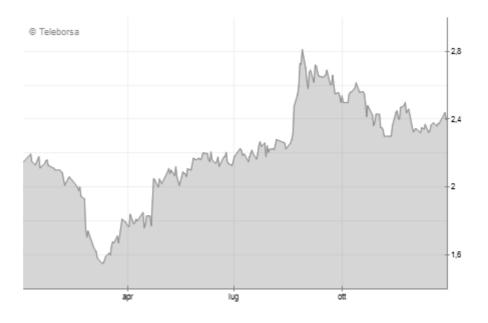
At the end of FY 2009 the operating cash flow was  $\in$  4,320 thousand, compared to  $\in$  1,535 thousand at the end of 2008, whereas the cash flow absorbed by investments in technical and financial fixed assets was  $\in$  4,204 thousand ( $\in$  14,591 thousand in 2008). The result was the net use of  $\in$  116 thousand in cash.

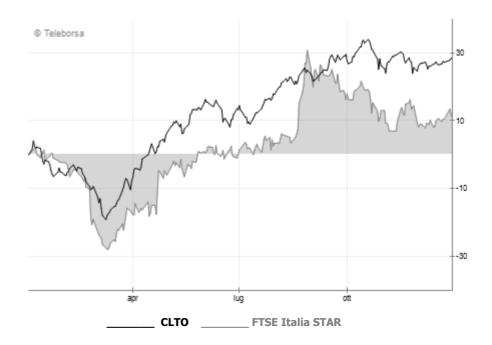
Changes to the equity and financial structure of the Group compared to 31 December 2008 are illustrated in the cash flow statement.

#### Centrale del Latte di Torino & C. S.p.A. share prices

The price of shares in Centrale del Latte di Torino & C. S.p.A., listed in the STAR segment of Borsa Italiana, has been affected by the world financial crisis, registering a fall compared to 2008. Average prices were between  $\in$  2.63 and  $\in$  1.72 per share, while the peak value reached was  $\in$  2.90 per share. On 30 December 2009, the last trading day of the year, the company shares closed at  $\in$  2.39.

The graphs below illustrate share prices from 1 January to 31 December 2009 and prices as compared to the FTSE Italia STAR index, with the colour blue referring to share prices and dark blue referring to the index (source Borsa Italiana).





#### **Data protection**

During 2009 the parent company implemented a series of verification operations for the annual adjustments to the Security Policy Document (DPS), as established by the data protection regulations currently in force.

During these verification operations, particular importance was given to levels of security previously reached through the implementation of pertinent countermeasures of a physical, logical and organisational nature.

These same verifications carried out on the above-mentioned Security Policy Document were also conducted by the subsidiaries.

#### **INFORMATION ON THE PARENT COMPANY'S MANAGEMENT**

#### **Economic management**

The economic management of Centrale del Latte di Torino & C. S.p.A. comprises the revenue and costs deriving from the merger by incorporation of Salads & Fruits S.r.l. into the parent company. The breakdown of revenue and costs is illustrated in the pertinent tables to be founded in the notes. The same tables also report the pro forma values for 2008, with the accounting results of Salads & Fruits S.r.l. incorporated.

The FY 2009 of Centrale del Latte di Torino & C. S.p.A. closed with net revenue reaching € 57,461 thousand, down 3% compared to € 59,455 thousand in FY 2008; despite this reduction, the gross operating margin was up 6%, as well as the net operating margin (+ 5%). The write-down, and the fact this item is not tax deductible from the value of the equity investment in the subsidiary Centrale del Latte di Vicenza (€ 3680 thousand), had an extremely negative impact on the final result, which showed a net loss of € 1359 thousand.

At the end of FY 2009, the main indicators in the income statement are summarised and compared with those of FY 2008 in the following table:

	31 Dec			31 Dec 08
(€/000)	09	31 Dec 08	Change	pro forma
Net sales	57,461	59,455	- 3%	61,702
Value of production	57,852	60,097	- 4%	62,405
EBITDA	6,317	5,937	+6%	5,187
EBIT	4,439	4,193	+6%	3,158
Pre-tax result	438	1,479	- 238%	2,283
Net profit (loss)	(1,359)	86		862

#### Revenue from sales

The following table clearly illustrates sales in the segments that make up the turnover

(€/000)	31 Dec 09	3	1 Dec 08		Chang	e	_	ec 08 forma
Fresh milk	23,994	42%	25,073	42%	(1,079)	-4%	25,073	41%
Intra-group	3,174	5%	4,853	8%	(1,679)	-35%	4,853	8%
Total fresh milk	27,168	47%	29,925	50%	(2,758)		29,926	49%
UHT milk	12,629	22%	13,229	22%	(600)	-4%	13,229	21%
Intra-group	1,199	2%	1,206	2%	(7)	-1%	1,206	2%
Total UHT milk	13,828	24%	14,436	24%	(607)	-4%	14,435	23%
Yogurt	2,078	4%	2,214	4%	(136)	-6%	2,214	4%
Intra-group	-	0%	86	0%	(86)	-100%	86	0%
Total yogurt	2,078	4%	2,300	4%	(222)	-96%	2,300	4%
Fresh vegetables	2,894	5%	2,211	4%	683	31%	3,336	5%
Intra-group	1,476	3%	-	0,0%	1,476	100%	1,122	2%
Total fresh vegetables	4,370	8%	2,211	4%	2,159	98%	4,458	7%
Bulk milk and cream	2,264	4%	2,364	4%	(100)	-4%	2,364	4%
Intra-group	2,354	4%	2,736	5%	(382)	-14%	2,736	4%
Total bulk milk and cream	4,618	8%	5,100	9%	(482)	-9%	5,100	8%
Other packaged products	4,744	8%	4,800	8%	(56)	-1%	4,800	8%
Intra-group	655	1%	683	1%	(28)	-4%	683	1%
Total other packaged products	5,399	9%	5,483	9%	(84)	-2%	5,483	9%
Total sales	57,461	100%	59,455	100%	(1,994)	-3%	61,702	100%
of which intra-group	8,601	15%	9,564	16%	(706)	-7%	10,686	17%

In the fresh milk segment, the parent company registered, net of intra-group sales, a turnover of  $\in$  23,994 thousand, a drop of 4% compared to FY 2008. In terms of volume, sales were down 4% on 2008.

For long-life milk, sales net of intra-group sales amounted to 4% or € 12,629 thousand. In terms of volume, the drop was 2%.

The **yogurt segment**, net of intra-group turnover, decreased by 6% compared to 2008, reaching  $\in$  2,078 thousand. In terms of volume, sales were down on 3% from the previous year.

The sales of the **fresh vegetable segment** increased by 31%, receiving the revenue of Salads & Fruits, which was merged by incorporation

**Sales of other packaged products,** with a distinctive service component, registered a fall in terms of both value (1%) and volume (4.2%). Despite the period of crisis, which generally penalises sales of so-called service products, the fall in this segment was limited, and it remains a commercially promising area worth keeping a close eye on.

#### Geographical breakdown

The geographical breakdown of the turnover is not indicative, because the company carries out most of its business in the Piedmont region.

#### Other revenue

Other revenue amounted to € 487 thousand compared to € 811 thousand in FY 2008. It is broken down in a pertinent table of the notes.

#### Operating costs.

Tension regarding milk prices at source continued, albeit to a smaller extent, during 2009. Prices remained below the 2008 prices. Consumption of raw materials and packaging products went from € 32,719 thousand in 2008 to € 28,973 at the end of 2009. Costs for services benefited from a reduction in energy costs, promotional contributions to large-scale retailers and a reduction in advertising costs, and therefore fell by 2%, from € 13,944 thousand in 2008 to € 13,715 thousand in FY 2009. Other operating costs rose by 36% as a result of the capital losses incurred in modernising the technology of machinery used in the Casteggio facility. Depreciation amounted to € 1,783 thousand, compared to € 1,529 thousand of FY 2008, and amortisation amounted to € 39 thousand, basically unchanged compared to FY 2008

#### Financial income and expenses.

Financial expenses registered at the end of FY 2009 totalled € 619 thousand, down on the previous financial year, and are for the most part (€ 445 thousand) imputable to interest payable deriving from loans and financing.

Financial income reached € 299 thousand, compared to € 360 thousand at the end of FY 2008.

#### Financial write-downs of equity investments.

As mentioned above, the Company deemed it appropriate to write down its equity investment in Centrale del Latte di Vicenza S.p.A. for € 3,680,189.

The economic management and the equity position of the Parent Company in FY 2009 are illustrated in the income statement and in the reclassified equity position in annex a). This annex contains a description of the criteria adopted for drawing up the reclassified accounting statements, notes referring back to the items in the statutory financial statements and information regarding "alternative performance indicators".

#### **Net financial position**

The net financial position of the Parent Company at the end of FY 2009, after paying the balance of 2008 taxes, after the advance payment for FY 2009 taxes and further to the incorporation of Salads & Fruits S.r.I., was negative for  $\in$  10,025 thousand, compared to a negative financial position of  $\in$  8,841 thousand in 2008.

			31 Dec 08
(€/000)	31 Dec 09	31 Dec 08	pro forma
Cash and cash equivalents (15ne+16ne)	3,139	3,788	3,789
Securities held for trading (14ne)	-	438	438
Total current financial assets	3,139	4,226	4,227
Payables to banks	(557)	-	(792)
Current share of medium/long-term loans (24ne)	(4,025)	(2,303)	(2,744)
Current share of payables to other lenders (25ne)	(133)	(95)	(136)
Total current financial liabilities	(4,715)	(2,398)	(3,672)
Payables for medium/long-term loans (19ne)	(8,188)	(10,327)	(12,215)
Payables to other lenders for medium/long-term loans (20ne)	(262)	(342)	(394)
Total non-current financial liabilities	(8,450)	(10,669)	(12,609)
Total financial liabilities	(13,165)	(13,067)	(16,281)
Net financial position	(10,025)	(8,841)	(12,055)

In order to provide a clearer picture of changes to the financial structure, the cash flow statement also illustrates the differences between the equity and financial situation at 31 December 2009 and the pro forma situation at 31 December 2008. In consideration of the above, at the end of FY 2009 the operating cash flow was positive for  $\in$  402 thousand (positive for  $\in$  2,716 thousand at the end of FY 2008), whereas the cash flow absorbed by investments in technical fixed assets was  $\in$  2,075 thousand (compared to  $\in$  984 thousand in 2008), the cash flow after writing down the equity investment in Centrale del Latte di Vicenza was positive for  $\in$  2,008 thousand (negative for  $\in$  7,660 thousand in 2008).

The changes to the equity and financial structure of the Parent Company from 31 December 2008 are illustrated in the cash flow statement.

#### Information on the Subsidiaries included in the scope of consolidation.

#### Centro Latte Rapallo S.p.A.

The subsidiary Centro Latte Rapallo closed 2009 with a net profit of € 367 thousand after taxes (€ 657 thousand), impairment and the allocation to the provision for risks associated with the held-for-sale equity investment in the affiliate GPP Genova Pasta e Pesto S.p.A. (€ 345 thousand), compared to a break-even in 2008. The overall turnover, gross of intra-group sales, amounted to € 25,269 thousand, compared to € 26,331 thousand in FY 2008.

#### Centrale del Latte di Vicenza S.p.A.

Centrale del Latte di Vicenza S.p.A., a 91.74%-subsidiary, closed FY 2009 with a net loss of € 1,562 thousand, compared to a loss of € 2,087 thousand in 2008. The net revenue, gross of intra-group sales, amounted to € 22,970 thousand, compared to € 24,044 thousand in FY 2008.

#### Frascheri S.p.A.

The Company closed FY 2009 with a net profit of € 441 million, compared to the net profit of € 286 thousand in FY 2008. The overall turnover, gross of intra-group sales, amounted to € 10,534 thousand, compared to € 11,131 thousand in FY 2008.

The reclassified accounting schedules and the respective net financial positions of the subsidiaries are provided in the annexes to this report.

#### **Reconciliation between separate and consolidated Financial Statements**

The reconciliation between the result of the Parent Group and its net equity and the corresponding result of the Group and its net equity is set out in the explanatory notes to the consolidated financial statements.

#### OTHER INFORMATION

#### Information on adherence to codes of practice (art. 89-bis of Consob regulation).

**Corporate Governance Code.** The parent company has adopted a self-regulatory Code in the application of its Corporate Governance, i.e. the system of rules by which a company is managed and controlled. The latest version of the Code, approved by the Board of Directors on 13 February 2007, and the annual report on Corporate Governance are available on the company's website:

#### http://www.centralelatte.torino.it/ita/finanza/documenti/codice autodisciplina 2007.pdf

**Code of practice for internal dealing.** The parent company has adopted the Code of practice in order to govern the obligations regarding information, and has drawn up a register of those people who have access to confidential information, in compliance with the provisions of articles 2.6.3, 2.6.4 and 2.6bis of the "Regulation of Markets organised and managed by Borsa Italiana S.p.A.", approved by Consob resolution no. 13655 of 9 July 2002 and with articles 152 *bis-ter-quater-quinquies-sexies-septies-octies* of the Consob Regulation for issuers, regarding the operations as per article 2.6.4 of the Borsa Italiana regulation carried out by relevant individuals as defined in article 2 of the Code of practice on internal dealing. The latest version of the Code of practice for internal dealing, approved by the Board of Directors on 13 February 2007, is available on the company's website:

http://www.centralelatte.torino.it/ita/finanza/documenti/codice\_internal\_dealing\_2007.pdf

#### Offices of the Parent Company

Registered, administrative and production office: Turin Via Filadelfia 220

Production plant: Casteggio (Pv) Via Rossini 10

#### Tax consolidation.

The company joined the tax consolidation regime together with its subsidiaries Centro Latte Rapallo S.p.A. and Centrale del Latte di Vicenza S.p.A.

#### Treasury shares.

The Parent Company does not hold treasury shares or shares of the ultimate parent company. The Parent Company did not sell or purchase treasury shares or shares of the ultimate parent company during the year.

#### Stock option plans

There were no outstanding stock option plans at 31 December 2009.

#### EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.

Circular Letter no. 9/E pf 9 March 2010 of the Agenzia delle Entrate (Italian Revenue Office) provided clarification regarding the application of articles 117 -129 of the Income Tax Consolidation Act as regards the reportability of taxation losses in merger transactions. These provisions have no material impact on the 2009 financial statements.

#### **BUSINESS OUTLOOK.**

As regards management forecasts for the new financial year, attention should be drawn to the unfavourable economic circumstances and the increase in competition, with a further contraction in sales, and the need to pursue a careful cost policy in order to safeguard the economic and financial balance. With this in mind, there are plans to set in motion a labour mobility procedure within the framework of the Parent Company's reorganisation programme.

Milk prices from the producer have been set for Q1 2010.

#### Dear Shareholders,

Further to the resignation of Director Alessandro Marina, the Board has co-opted Mr. Luciano ROASIO as Independent Director, with resolution of 14 May 2009. Therefore, we kindly ask you to appoint Mr. Luciano ROASIO as Independent Director of the Board.

#### Dear Shareholders,

We would like to thank those in charge of the KPMG S.p.A. Audit Company, the managers, employees and workers for their cooperation, and we invite you to approve the financial statements at 31 December 2009, the relevant explanatory notes and this report on management carrying forward the loss for the year for  $\leq 1,358,562$ .

Turin, 11 March 2010

The Chairman of the Board of Directors

Luigi Luzzati

# **Gruppo Centrale del Latte di Torino & C. Group**

2009 Separate and Consolidated Financial Statements

Directors' Report on Operations - Annexes

#### Reclassified schedules.

The schedules that follow have been drawn up by reclassifying the individual items contained in the statutory schedules.

The reference in the first column is to the individual item or group of items in the statutory schedule on which the reclassification is based.

#### Alternative performance indicators.

In setting out the financial statements, the half-yearly financial report and the interim reports, the group provides information on a number of alternative performance indicators. These indicators are the EBITDA, an acronym of *Earnings Before Interest Taxes Depreciation and Amortization, and* EBIT, an acronym of *Earnings Before Interest and Taxes*.

The values of such indicators have been obtained by reclassifying the revenue and costs presented in the compulsory income statement schedule, without making any corrections or additions.

#### Annex a) Reclassified consolidated accounting schedules

The amounts shown are in €/000

#### Reclassified consolidated statement of comprehensive income

		31 Dec 09		31 Dec 08	
1ec 3ec 2ec	Revenue from sales and services Change in inventories Other revenue and income	98,341 (143) 1,067	99.1% -0.1% 1.1%	104,493 (156) 2,051	98.2% -0.1% 1.9%
	Value of production	99,265	100.0%	106,388	100.0%
13ec+14ec 4ec 16ec <b>17ec</b>	Services Raw materials used Other operating costs Write-down of shareholdings held for sale	(26,708) (47,819) (965)	-26.9% -48.2% -1.0% 0.0%	(28,538) (55,710) (951) (160)	-26.8% -52.4% -0.9% -0.2%
-	Added value	23,773	23.9%	21,029	19.8%
5ec+6ec+7e +8ec	c Personnel costs	(14,174)	-14.3%	(14,275)	-13.4%
	EBITDA	9,599	9.7%	6,754	6.3%
11ec 10ec 9ec 12ec 15ec	Provision for bad debts  Depreciation of tangible fixed assets  Amortisation of intangible fixed assets  Write-down of intangible assets  Allocations for risks	(176) (3,984) (1,559) - (231)	-0.2% -4.0% -1.6% 0.0% -0.2%	(187) (3,571) (1,559) (230) (479)	-0.2% -3.4% -1.5% -0.2% -0.5%
	EBIT	3,650	3.7%	727	0.7%
20ec 18ec 19ec	Adjustments to equity investments Financial income Financial charges	(118) 315 (1,497)	-0.1% 0.3% -1.5%	158 434 (2,010)	0.1% 0.4% -1.9%
	Pre-tax result	2,350	2.4%	(692)	-0.7%
21ec 22ec <b>23ec</b>	Income taxes from tax consolidation (Deferred) prepaid taxes  Taxes for previous years  Total net profit (loss)	(2,036) 357 - <b>671</b>	-2.1% 0.4% - <b>0.7%</b>	(1,458) 757 - (1,393)	-1.4% 0.7% -
24ec	Minority loss	129	0.1%	172	0.2%
	Net profit (loss) for the year	800	0.8%	(1,221)	-1.1%

#### Consolidated equity and financial position

		31 Dec 09	3	31 Dec 08	
1 2 3 4	Fixed assets Technical fixed assets Current technical fixed assets Intangible fixed assets Equity investments and securities	62,454 659 16,155 73		62,763 425 17,714 28	
	Total fixed assets	79,342	96.4%	80,931	97.6%
	Working capital	·		·	
7+8+9 6 5+10+11 <b>13</b> <b>14</b> 35+36+37+38 41+42 40	Trade receivables Inventories Other short-term assets Receivables from affiliates Financial assets held for sale Trade payables Other payables Tax liabilities	19,705 3,193 6,883 300 - (20,692) (5,209) (1,227)		20,880 3,464 7,935 300 115 (24,718) (5,402) (623)	
	Net working capital	2,954	3.6%	1,951	2.3%
	LIABILITIES AND EQUITY	-	100.0%	82,881	
	Long-term liabilities and provisions	62,290	100.0 70	62,661	100.0 70
31 32 30	Employee severance indemnity Other provisions Provision for deferred taxes	3,913 931 5,677		4,188 1,296 6,246	
	Total long-term liabilities and provisions Financial position	10,521	12.8%	11,732	14.1%
12+15+16 32 33 34 28 27	Cash, banks and securities Payables to banks Current share of medium/long-term loans Current share of payables to other lenders Medium/long-term payables to other lenders Medium/long-term loans	(7,195) 8,081 4,648 783 7,081 16,607		(7,663) 3,968 3,868 815 7,795 21,258	
	Net financial position	30,005	36.5%	30,041	36.2%
	Net equity	•		·	
17	Share capital	20,600		20,600	
18+19+20+21+ 22+23+24 25	Reserves Net profit (loss)	18,780 800		20,011 (1,221)	
	Total net equity	40,180	48.8%	39,390	47.5%
26	Minority share capital and reserves	1,590	1.9%	1,719	2.1%
	LIABILITIES AND EQUITY	82,296	100.0%	82,881	L <b>00.0</b> %

#### Annex b) Reclassified accounting schedules of Centrale del Latte di Torino & C. S.p.A.

Cost and revenue are reported gross of intra-group sales and the result gross of consolidation adjustments.

The pro forma column shows the values at 31 December 2008, which simulate the merger with Salads & Fruits Srl as if the merger had taken place at the beginning of FY 2008.

The amounts shown are in €/000.

#### **Reclassified statement of comprehensive income**

	(€/000)	31 Dec 09		31 Dec 08		31 Dec 08 pro forma	
1ec 3ec 2ec	Revenue from sales and services Change in inventories Other revenue and income	57,461 (96) 487	99.4% -0.2% 0.8%	59,455 (169) 811	99.0% -0.3% 1.3%	61,702 (166) 869	98.9% -0.3% 1.4%
	Value of production	57,852	100.0%	60,097	100.0%	62,405	100.0%
13ec+14ec 4ec 14ec	Services Raw materials used Other operating costs	(14,060) (28,973) (546)	-24.3% -50.1% -0.9%	(14,162) (32,719) (402)	-23.6% -54.5% -0.7%	(15,285) (33,791) (443)	-24.5% -54.1% -0.7%
5ec+6ec	Added value	14,273	24.7%	12,814	21.3%	12,887	20.6%
+7ec+8ec	Personnel costs	(7,956)	-13.8%	(6,878)	-11.4%	(7,700)	-12.3%
	EBITDA	6,317	10.9%	5,937	9.9%	5,187	8.3%
11ec 10ec 9ec <b>12ec</b>	Provision for bad debts  Depreciation of tangible fixed assets  Amortisation of intangible fixed assets  Provision for liabilities and charges	(57) (1,782) (39)	-0.1% -3.1% -0.1% 0.0%	(56) (1,529) (39) (120)	-0.1% -2.5% -0.1% -0.2%	(58) (1,811) (39) (120)	-0.1% -2.9% -0.1% -0.2%
	EBIT	4,439	7.7%	4,193	7.0%	3,158	5.1%
16ec 17ec <b>18ec</b>	Financial income Financial charges Write-down of equity investments	299 (619) (3,680)	0.5% -1.1% -6.4%	360 (902) (2,172)	0.6% -1.5% -3.6%	353 (1,117) (111)	0.6% -1.8% -0.2%
	Pre-tax result	438	0.8%	1,479	2.5%	2,283	3.7%
19ec 20ec	Income taxes (Deferred) prepaid taxes	(1,680) (117)	-2.9% -0.2%	(1,601) 208	-2.7% 0.3%	(1,630) 208	-2.6% 0.3%
	Total net profit (loss)	(1,359)	-2.3%	86	0.1%	862	1.4%

#### Reclassified equity and financial position

28c Employee severance indemnity 2,011 2,036 2,083 27c Provision for deferred taxes 680 728 728 29c Provision for liabilities and charges 120 120  Total long-term liabilities and	99.0% 1.0% 100.0%
9c+10cc+11c         Trade receivables         12,486         13,546         13,892           7c+8c         Inventories         1,331         1,295         1,425           12c+13c+6c         Other short-term assets         3,465         3,827         4,028           33c+34c+35c         Trade payables         (12,900)         (14,744)         (15,311)           37c+38c         Other payables         (3,001)         (2,683)         (3,154)           36c         Tax liabilities         (829)         (218)         (267)           Net working capital         552         0.9%         1,022         1.7%         613           LIABILITIES AND EQUITY         59,240         100.0%         59,321         100.0%         62,726           28c         Employee severance indemnity         2,011         2,036         2,083           27c         Provision for deferred taxes         680         728         728           29c         Provision for liabilities and charges         120         120         120	1.0%
7c+8c         Trade receivables         12,486         13,546         13,892           7c+8c         Inventories         1,331         1,295         1,425           12c+13c+6c         Other short-term assets         3,465         3,827         4,028           33c+34c+35c         Trade payables         (12,900)         (14,744)         (15,311)           37c+38c         Other payables         (3,001)         (2,683)         (3,154)           36c         Tax liabilities         (829)         (218)         (267)           Net working capital         552         0.9%         1,022         1.7%         613           LIABILITIES AND EQUITY         59,240         100.0%         59,321         100.0%         62,726           28c         Employee severance indemnity         2,011         2,036         2,083           27c         Provision for deferred taxes         680         728         728           29c         Provision for liabilities and charges         120         120         120	
33c+34c+35c         Trade payables         (12,900)         (14,744)         (15,311)           37c+38c         Other payables         (3,001)         (2,683)         (3,154)           36c         Tax liabilities         (829)         (218)         (267)           Net working capital         552         0.9%         1,022         1.7%         613           LIABILITIES AND EQUITY         59,240         100.0%         59,321         100.0%         62,726           28c         Employee severance indemnity         2,011         2,036         2,083           27c         Provision for deferred taxes         680         728         728           29c         Provision for liabilities and charges         120         120         120	
Net working capital         552         0.9%         1,022         1.7%         613           LIABILITIES AND EQUITY         59,240         100.0%         59,321         100.0%         62,726           28c         Employee severance indemnity         2,011         2,036         2,083           27c         Provision for deferred taxes         680         728         728           29c         Provision for liabilities and charges         120         120         120	
Employee severance indemnity 2,011 2,036 2,083 Provision for deferred taxes 680 728 728 Provision for liabilities and charges 120 120 120  Total long-term liabilities and	100.0%
27c Provision for deferred taxes 680 728 728 29c Provision for liabilities and charges 120 120  Total long-term liabilities and	
Total long-term liabilities and	
ıs 2,811 4.7% 2,884 4.9% 2,931	4.7%
14c+15c+16c       Cash, banks and securities       (3,139)       (4,226)       (4,227)         32c       Payables to banks       557       -       792         30c       Current share of medium/long-term loans       4,025       2,303       2,744         31       Current share of payables to other lenders       133       95       136         25c       Medium/long-term loans       8,187       10,326       12,215         26c       Medium/long-term payables to other lenders       262       342       394	
Net financial position 10,024 16.9% 8,839 14.9% 12,054	19.2%
17c       Share capital       20,600       20,600       20,600         18c+190c       20c+21c       20c+21c	
Total net equity 46,405 78.3% 47,598 80.2% 47,741  LIABILITIES AND EQUITY 59,240 100.0% 59,321 100.0% 62,726	76.1%

#### Annex b) Information on the Subsidiaries included in the scope of consolidation.

Cost and revenue are reported gross of intra-group sales and the result gross of consolidation adjustments. The amounts shown are in  $\epsilon/000$ 

#### Centro Latte Rapallo S.p.A. – subsidiary

#### **Reclassified statement of comprehensive income**

	31 Dec 09		31 Dec 08	
Revenue from sales and services	25,269	98.9%	26,331	99.3%
Change in inventories	51	0.2%	(1)	0.0%
Other revenue and income	225	0.9%	199	0.7%
Value of production	25,545	100.0%	26,529	100.0%
Services	(5,381)	-21.1%	(5,408)	-20.4%
Raw materials used	(15,172)	-59.4%	(16,436)	-62.0%
Other operating costs	(258)	-1.0%	(226)	-0.9%
Write-down of shareholding held for sale	(118)	-0.5%	(160)	-0.6%
Added value	4,615	18.1%	4,301	16.2%
Personnel costs	(2,500)	-9.8%	(2,707)	-10.2%
EBITDA	2,115	8.3%	1,594	6.0%
Provision for bad debts	(88)	-0.3%	(76)	-0.3%
Depreciation of tangible fixed assets	(836)	-3.3%	(889)	-3.4%
Allocation to the provision for risks	(227)	-0.9%	(355)	-1.3%
EBIT	964	3.8%	274	1.0%
Financial income	78	0.3%	158	0.6%
Financial charges	(54)	-0.2%	(61)	-0.2%
Pre-tax result	988	3.9%	371	1.4%
Income taxes	(671)	-2.6%	(470)	-1.8%
(Deferred) prepaid taxes	49	0.2%	100	0.4%
Total net profit (loss)	367	1.4%	1	0.0%

#### Reclassified equity and financial position

	31 Dec 09		31 Dec 08	
Fixed assets				
Technical fixed assets	4,788		5,219	
Equity investments and securities	25		25	
Financial receivables from affiliates	-		-	
Total fixed assets	4,813	92.0%	5,244	94.3%
Working capital				
Trade receivables	4,114		4,359	
Inventories	490		457	
Other short-term assets	988		955	
Equity investments held for sale	45		115	
Receivables from affiliates held for sale	300		300	
Suppliers	(4,417)		(4,677)	
Other payables	(873)		(972)	
Tax liabilities	(239)		(221)	
Net working capital	360	6.9%	315	5.7%
LIABILITIES AND EQUITY	5,219	100.0%	5,559	100.0%
LIABILITIES AND EQUITY  Long-term liabilities and provisions		100.0%		100.0%
LIABILITIES AND EQUITY Long-term liabilities and provisions Severance indemnity provision	837	100.0%	770	100.0%
LIABILITIES AND EQUITY  Long-term liabilities and provisions  Severance indemnity provision  Other provisions	837 355	100.0%	770 355	100.0%
LIABILITIES AND EQUITY Long-term liabilities and provisions Severance indemnity provision	837	100.0%	770	100.0%
LIABILITIES AND EQUITY  Long-term liabilities and provisions  Severance indemnity provision  Other provisions	837 355	100.0% 29.1%	770 355	100.0% 27.1%
LIABILITIES AND EQUITY Long-term liabilities and provisions Severance indemnity provision Other provisions Provision for deferred taxes	837 355 329		770 355 384	
LIABILITIES AND EQUITY Long-term liabilities and provisions Severance indemnity provision Other provisions Provision for deferred taxes  Total long-term liabilities and provisions	837 355 329		770 355 384	
LIABILITIES AND EQUITY Long-term liabilities and provisions Severance indemnity provision Other provisions Provision for deferred taxes  Total long-term liabilities and provisions Financial position	837 355 329 <b>1,521</b>		770 355 384 <b>1,509</b>	
LIABILITIES AND EQUITY Long-term liabilities and provisions Severance indemnity provision Other provisions Provision for deferred taxes  Total long-term liabilities and provisions Financial position Cash, banks and securities	837 355 329 <b>1,521</b> (3,685)	29.1%	770 355 384 <b>1,509</b> (2,966)	27.1%
LIABILITIES AND EQUITY Long-term liabilities and provisions Severance indemnity provision Other provisions Provision for deferred taxes  Total long-term liabilities and provisions Financial position Cash, banks and securities  Net financial position	837 355 329 <b>1,521</b> (3,685)	29.1%	770 355 384 <b>1,509</b> (2,966)	27.1%
LIABILITIES AND EQUITY Long-term liabilities and provisions Severance indemnity provision Other provisions Provision for deferred taxes  Total long-term liabilities and provisions Financial position Cash, banks and securities  Net financial position Net equity	837 355 329 <b>1,521</b> (3,685)	29.1%	770 355 384 <b>1,509</b> (2,966)	27.1%
LIABILITIES AND EQUITY Long-term liabilities and provisions Severance indemnity provision Other provisions Provision for deferred taxes  Total long-term liabilities and provisions Financial position Cash, banks and securities  Net financial position Net equity Share capital	837 355 329 <b>1,521</b> (3,685) (3,685)	29.1%	770 355 384 <b>1,509</b> (2,966) <b>(2,966)</b> 2,600	27.1%
LIABILITIES AND EQUITY Long-term liabilities and provisions Severance indemnity provision Other provisions Provision for deferred taxes  Total long-term liabilities and provisions Financial position Cash, banks and securities  Net financial position Net equity Share capital Reserves	837 355 329 <b>1,521</b> (3,685) (3,685) 2,600 4,416	29.1%	770 355 384 <b>1,509</b> (2,966) <b>(2,966)</b> 2,600 4,415 1	27.1%

#### **Net financial position**

	31 Dec 09	31 Dec 08
Cash and cash equivalents	3,865	2,966
Net financial position	3,865	2,966

#### Centrale del Latte di Vicenza S.p.A. – subsidiary

The income ( $\varepsilon$  437 thousand) deriving from the transfer of the loss to the consolidated tax position is presented under the opposite sign among "(Deferred) prepaid taxes".

#### **Reclassified overall income statement**

	31 Dec 09		31 Dec 08	
Revenue from sales and services	22,970	98.5%	24,044	95.1%
Change in inventories	(93)	-0.4%	19	0.1%
Other revenue and income	433	1.9%	1,219	4.8%
Value of production	23,309	100.0%	25,283	100.0%
Services	(6,604)	-28.3%	(7,233)	-28.6%
Raw materials used	(12,712)	-54.5%	(14,767)	-58.4%
Other operating costs	(145)	-0.6%	(275)	-1.1%
Added value	3,848	16.5%	3,008	11.9%
Personnel costs	(3,206)	-13.8%	(3,354)	-13.3%
reisonie costs	(3,200)	13.070	(3,331)	13.5 70
EBITDA	642	2.8%	(346)	-1.4%
Provision for bad debts	(26)	-0.1%	(30)	-0.1%
Amortisation of intangible fixed assets	(586)	-2.5%	(586)	-2.3%
Depreciation of tangible fixed assets	(1,214)	-5.2%	(738)	-2.9%
Allocations for risks	(4)	0.0%	(4)	0.0%
EBIT	(1,188)	-5.1%	(1,703)	-6.7%
Financial income	13	0.1%	54	0.2%
Financial charges	(888)	-3.8%	(945)	-3.7%
Pre-tax result	(2,063)	-8.8%	(2,594)	-10.3%
Income taxes	(71)	-0.3%	(49)	-0.2%
(Deferred) prepaid taxes	572	2.5%	555	2.2%
Total net profit (loss)	(1,562)	-6.7%	(2,087)	-8.3%

#### Reclassified equity and financial position

	31 Dec 09		31 Dec 08	
Fixed assets				
Technical fixed assets	41,338		41,414	
Current technical fixed assets	-		-	
Intangible fixed assets	7,044		7,630	
Equity investments and securities	2		2	
Total fixed assets	48,384	96.0%	49,046	97.9%
Working capital				
Trade receivables	6,007		6,165	
Inventories	1,206		1,381	
Other short-term assets	2,311		2,837	
Suppliers	(6,182)		(8,038)	
Other payables	(1,171)		(1,186)	
Tax liabilities	(141)		(114)	
Net working capital	2,031	4.0%	1,047	2.1%
LIABILITIES AND EQUITY	50,415	100.0%	50,092	100.0%
Long-term liabilities and provisions				
Severance indemnity provision	863		1,150	
Other provisions	2,029		818	
Provision for deferred taxes	456		2,201	
Total long-term liabilities and provisions	3,348	6.6%	4,168	8.3%
Financial position				
Cash, banks and securities	(31)		(56)	
Financial payables to parent company	4,000		4,000	
Short-term payables to banks	7,523		3,176	
Current share of payables to other lenders	650		980	
Medium/long-term payables to other lenders	6,819		7,096	
Current share of medium/long-term loans	571		1,061	
Medium/long-term loans	8,287		8,857	
Net financial position	27,819	55.2%	25,114	50.1%
Net equity				
Share capital	23,042		23,042	
Losses carried forward	(2,232)		(144)	
Net profit (loss)	(1,562)		(2,087)	
Total net equity	19,248	38.2%	20,810	41.5%
LIABILITIES AND EQUITY	50,415	100.0%	50,092	100.0%

#### Net financial position

	31 Dec 09	31 Dec 08
Cash and cash equivalents	31	56
Payables to banks	(7,523)	(3,176)

(25,170)
(0= 4=0)
(15,953)
(8,857)
(7,096)
(9,217)
(980)
(1,061)
(4,000)

#### Frascheri S.p.A. – joint venture

#### **Reclassified statement of comprehensive income**

	31 Dec 09		31 Dec 08	
Revenue from sales and services	10,534	99.2%	11,131	99.4%
Change in inventories	(12)	-0.1%	(22)	-0.2%
Other revenue and income	93	0.9%	85	0.8%
Value of production	10,616	100.0%	11,194	100.0%
Services	(1,797)	-16.9%	(1,830)	-16.3%
Raw materials used	(6,483)	-61.1%	(7,161)	-64.0%
Other operating costs	(39)	-0.4%	(27)	-0.2%
Added value	2,296	21.6%	2,177	19.4%
Personnel costs	(1,279)	-12.1%	(1,287)	-11.5%
EBITDA	1,017	9.6%	890	8.0%
Provision for bad debts	(10)	-0.1%	(60)	-0.5%
Depreciation	(401)	-3.8%	(311)	-2.8%
EBIT	605	5.7%	519	4.6%
Financial income	17	0.2%	25	0.2%
Financial charges	(44)	-0.4%	(71)	-0.6%
Pre-tax result	579	5.5%	474	4.2%
Income taxes	(131)	-1.2%	(198)	-1.8%
(Deferred) prepaid taxes	(7)	-0.1%	10	0.1%
Total net profit (loss)	441	4.2%	286	2.6%

#### Reclassified equity and financial position

	31 Dec 09		31 Dec 08	
Fixed assets				
Technical fixed assets	2,658		2,303	
Total fixed assets	2,658	99.1%	2,303	104.3%
Working capital			_,===	
Trade receivables	1,357		1,476	
Inventories	415		502	
Other short-term assets	189		173	
Suppliers	(1,649)		(1,908)	
Other payables	(242)		(224)	
Tax liabilities	(45)		(114)	
Net working capital	25	0.9%	(95)	-4.3%
		400.00/		100 00/
LIABILITIES AND EQUITY	2,683	100.0%	2,207	100.0%
Long-term liabilities and provisions	505		467	
Severance indemnity provision	505		467	
Other provisions	<del>-</del> _		10	
Total long-term liabilities and provisions	505	18.8%	477	21.6%
Financial position				
Cash, banks and securities	(848)		(1,036)	
Current share of medium/long-term loans	129		157	
Current share of payables to other lenders	-		9	
Medium/long-term loans	334		464	
Net financial position	(385)	-14.3%	(406)	-18.4%
Net equity				
Share capital	600		600	
Reserves	1,523		1,251	
Net profit (loss)	441		286	
Total net equity	2,563	95.5%	2,136	96.8%
LIABILITIES AND EQUITY	2,683	100.0%	2,207	100.0%

#### **Net financial position**

	31 Dec 09	31 Dec 08
Cash and cash equivalents	848	1,036
Current share of payables to other lenders Current share of medium/long-term payables	- (129)	(9) (157)

Current financial liabilities	(129)	(166)
Medium/long-term payables	(334)	(464)
Non-current financial liabilities	(334)	(464)
Total financial liabilities	(463)	(630)
Net financial position	385	406

## Centrale del Latte di Torino & C. S.p.A.

Report on corporate governance and company structure (art. 123-bis of the Consolidated Finance Law) at 31 December 2009.

## REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE (art. 123-bis of Legislative Decree 58 Consolidated Finance Law).

#### 1. ISSUER'S PROFILE

The company produces, treats, processes and sells treated milk and food and dairy products in general. The Company may also undertake all transactions involving trade, finance, industry, securities and real estate that are necessary or useful to achieving the Company's object, including the acquisition of equity investments in companies having similar objects or that are instrumental to its business (also comprising the issue of personal guarantees or collateral for third parties and the contracting of loans and mortgages), but excluding trust and professional services reserved under the law, the solicitation of investment from the public and the provision of all services that qualify as "financial activity" to the public.

The company is run by a Board of Directors composed of ten members, appointed by resolution of the Shareholders' Meeting. The Directors are chosen from a list of candidates.

#### 2. INFORMATION ON THE COMPANY STRUCTURE (as per article 123 bis paragraph 1 of TUF) at 11 March 2010

#### Share capital structure (as per article 123-bis, paragraph 1, letter a), TUF)

The share capital of Centrale del Latte di Torino & C. S.p.A. amounts to  $\in$  20,600,000, fully subscribed and paid-up, and is divided into 10,000,000 common shares with a par value of  $\in$  2.06 each. All the shares of the Company are listed on the Star segment of the Electronic Stock Market (MTA) organised and managed by Borsa Italiana S.p.A.

Common shares are registered, freely transferrable, in electronic format and centrally managed by Monte Titoli S.p.A.

Each common share confers the right to one vote at the Company's ordinary and extraordinary shareholders' meetings, in addition to other financial and administrative rights provided under applicable laws and corporate by-laws.

SHARE CAPITAL STRUCTURE					
	No. of shares		Listed	Rights and obligations	
		% on SC			
Common shares Shares with limited voting rights Shares with no voting rights	10,000,000	100% - -	Borsa Italiana FTSE Italia STAR	Right to vote in ordinary and extraordinary meetings	

#### Other financial instruments

There are no other financial instruments that confer the right to subscribe for newly issued shares, including bonus shares, or share-based incentive schemes that involve

#### Share-based incentive scheme

At the date of approval of this Report, there were no share-based incentive schemes involving bonus issues or other forms of share capital increase.

#### Restrictions on security transfer (as per article 123-bis, paragraph 1, letter b), TUF)

There are no restrictions on transfers of the securities of the Company.

#### Major shareholders (as per article 123-bis, paragraph 1, letter c), TUF)

According to the information available at 31 December 2009, 3,196 shareholders are registered on the shareholders' register of Centrale del Latte di Torino & C. S.p.A.

The holders of more than 2% of common shares are:

MAJOR SHAREHOLDERS			
Declaring party	Direct shareholder	% on ordinary capital	% on voting capital
Adele Artom	Finanziaria Centrale del Latte di Torino S.p.A.	51.78%	51.78%
Adele Artom	Lavia s.s.	5.90%	5.90%
B&E Equities S.p.A.	B&E Equities S.p.A.	2.13%	2.13%

#### Securities granting special rights (as per article 123-bis, paragraph 1, letter d), TUF)

No securities granting special controlling rights have been issued.

#### Employee shareholder system (as per article 123-bis, paragraph 1, letter e), TUF)

The Articles of Association of the Company contain no particular instructions regarding the voting rights of employee shareholders.

#### **Restrictions on voting rights**

There are no restrictions on voting rights.

#### Restrictions on security transfer (as per article 123-bis, paragraph 1, letter f), TUF)

There are no restrictions on transfers of the securities of the Company.

#### Shareholders' agreements (as per article 123-bis, paragraph 1, letter g), TUF)

There are no agreements among shareholders known to the issuer, pursuant to art. 122 of the TUF.

#### Change-of-control clauses (as per article 123-bis, paragraph 1, letter h), TUF)

Neither the issuer nor its subsidiaries have entered into significant agreements which become effective, are amended or cease to be valid in the event of a change of control as regards the contracting company.

#### Proxies for share capital increases and share buy-back authorisations (as per article 123-bis, paragraph 1, letter m), TUF)

The company directors have not been entrusted with proxies for share capital increases or for the issue of financial instruments or the purchase of treasury shares. The question is regulated by the corporate by-laws. On 28 April 2008 the Shareholders' Meeting resolved upon the authorisation to purchase and sell treasury shares, pursuant to articles 2357 and 2357ter of the Italian Civil Code for a period of 18 months and therefore until 28 October 2008.

#### Management and coordination (as per article 2497 et seq. of the Italian Civil Code)

Pursuant to articles 36 and 37 of the Consob Regulation no. 16191/2007, regarding the publication of information prescribed by paragraphs 12 and 13 of article 2.6.2 of the Regulation of Borsa Italiana, it is hereby certified that Centrale del Latte di Torino & C. S.p.A.:

- is not controlled by companies set up and governed by the law of countries not belonging to the European Union;
- is not subject to management and coordination activities on the part of the ultimate parent company Finanziaria Centrale del Latte di Torino S.p.A., because the main aim of the company is the direct management of civil buildings and does not have a structure able to control and/or channel decisions of an operational nature.

#### 3. COMPLIANCE (as per article 123-bis, paragraph 2, letter a), TUF)

#### **Compliance with codes of practice**

Centrale del Latte di Torino & C. S.p.A., with regard to the codes of practice on corporate governance promoted by Borsa Italiana S.p.A, has adopted the following:

**Self-Regulatory Corporate Governance Code.** The Company has adopted a self-regulatory Code in the application of its Corporate Governance, i.e. the system of rules by which a company is managed and controlled. The latest version of the Code, approved by the Board of Directors on 13 February 2007, and the annual report on Corporate Governance are available on the company's website:

 $http://www.centrale latte.torino.it/ita/finanza/documenti/codice\_autodisciplina\_2007.pdf$ 

and on the website of Borsa Italiana S.p.A.:

http://www.borsaitaliana.it/borsa/azioni/elenco-completo-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-completo-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-completo-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-completo-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-completo-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-completo-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&lang=it/borsa/azioni/elenco-corporate-governance.html?isin=IT0003023980&land=it/borsa/azioni/elenco-corporate-governance.html?isin=IT00030230&lang=it/borsa/azioni/elenco-

**Code of practice for internal dealing.** The Company has adopted the Code of practice aimed at governing obligations regarding information, and has drawn up a register of those people who have access to confidential information, in compliance with the provisions of articles 2.6.3, 2.6.4 and 2.6bis of the "Regulation of Markets organised and managed by Borsa Italiana S.p.A.", approved by Consob resolution no. 13655 of 9 July 2002 and with articles 152 bis-ter-quater-quinquies-sexies-septies-octies of the Consob Regulation for issuers, regarding the operations as per article 2.6.4 of the Borsa Italiana regulation carried out by relevant individuals as defined in article 2 of the Code of practice on internal. The latest version of the Code of practice for internal dealing, approved by the Board of Directors on 13 February 2007, is available on the company's website:

http://www.centralelatte.torino.it/ita/finanza/documenti/codice internal dealing 2007.pdf and on the website of Borsa Italiana S.p.A.:

http://www.borsaitaliana.it/borsa/quotazioni/azioni/elenco-completo-internal-dealing.html?isin=IT0003023980&lanq=it

#### 4. BOARD OF DIRECTORS

#### Appointment and replacement of directors (as per article 123-bis, paragraph 1, letter I), TUF)

The company is managed by a Board of Directors made up of three to eleven members, appointed by resolution of the Shareholders' Meeting. The Directors are chosen from a list of candidates. Lists may be filed only by those shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting. Each shareholder cannot file, either through a third party or by trusts, more than one list or vote for different lists. Each candidate may be appointed in only one list, under penalty of ineligibility. Candidates may not be admitted to the lists if they already hold directorships in other five companies or entities whose stocks are liable for trading on a regulated market featured on the list provided for by articles 63 and 67 of Legislative Decree no. 58/1998. The minority list that has obtained the greatest number of votes and that is in no way connected, directly or indirectly, to the list that has received the most votes, has the right to appoint a member of the Board of Directors. The lists shall be filed with the registered office at least fifteen days before the date set for the meeting in first call. By the same deadline, statements must be filed along with each list in which each candidate accepts the nomination, and declares, undertaking full responsibility, that there are no reasons for which they are incompatible or could not be appointed, and that they fulfil the requirements set forth by the bylaws and current regulations for each office. Where a list does not meet the above requirements, its submission shall be considered null. Where a single list is submitted, this represents the entire Board of Directors. In the event no list is submitted, the shareholders' meeting shall resolve by majority vote. Abstentions shall not be taken into account. The directors shall remain in office for a period of no more than three financial years and their term of office shall end on the date of the meeting convened to approve the financial statements for the last financial year of their term. Directors may be re-appointed.

Before directors are appointed, the shareholders' meeting shall determine the number of Board members and the duration of their term. Where the number of Directors determined is lower than the maximum number provided for, the shareholders' meeting, during the Board's term of office, may increase this number. The term of Directors thus appointed shall expire together with those serving on the Board at the time of their appointment..

#### **Structure of the Board of Directors and Committees**

At the closing date of FY 2009 the Board of Directors was made up of ten directors. The Board has not defined general criteria regarding the maximum number of management and auditing offices held in other companies that can be considered compatible with the effective performance of the role of company director.

The structure of the Board of Directors is indicated in the enclosed chart 1).

#### **Role of the Board of Directors**

The Board of Directors exercises the powers, functions and competences regarding the ordinary and extraordinary management of the company, with the sole exception of those competences that are attributed to the shareholders' meeting, either by law or by the corporate by-laws.

The Board of Directors also has the power to resolve upon the following:

- mergers in the cases provided for under articles 2505 and 2505 bis of the Italian Civil Code;
- transfer of the Company's registered office within Italy;
- the setting up or closure of secondary offices;

- the indication of which directors in addition to the Chairman, the Vice Chairman and the Managing Directors and executives may represent the company, in accordance with the following articles 17 and 18 of the corporate by-laws;
- reduction of the share capital in the event of the withdrawal of a shareholder;
- adjustments to the corporate by-laws in accordance with regulatory provisions.

The Board of Directors met 6 times during 2009, in order to discuss and resolve upon the following:

- the draft financial statements and the draft consolidated financial statements and pertinent reports and notes at 31 December 2008;
- the annual report on corporate governance for 2008;
- the plan for merger by incorporation of Salads & Fruits Srl into Centrale del Latte di Torino & C. S.p.A.;
- the call for the Shareholders' Meeting;
- the proposal presented to the Shareholders' Meeting to increase the board members from nine to eleven and to appoint Mr. Nicola Codispoti as Director;
- the approval of the merger by incorporation of Salads & Fruits Srl into Centrale del Latte di Torino & C. S.p.A.;
- the resignation of Director Alessandro Marina and appointment of the new Director Luciano Roasio;
- verification of the independence requisites of the following independent directors: Luciano Roasio, Alberto Tazzetti and Germano Turinetto;
- appointment of director Luciano Roasio as an independent member of the Internal Audit Committee of Centrale del Latte di Torino & C.
   S.p.A.;
- confirmation of the directors' remuneration Committee, made up as follows: Guido Artom, Alberto Tazzetti and Germano Turinetto;
- Interim reports at 31 March 2009 and 30 September 2009 of Centrale del Latte di Torino & C. S.p.A.;
- Consolidated half-yearly report at 30 June 2009 of Centrale del Latte di Torino & C. S.p.A.;
- Half-yearly report at 30 June 2009 of Salads & Fruits Srl;
- appointment of Director Nicola Codispoti to the position of Managing Director, thereby granting him wider powers of ordinary and
  extraordinary administration, with the exclusion of the sale and purchase of real estate, company equity investments and trademarks;
- approval of the gross annual remuneration of the Managing Director Nicola Codispoti as decided by the directors' remuneration Committee for a total of € 270,000.00 (two hundred and seventythousand/00);
- creation of the Salads & Fruits division, operating out of the facility in Casteggio (Pavia) and managed by Mr. Denis Avanzi, whose competences are confirmed by the power of attorney drawn on 19 May 2008 by Notary Galleano;
- acknowledgement of the resignation of powers relating to Centrale del Latte di Vicenza S.p.A. by Managing Director Nicola Codispoti, who continues to act as Director;
- acknowledgement on the part of the Board of Directors of the subsidiary Centrale del Latte di Vicenza S.p.a. of the appointment of Mr. Alberto Bizzotto as General Manager;
- acknowledgement of the 2009 2013 business plan of Centrale del Latte di Vicenza S.p.A., prepared and drafted by the administration and sales departments of the subsidiary;
- integration of the plants of the Salads & Fruits division comprised within the rural development plan of the Lombardy region Reg. CE
   n. 1257/99 measure g (1.7);
- integration into the organisational, management and control model as per Legislative Decree no. 231/2001;
- resolutions regarding safety pertaining to the delegation to the Managing Director Nicola Codispoti of functions and responsibilities
  attributed to employers on the basis of current and future regulations regarding the prevention of accidents and the protection of
  health and safety in the workplace;

When the nature of the matters on the agenda so required, Directors and Statuary Auditors were provided in advance with documentation pertaining to the matters to be considered.

Article 11 of the Company's Self-Regulatory Code deals with the question of relationships and economic transactions with related parties. The Code recommends that in the case of transactions conducted with related parties, those directors that have an interest – including a potential or indirect interest – in the transaction should provide timely, exhaustive notification thereof to the board regarding such interest and the circumstances of the same, and should leave the board meeting when the pertinent resolutions are made.

Should the nature, value, or other characteristics of the transaction so require, in order to avoid terms being set that would not be in keeping with those normally agreed upon by non-related parties, the Board of Directors arranges for it to be carried out with the assistance of independent experts, in order to determine the value of the assets or of the pertinent financial, legal, or technical profiles.

CONSOB has given a specific indication of subjects that may be deemed related parties, as described in IAS 24; these include those that control the issuer, those that are controlled by the issuer and those that are linked to the issuer, as defined by IAS 28.

Between the parent company and the subsidiaries Centro Latte Rapallo S.p.A. (CLR), Centrale del Latte di Vicenza S.p.A. (CLAV) and Frascheri S.p.A., transactions have been conducted at normal market conditions, with regard both to the production of branded products and to bulk milk. The sales prices applied have been verified and monitored by the person appointed for the purpose to the Company's Monitoring Committee. This activity, in which no censurable practice was evident, has been amply reported to the Board of Directors.

#### Other executive directors.

There are no executive directors other than those indicated in table 1).

#### Independent directors.

The Board of Directors has assessed whether the Directors appointed by the Shareholders' Meeting and indicated in table 1) fulfil the requirements of independence following the verification carried out by the Board of Statutory Auditors..

#### **Share-based incentive scheme**

On the date of approval of this report there were no share-based incentive schemes.

#### Compensation due to directors in the event of resignation, dismissal or severance.

No agreements are provided for with a view to paying compensation to directors in the event of resignation, dismissal or severance.

#### Regulations applicable to the appointment and replacement of directors and audit and supervisory committees

The regulations for the appointment and replacement of directors and monitoring and supervisory committees are described in the bylaws, in the Self-Regulatory Corporate Governance Code and in the pertinent annual reports.

#### 5. HANDLING OF COMPANY INFORMATION.

All directors and auditors must maintain confidentiality on documents and information acquired in the course of carry out their task, and must comply with the procedures for conveying such documents and price-sensitive information to persons outside the company.

Acting on a proposal by the Managing Directors, the Board, during the meeting held on 18 December 2000 resolved to limit to the Chairman and the Managing Directors the right to provide persons outside the company with details on documents and information regarding the company, with particular reference to price-sensitive information. They may use the services of the consultancy firm to which financial information is entrusted to.

#### 6. BOARD'S INTERNAL COMMITTEES.

#### **Remuneration Committee**

Within the Board of Directors, a remuneration committee has been set up. It is composed of 3 executive directors, the majority of which are independent.

The remuneration committee presents the Board with:

- proposals for the remuneration of the Chairman, the Managing Directors and the Directors that hold particular offices, monitoring the application of the decisions adopted by the Board;
- periodic assessments of the criteria adopted for the remuneration of managers with strategic responsibilities, overseeing their application based on information provided by the managing directors, and formulating general recommendations on the subject for the Board of Directors.

No director takes part in the meetings of the remuneration committee in which proposals are formulated regarding his own remuneration.

The Remuneration Committee is made up of the following members:

Guido Artom Director

Alberto Tazzetti Independent Director

Germano Turinetto Independent Director

During FY 2009, the Committee met once, with two of the three members present. The meeting lasted for 1 hour.

#### 7. DIRECTORS' REMUNERATION.

A significant proportion of the remuneration due to the Executive Directors is linked to the economic results achieved by the Issuer. Variable remuneration is calculated by applying a schedule of percentages on the value of the Group's consolidated Ebitda.

Executive Directors are entitled to an attendance fee of € 750 for each board meeting and committee meeting they take part in.

#### 8. INTERNAL AUDIT COMMITTEE.

The Board of Directors has formed the Internal Audit Committee, which is intended to serve in an advisory and proactive capacity, consisting of four members, three of whom are non-executive directors (two of whom are independent), and one of whom is a member of the Audit Committee.

The members of the Board of Statutory Auditors and the representative of the auditing firm are invited to attend the working sessions of the Committee.

The Internal Audit Committee:

- a) assesses the correct use of accounting standards and their consistency for the purposes of drafting the consolidated financial statements, together with the executive appointed to draft corporate accounts and the auditing firm;
- b) assesses, and expresses opinions on specific issues related to the identification of the main company risks;
- c) assesses the bids made by the auditing firm to obtain the assignment, as well as the work schedule prepared for the audit and the results set forth in the report and advisory letter, if present;
- d) ensures that the auditing process is effective;
- e) performs additional duties assigned by the Board of Directors;
- f) periodically reports to the Board of Directors at least every six months on the activities performed and on the appropriateness of the internal audit system.

The Internal Audit Committee of Centrale del Latte di Torino & C. S.p.A. and its subsidiaries is authorised to supply advice and submit proposals. The committee is made up of four members, three of whom are non-executive directors (two of whom are independent) plus the person in charge of the audit committee..

The person in charge of the audit committee appointed, Mr Giancarlo MORETTO, does not operate under any figure in charge of the operational areas, and answers to the managing directors, the internal audit committee and the auditors.

The other members of the Audit Committee are:

- Antonella Forchino Director
- Luciano Roasio Independent Director
- Alberto Tazzetti Independent Director

During 2009 the person in charge of the audit committee carried out inspections on the following:

- the appropriateness and the correct application of the internal procedures manual adopted by the Group Companies, with the aim of identifying areas potentially subject to greater risk and of indicating corrective action where necessary;
- the existence of problems regarding the presence, monitoring and management of company risks linked to disputes regarding labour, fiscal issues and IT security;
- the completeness and reliability of accounting information and the even application of the accounting principles currently in force;
- the existence of any breaches of the Code of Ethics;
- the main changes that have occurred in the organisational structure and the IT systems;
- the activity carried out by the independent auditors;
- compliance of company practice with laws, regulations, directives and Group procedures.
- whether relationships with related parties comply with normal trading conditions;

In the course of these inspections, carried out in the Parent Company, subsidiaries and affiliates, no situations or practices were identified that are in contrast with the procedures; no areas subject to risk or inefficiencies were identified, and in particular, no indication was found of censurable or irregular conduct in dealings with related parties.

The person in charge of the audit committee was present at all the meetings of the Board of Statutory Auditors of Centrale del Latte di Torino & C. S.p.A., during which a representative of the auditing firm was always in attendance.

The half-yearly reports of the Audit Committee provided ample information to the Board of Directors.

Members of the Board of Statutory Auditors and the representative of the Auditing firm accepted the invitation to attend the working sessions of the Committee.

#### 9. ORGANISATION MODEL AS PER LEGISLATIVE DECREE 231/2001.

#### Risk management and internal audit systems.

Centrale del Latte di Torino & C. S.p.A. and its subsidiaries believe that the adoption of the Model as per the Decree is a further means of raising awareness among directors, employees and all other third parties that have dealings with CLT, so that, in carrying out their activities, their conduct is correct, transparent and in line with the ethical and social values that inspire CLT in the pursuit of its business purpose and prevent the risk of offences set out in Legislative Decree no. 231/2001 from being committed.

The adoption and spread of the model is aimed at rendering potential offenders fully aware that they may in fact be committing an offence and at carrying out constant observation and monitoring of activities so as to ensure CLT is able to adopt preventive measures or to intervene swiftly in order to stop offences being committed.

The aim of the Model is to:

- identify offences that may give rise to administrative liability;
- identify the areas vulnerable to the commission of offences provided for by former Legislative Decree no. 231/2001;
- indicate procedures;
- establish information obligations vis-à-vis the Supervisory Body;
- illustrate the disciplinary system set up to deal with failure to comply with company procedures and regulations.

The Model is a structured, coherent system of procedures and monitoring activities able to prevent risks, composed of manuals and codes of practice adopted by the company. These documents, which are regularly added to and updated in order to keep pace with changes to laws, regulations and the conditions in which the company operates, are an integral part of the Model, and the relevant parts contain the protocols that all individuals who carry out their activity in and/or for the company must comply with and ensure the application of.

The manuals and the codes of practice comprise:

- the accounting and administration procedures manual
- the quality system assurance procedures manual, in compliance with standards UNI EN ISO 9001 and UNI EN ISO 22000;
- the code of practice for internal dealing;
- the self-regulatory code for the application of Corporate Governance;
- the Code of Ethics;

The versions of the manuals and codes of practice, duly added to and updated, are quickly made available to all the interested parties, and thereby replace the current Model.

Activities in the context of which it is theoretically possible for offences relevant to Legislative Decree No. 231/2001 to be committed in the interest or to the benefit of CLT are:

- dealings with the Public Administration (hereinafter P.A.) or other Public Institutions (hereinafter P.I.);
- transactions and communications of an accounting, economic and financial nature;
- offences against industry and commerce;
- IT offences and illegal processing of data;
- selection of personnel and establishment of working relations;
- activities governed by the regulations regarding the prevention of accidents in the workplace and the safeguarding of workplace health and hygiene.

The organisational management and control model pursuant to former Legislative Decree no. 231/2001 is available on the Company's website <a href="http://www.centralelatte.torino.it/ita/finanza/documenti/modello\_dlgs\_231\_2001.pdf">http://www.centralelatte.torino.it/ita/finanza/documenti/modello\_dlgs\_231\_2001.pdf</a>

#### 10. AUDITING COMPANY.

KPMG S.p.A. Engaged on 28 April 2006; engagement expires with the approval of the 2014 financial statements.

#### 11. EXECUTIVE IN CHARGE OF DRAFTING CORPORATE ACCOUNTS.

The Board of Directors, after having heard the opinion of the board of statutory auditors, appoints or removes the executive in charge of drafting accounts, who must be in possession of the appropriate professional skills pertaining to administration, accounting and finance.

The executive in charge of drafting corporate accounts establishes the appropriate administrative and accounting procedures to draft the financial statements, the consolidated financial statements and all other communication documents of a financial nature. The executive is granted the powers and means necessary to carry out the tasks assigned to him/her.

The executive in charge of drafting corporate accounts, in a specific report provided as an annex to the financial statements and, where provided for, to the consolidated financial statements, attests to the appropriateness and the effective application of the procedures and declares that the financial statements tally with the accounting books and records.

The Board of Directors has appointed Mr. Vittorio VAUDAGNOTTI, administrative and financial manager of the Company, as the executive in charge of drafting corporate accounts.

## 12. KEY TRAITS OF THE CRITERIA FOR THE RISK MANAGEMENT AND INTERNAL AUDIT SYSTEMS IN PLACE IN RELATION TO THE FINANCIAL REPORTING PROCESS AT THE SEPARATE AND CONSOLIDATED LEVEL

The internal audit system of the Centrale del Latte di Torino Group is made up of the set of company rules and procedures designed, through an appropriate process of identifying the main risks connected to the setting out and communication of financial information, to meet the company's aim to provide reliable, accurate and timely information..

The accounting reports, including consolidated accounting reports, must provide users with a clear and correct picture of management, allow for the issue of statements and declarations required by law attesting to the fact that the documents and details provided to the market by the Parent Company regarding accounting information, including interim reports, tally with the accounting books and records, as well as to the appropriateness and effective application of the administrative and accounting procedures during the period the accounting documents (financial statement, half-yearly and quarterly report) refer to, and the fact that they have been drafted in compliance with the relevant international accounting standards.

Centrale del Latte di Torino Group has implemented, and regularly updates, a system of administrative and accounting procedures able to guarantee a reliable financial reporting process. This system comprises both the procedures and guidelines by means of which the Parent Company ensures an efficient exchange of data with the consolidated companies and conducts the necessary coordination activities, and the operating regulations established by the consolidated companies.

The assessment, updating or monitoring of the internal audit system linked to financial reporting involves identifying and evaluating the risk of significant errors, including those caused by fraud, in the elements that make up the financial report, assessing whether the existing monitoring measures are able to identify such errors and verifying the efficacy of the monitoring process.

The measures in place in the Group aimed at preventing significant errors in the preparation and publication of the financial report substantially regard the following:

measures applied at group or individual consolidated company level, such as the allocation of responsibilities, powers and proxies, the division of tasks and allocation of privileges and rights of access to IT applications;

measures applied at process level, such as the issue of authorisations and the carrying out of reconciliation and the performance of consistency checks.

The efficacy of these measures is regularly verified by the executive in charge of drafting corporate accounts.

#### 13. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES.

Transactions with related parties are carried out in line with the proper criteria in terms of both substances and procedure.

For transactions involving related parties, the directors who have even a potential or indirect interest in the operation:

- a) provide the Board of Directors with exhaustive, timely notification of the existence of this interest and the circumstances of the same;
- b) withdraw from Board meetings at the time of resolution.

Should the nature, value, or other characteristics of the transaction so require, in order to avoid terms being set that would not be in keeping with those normally agreed upon by non-related parties, the Board of Directors arranges for it to be carried out with the assistance of independent experts, in order to determine the value of the assets or of the pertinent financial, legal, or technical profiles.

#### 14. APPOINTMENT OF AUDITORS.

The Board of Statutory Auditors is composed of three Statutory Auditors and three Alternate Auditors who hold office for three years and may be re-elected. The minority group is entitled to elect one Statutory Auditor and one Alternate Auditor. The Board of Statutory Auditors is appointed on the basis of lists submitted by shareholders, in which the candidates are indicated by a progressive number. Iist is composed of two sections: one for candidates for the office of Statutory Auditor and another for candidates for the office of Alternate Auditor. Lists may be filed only by those shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting. Each shareholder cannot file, either through a third party or by trusts, more than one list or vote for different lists. Each candidate may be appointed in only one list, under penalty of ineligibility. Candidates may not be admitted to the lists if they already hold directorships in other five companies or entities whose stocks are liable for trading on a regulated market featured on the list provided for by articles 63 and 67 of Legislative Decree no. 58/1998, or if they are not in possession of the requirements of honourability, professionalism and independence established by the pertinent regulations. The lists shall be filed with the registered office at least fifteen days before the date set for the meeting in first call and this shall be indicated in the notice of meeting. By the same deadline, statements must be filed along with each list in which each candidate accepts the nomination, and declares, undertaking full responsibility, that there are no reasons for which they are incompatible or could not be appointed, and that they fulfil the requirements set forth by the bylaws and current regulations for each office. Where a list does not meet the above requirements, its submission shall be considered null. Election of statutory au

- two statutory and two alternate members shall be taken from the list obtaining the highest number of votes in the Meeting, according to the progressive order in which the candidates are listed in the sections.
- the remaining statutory and the other alternate member shall be taken from the second list obtaining the highest number of votes in the Meeting, according to the progressive order in which the candidates are listed in the sections.

The first candidate on the minority list obtaining the highest number of votes will be the Chairman. Should the Auditor no longer be in possession of the requisites established by the regulations and the by-laws, s/he shall be removed from office. Should a statutory auditor be replaced, the latter shall be replaced by the alternate auditor from the same list.

Resolutions are passed by an absolute majority of the votes of those in attendance.

The above rulings regarding the election of Auditors do not apply to meetings held, pursuant to the law, to appoint Statutory and/or Alternate Auditors and the Chairman required to complete the Board of Statutory Auditors following the replacement or expiry of the term of an Auditor. In such cases, the meeting shall resolve by relative majority, without prejudice to the clause at paragraph two of this article. Where one list only is submitted, the entire Board of Statutory Auditors shall be appointed from said list. In the event no list is submitted, the shareholders' meeting shall resolve by majority vote. Abstentions shall not be taken into account.

The remuneration of the Statutory Auditors is established by the Shareholders' Meeting.

The Board of Statutory Auditors may also meet by telecommunication means, provided the following conditions are met:

- participants must be able to view, receive or transmit all the necessary documentation;
- b) it must be possible to participate in the discussion in real time, in compliance with the board standards.

Meetings are held at the location of the Chairman, or in the absence of the Chairman, of the most senior Auditor in terms of age.

#### 15. AUDITORS.

The make-up of the Board of Statutory Auditors, the date of appointment and the expiry of their engagement are indicated in table 3).

Their office expires with the approval of the 2011 financial statements. The appointment took place during the Meeting of 24 April 2009. The auditors elected were indicated in the only list filed by the shareholder Finanziaria Centrale del Latte di Torino S.p.A.. It obtained the vote of 100% of the voting shares.

During FY 2009, the Board of Statutory Auditors met four times, with meetings lasting 1 hour on average.

#### 16. RELATIONS WITH SHAREHOLDERS.

The Company has set up a dedicated section on its website, easily identifiable and accessible under the heading "Investor Relations", where shareholders can access information regarding the Company.

#### 17. SHAREHOLDERS' MEETINGS.

Mechanisms governing the Shareholders' Meeting.

A shareholders' meeting can be ordinary or extraordinary. The ordinary shareholders' meeting is called by the Chairman, the Vice Chairman or one of the Vice Chairman or one of the Managing Directors, at least once a year and within 120 days of the closure of the corporate year, in order to deal with the matters provided for by law.

Where the law so provides for, the ordinary shareholders' meeting may be called after the 120-day period, provided it takes place within 180 days from the end of the corporate year. The extraordinary shareholders' meeting is called to deal with matters provided for by law or by these by-laws.

The shareholders' meeting is called at the company headquarters, or elsewhere, provided it is held in Italy, with notice to be published under the terms and by the means provided for by current regulations, either in the Official Gazette of the Republic of Italy or in the daily newspaper "LA STAMPA", specifying the day, time and place of the meeting and the matters to be dealt with.

The notice of the call may also indicate the date of further calls.

In order to be admitted to the shareholders' meeting, shareholders must present the certification attesting to inclusion in the centralised dematerialisation management system, issued for the purposes of participating in the shareholders' meeting no later than two days before the meeting by an authorised representative. The shares represented by the certification remain unavailable until the end of the shareholders' meeting. Any shareholder entitled to take part in the meeting may be represented by a third party by written delegation of authority, in accordance with the law.

The setting up of the shareholders' meeting and the validity of the resolutions therein adopted are regulated by the law, with the exception of the appointment of Directors, for which the following paragraph applies, and for the appointment of the Board of Statutory Auditors, for which the provisions of article 20 apply.

The shareholders' meeting may be held in more than one location, close to or distant from each other, linked by both audio and video, under the following conditions, which must be indicated in the minutes:

- the Chairman and the Secretary, who draft the minutes, must be in attendance at the same location;
- the Chairman is able to determine the identity and entitlement of participants, control the proceedings and determine and announce the results of each vote;
- the Secretary is able to take proper note of the events that take place during the meeting;
- participants may take part in the discussion and vote simultaneously on the issues on the agenda, and may view, receive or transmit documents;
- the notice of the call must indicate the locations with which the company has set up an audio/video link and that participants may attend; the meeting shall be held to have taken place in the location where the Chairman and Secretary are present;
- an attendance sheet must be filled out at each location.

The shareholders' meeting is chaired by the Chairman of the Board, or if s/he is absent or unable to attend, by the most senior Vice Chairman in terms of each, or, should the latter be absent or unable to attend, by another person appointed for the purpose by the shareholders' meeting. The Chairman is assisted by a Secretary or a Notary.

The Chairman, also with the assistance of persons appointed for the purpose:

- verifies the identity and entitlement of those present;
- verifies whether the shareholders' meeting has been regularly set up and that the quorum for passing resolutions has been reached;
- leads and governs the shareholders' meeting;
- establishes voting procedures and announces the results thereof.

Turin, 11 March 2010

The Chairman of the Board of Directors Luigi Luzzati

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE, INDICATING THE INVESTOR RELATOR

Office	Members	In office from	In office up to	List	Executive	Non- executive	Indep. according to Code	Indep. according to TUF	% (**)	Audit Committee	Remuneration Committee	Supervisory Body	No. of other offices
Chairman	LUZZATI Luigi	28/04/2008	Approval of 2010 Financial Statements	М	YES				100%				3
Executive Vice Chairman and Managing Director	POZZOLI Riccardo	28/04/2008	Approval of 2010 Financial Statements	М	YES				100%				
Managing Director	CODISPOTI Nicola	24/04/2009	Approval of 2010 Financial Statements	М	Yes				100%				
Director	ARTOM Adele	28/04/2008	Approval of 2010 Financial Statements	М		YES			83%				
Director	ARTOM Guido	28/04/2008	Approval of 2010 Financial Statements	М		YES			86%		YES		 
Director	FORCHINO Antonella	28/04/2008	Approval of 2010 Financial Statements	М		YES			100%	YES		YES	
Director	ROASIO Luciano	14/05/2009	Approval of 2009 Financial Statements	М		YES	YES	YES	100%	YES		YES	<u> </u>
Director	RESTANO Ermanno	28/04/2008	Approval of 2010 Financial Statements	М		YES			83%				
Director	TAZZETTI Alberto	28/04/2008	Approval of 2010 Financial Statements	М		YES	YES	YES	70%	YES	YES	YES	1
Director	TURINETTO Germano	28/04/2008	Approval of 2010 Financial Statements	М		YES	YES	YES	100%		YES		2

<sup>(\*)</sup> M: Majority list m: Minority list

**Quorum required for the submission of lists for the last appointment:** the shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting.

#### **DIRECTORS LAPSED DURING FY 2009**

Office	Members	In office from	In office up to	List	Executive	Non- executive	Indep. according to Code	Indep. according to TUF	% (**)	Audit Committee	Remuneration Committee	Supervisory Body	No. of other offices
Director	MARINA Alessandro	28/04/2008	08/05/2009	М	NO	YES			100%	YES			

	Boards of Directors	Internal Audit Committee	Remuneration Committee	Supervisory Body
Number of meetings held during the period	6	3	1	3

<sup>(\*\*) %</sup> of attendance to Boards and Committees

#### TABLE 2: OTHER OFFICES OF THE DIRECTORS

Office	Members	Other office held	In LISTED COMPANIES	In BANKING OR
			(foreign too)	INSURANCE
				COMPANIES
Chairman	Luigi LUZZATI	Chairman	Acque Potabili S.p.A. –	
			Turin	
		Vice Chairman	Mediterranea delle	
		Vice Chairman	acque S.p.A Genoa	
		Director		Banco di San Giorgio
				S.p.A Genoa
Director	Alberto TAZZETTI			
		Divortor		Longint C n A
		Director		Leasint S.p.A.
Director	Germano TURINETTO	Chairman		Terfinance S.p.A.
D	Scilland Totalization	Chairman		Termence Jipinti

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Office	Members	In office from	In office up to	List	Indep. accordin g to Code	% (**)	No. of other offices
Chairman	BALOSSO Marco Maria	24/04/2009	Approval of 2011 Financial Statements	М	YES	100%	5
Statutory auditor	RAYNERI Giovanni	24/04/2009	Approval of 2011 Financial Statements	М	YES	100%	34
Statutory auditor	ROSSOTTO Vittoria	24/04/2009	Approval of 2011 Financial Statements	М	YES	100%	9
Alternate auditor	D'AMELIO Giovanni	24/04/2009	Approval of 2011 Financial Statements	М	YES		
Alternate auditor	GRISONI Paolo Pierangelo	24/04/2009	Approval of 2011 Financial Statements	М	YES		
Alternate auditor	RAYNERI Michela	24/04/2009	Approval of 2011 Financial Statements	М	YES		

<sup>(\*)</sup> M: Majority list

m: Minority list

**Quorum required for the submission of lists for the last appointment:** the shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting.

#### **AUDITORS LAPSED DURING FY 2009**

Office	Members	In office from	In office up to	List	Indep. accordin g to Code	% (**)	No. of other offices
Statutory auditor	D'AMELIO Giovanni	24/04/2006	24/04/2009	М	YES	100%	

<sup>(\*\*) %</sup> of attendance to Boards and Committees

# Centrale del Latte di Torino & C. S.p.A. 2009 Separate Financial Statements

## **Accounting schedules**

**Statement of comprehensive income** (amounts shown in Euros)
The pro forma column shows the values at 31 December 2008, which simulate the merger with Salads & Fruits Srl as if the merger had taken place at the beginning of FY 2008.

			31 Dec 09	31 Dec 08	31 Dec 08 pro - forma
1ec	1ene	Revenue from sales and services From subsidiaries	57,461,158	59,455,431	61,702,167
		From joint ventures	<i>8,601,198</i> <i>641,17</i> 9	9,194,067 370,230	<i>10,316,191</i> <i>370,230</i>
2ec	2ene	Other revenue From subsidiaries	487,270	810,845	868,827
		From joint ventures	90,035	<i>244,804</i>	244,804
		Trom Joint Ventares	716	50,000	50,000
3ec	3ene	Change in inventories of semi-finished and finished goods	(96,467)	(168,862)	(165,193)
		Total revenue from sales and services	57,851,961	60,097,414	62,405,201
4ec	4ene				
		Raw and ancillary materials, consumables and goods To subsidiaries	(28,972,775)	(32,718,514)	(33,790,605) <i>(1,386,737)</i>
		To joint ventures	(2,186,254)	(2,065,882)	(1,300,757)
		,	(24,728)	(10,264)	(==,== -,
5ec	5ene	Personnel costs			
6ec	6ene	Wages and salaries	(5,687,314)	(4,770,243)	(5,237,473)
7ec	7ene	Social security contributions	(1,829,166)	(1,551,808)	(1,874,802)
8ec	8ene	Employee severance indemnity	(380,512)	(472,692)	(505,086) (82,981)
occ	ocne	Other costs	(58,916)	(82,981)	(02,301)
		Depreciation, amortisation and write-downs			
9ec	9ene	Amortisation of intangible fixed assets	(39,375)	(39,374)	(39,374)
10ec	10ene	Depreciation of tangible fixed assets	(1,782,230)	(1,528,657)	(1,810,565)
11ec	11ene	Write-downs of current receivables	(56,812)	(56,012)	(58,203)
12ec	12ene	Provisions for liabilities and charges	-	(120,000)	(120,000)
		Other operating costs			
13ec	13ene	Services	(13,715,031)	(13,944,198)	(15,013,360)
14ec	14ene	Lease and rental costs	(344,954)	(218,078)	(271,224)
		To ultimate parent company	(9,840)	(9,519)	
15ec	15ene	Sundry operating expenses	(546,191)	(402,246)	(443,051)
		Operating result	4,438,685	4,192,611	3,158,477
16ec	16ene	Financial income	298,531	360,415	353,347
17ec	17ene	From subsidiaries	81,854	148,896	141,449
18ec	18ene	Financial charges	(619,053)	(902,266)	(1,117,228)
1000	100110	Write-down of equity investments	(3,680,189)	(2,171,810)	(111,379)
		Pre-tax profit (loss)	437,974	1,478,949	2,283,217
19ec	19ene	Income taxes	(1,679,702)	(1,600,948)	(1,629,713)
20ec	20ene	(Deferred) prepaid taxes	(116,834)	208,414	208,414
		NET PROFIT (LOSS) (A)	(1,358,562)	86,415	861,918
		Total other profits (losses) net of tax effects (B)	(1,330,302)	-	-
		TOTAL OVERALL PROFIT (LOSS) (A+B)	(1,358,562)	86,415	861,918

Notes:
- The references in the first column are to the individual item or group of items in the reclassified accounting schedules;

The references in the second column are to the breakdown and analysis of the individual items set out in the notes;

**Statement of equity and financial position - Assets** (amounts shown in Euros)
The pro forma column shows the values at 31 December 2008, which simulate the merger with Salads & Fruits Srl as if the merger had taken place at the beginning of FY 2008.

		ASSETS	31 Dec 09	31 Dec 08	31 Dec 08 pro - forma
		NON-CURRENT ASSETS			
	1ne	Tangible fixed assets	15,964,400	10,489,634	15,671,794
1c		Land	2,115,180	1,663,000	2,115,180
1c		Buildings	5,867,545	3,289,746	5,943,805
1c		Plants and machinery	6,620,352	4,649,520	6,559,299
1c		Industrial and commercial equipment	702,573	470,410	636,552
2c		Assets under construction and advances	658,750	416,958	416,958
	2ne	Intangible fixed assets	355,627	395,002	395,002
3c		Trademarks, licences and similar	355,627	395,002	395,002
		Financial fixed assets	42,412,814	47,414,157	46,258,151
4c	3ne	Equity investments in subsidiaries	37,405,620	42,451,730	41,085,809
4c	4ne	Equity investments in joint ventures	961,293	961,293	961,293
4c	5ne	Other financial assets	1,139	1,134	1,139
5c	6ne	Financial receivables from subsidiaries	4,000,000	4,000,000	4,000,000
6c	7ne	Deferred tax assets	44,762	108,384	209,909
		TOTAL NON-CURRENT ASSETS	58,732,841	58,407,177	62,324,946
		CURRENT ASSETS			
	8ne	Inventories	1,330,770	1,294,966	1,425,057
7c		Raw and ancillary materials and consumables	1,014,014	836,336	959,514
8c		Finished products and goods	316,756	458,630	465,543
		Trade and other receivables	15,905,829	17,703,408	18,148,507
9c	9ne	Trade receivables	10,007,236	10,812,803	11,030,785
10c	10ne	Receivables from joint ventures	143,477	80,684	80,684
11c	11ne	Receivables from subsidiaries	2,335,211	2,652,860	2,779,902
12c	12ne	Tax assets	1,998,638	2,171,030	2,238,637
13c	13ne	Other receivables	1,421,267	1,547,366	1,579,834
14c	14ne	Financial receivables	-	438,665	438,665
		Cash and cash equivalents	3,139,444	3,787,718	3,788,165
15c	15ne	Bank and postal accounts	2,996,160	3,640,269	3,640,269
16c	16ne	Cash and valuables on hand	143,284	147,449	147,896
		TOTAL CURRENT ASSETS	20,376,043	22,786,092	23,361,729
		TOTAL ASSETS	79,108,884	81,193,269	85,686,675

#### Notes:

- The references in the first column are to the individual item or group of items in the reclassified accounting schedules;
- The references in the second column are to the breakdown and analysis of the individual items set out in the notes.

#### Statement of equity and financial position – Liabilities (amounts shown in Euros)

The pro forma column shows the values at 31 December 2008, which simulate the merger with Salads & Fruits Srl as if the merger had taken place at the beginning of FY 2008.

		LIABILITIES AND NET EQUITY	31 Dec 09	31 Dec 08	31 Dec 08 pro - forma
17c	17ne	Share capital	20,600,000	20,600,000	20,600,000
		Reserves	25,805,147	26,997,694	27,141,138
18c		Share premium account	14,324,577	14,324,577	14,324,577
19c		Revaluation reserve	196,523	196,523	196,523
20c		Legal reserve	930,853	926,532	926,532
21c		Other reserves	10,279,773	10,197,679	10,197,679
22c		Non-distributable IFRS first-time adoption reserve	1,265,968	1,265,968	1,265,968
23c		Merger surplus (deficit)	166,015	-	(632,059)
24c		Profit (loss) for the period	(1,358,562)	86,415	861,918
	18ne	TOTAL EQUITY	46,405,147	47,597,694	47,741,138
		NON-CURRENT LIABILITIES			
25c	19ne	Long-term loans	8,187,544	10,327,196	12,215,395
26c	20ne	Long-term payables to other lenders	262,104	341,599	394,356
27c	21ne	Deferred taxes	680,159	728,475	728,475
		Long-term provisions	2,130,555	2,155,757	2,202,906
28c	22ne	Employee severance indemnity	2,010,555	2,035,757	2,082,906
<b>29</b> c	23ne	Provision for liabilities and charges	120,000	120,000	120,000
		TOTAL NON-CURRENT LIABILITIES	11,260,362	13,553,027	15,541,132
		CURRENT LIABILITIES			
		Financial payables	4,714,747	2,397,898	3,672,332
30c	24ne	Current share of long-term loans	4,024,904	2,302,775	2,744,347
31c	25ne	Current share of payables to other lenders	132,544	95,123	135,965
32c	26ne	Payables to banks	557,299	-	792,020
		Trade and other payables	16,728,629	17,644,650	18,732,073
33c	27ne	Trade payables	11,998,098	13,394,029	14,133,445
34c	28ne	Payables to subsidiaries	880,443	1,348,637	1,175,960
35c	29ne	Payables to joint ventures	21,672	1,757	1,757
36c	30ne	Tax liabilities	828,507	218,433	266,586
37c	31ne	Payables to social security authorities	527,526	469,994	522,550
38c	32ne	Other payables	2,472,383	2,211,800	2,631,775
		TOTAL CURRENT LIABILITIES	21,443,376	20,042,548	22,404,405
		TOTAL EQUITY AND LIABILITIES	79,108,884	81,193,269	85,686,675

#### Notes:

The references in the first column are to the individual item or group of items in the reclassified accounting schedules;

<sup>-</sup> The references in the second column are to the breakdown and analysis of the individual items set out in the notes.

#### **Cash flow statement** (amounts shown in Euros)

To make the cash-flow statement clearer to interpret, a pro forma column has been included, showing the cash flows, calculated on the values which simulate the merger with Salads & Fruits Srl as if the merger had taken place at the beginning of FY 2008.

	31 Dec 09	31 Dec 09 sul pro - forma	31 Dec 08
Initial cash availability  A. Cash flow from operating activities	4,226,830	3,434,810	10,097,310
Profit (loss) for the year	(1,358,562)	(1,358,562)	86,415
Amortisation of intangible fixed assets	39,375	39,375	39,374
Depreciation of tangible fixed assets	1,782,230	1,782,230	1,528,657
<b>Total amortisation and depreciation</b> Employee severance indemnity accrued in the FY, net of indemnities	1,821,605	1,821,605	1,568,031
already paid	(25,202)	(72,351)	188,063
Deferred taxes	(48,316)	(48,316)	(178,704)
Accrual to (Use of) provision for liabilities and charges	-		120,000
Total accruals	(73,518)	(120,667)	129,359
Change in net working capital  Net trade receivables and other receivables	1 060 422	1 405 447	(047.464)
Financial receivables from subsidiaries	1,060,423	1,405,447	(947,464) 1,501,000
Inventories	(35,804)	94,287	68,046
Other receivables	298,491	563,713	982,222
Suppliers	(1,844,210)	(2,410,949)	(756,342)
Sundry payables	318,115	(154,416)	50,854
Tax liabilities	610,074	561,921	33,988
Total change in net working capital	407,089	60,003	932,304
Operating cash flow	796,614	402,379	2,716,109
B. Cash flow from (for) investing activities			
Net acquisitions of technical fixed assets	(7,256,996)	(2,074,836)	(984,341)
Financial (investments/write-ups) divestments /write-downs	5,212,121	3,680,189	(9,392,145)
Total cash flow from (for) investing activities	(2,044,875)	1,605,353	(10,376,486)
Free cash flow	(1,248,261)	2,007,729	(7,660,377)
C. Cash flow from change in net equity			
Dividends paid	-	-	(500,000)
Total cash flow from change in net equity	-	-	(500,000)
D. Cash flow from financing activities			
Change in medium/long-term financial payables	(396,423)	(2,860,394)	2,289,451
Total cash flow from financing activities	(396,423)	(2,860,396)	2,289,451
Total cash flows for the period	(1,644,237)	(852,665)	(5,870,926)
CASH AND BANKS AT YEAR-END			
(net of payables to banks)	2,582,144	2,582,144	4,226,383
of which bank accounts and cash on hand	3,139,444	3,139,444	3,787,717
of which securities held for trading	-	-	438,665
of which payables to banks	(557,299)	(557,299)	-
Financial charges paid	320,522	320,522	731,712
Taxes paid	656,587	656,587	332,175
·	,	,	

### **Changes in net equity** (amounts shown in Euros)

	At 1 Jan 08	Result allocation	Dividend payment	Changes for the period	At 31 Dec 08
Share capital	20,600,000	-	-	-	20,600,000
Share premium account	14,324,577	-	-	-	14,324,577
Revaluation reserve	196,523	-	-	-	196,523
Legal reserve	798,455	128,077		-	926,532
Other reserves Non-distributable IFRS first-time	8,264,254	1,933,466	(40)	-	10,197,680
adoption reserve	1,265,967	-	-	-	1,265,967
Profit (loss) for the period	2,561,543	(2,061,543)	(500,000)	86,415	86,415
	48,011,319	-	(500,040)	86,415	47,597,694
	At 1 Jan 09	Result allocation	Dividend payment	Changes for the period	At 31 Dec 09
Share capital	<b>At 1 Jan 09</b> 20,600,000				<b>At 31 Dec 09</b> 20,600,000
Share capital Share premium account				period	
•	20,600,000			period -	20,600,000
Share premium account	20,600,000 14,324,577			period -	20,600,000 14,324,577
Share premium account Revaluation reserve	20,600,000 14,324,577 196,523	allocation		period - - -	20,600,000 14,324,577 196,523
Share premium account Revaluation reserve Legal reserve Other reserves	20,600,000 14,324,577 196,523 926,532	allocation 4,321		period - - -	20,600,000 14,324,577 196,523 930,853
Share premium account Revaluation reserve Legal reserve Other reserves Non-distributable IFRS first-time	20,600,000 14,324,577 196,523 926,532 10,197,680	allocation 4,321		period - - -	20,600,000 14,324,577 196,523 930,853 10,279,774
Share premium account Revaluation reserve Legal reserve Other reserves Non-distributable IFRS first-time adoption reserve	20,600,000 14,324,577 196,523 926,532 10,197,680	allocation 4,321		period	20,600,000 14,324,577 196,523 930,853 10,279,774 1,265,967

# Centrale del Latte di Torino & C. S.p.A. 2009 Separate Financial Statements

**Notes to the Separate Financial Statements** 

#### The Company.

Centrale del Latte di Torino & C. S.p.A., set up and domiciled in Italy and headquartered in Turin, in Via Filadelfia 220, deals with the processing, transformation and sale of:

- milk and dairy products
- packaged products in the fresh and ultra-fresh segment
- fresh vegetables and fruit.

The company shall exist until 31 December 2050; the duration may be prolonged one or more times by resolution of the Shareholders' Meeting.

The Company's shares are listed on the STAR segment of Borsa Italiana. The Company is a 51.78% subsidiary of Finanziaria Centrale del Latte di Torino S.p.A.

The publication of the 2009 separate financial statements was authorised by the Board of Directors on 11 March 2010.

The Company has also prepared, in its capacity as Parent Company, the consolidated financial statements at 31 December 2009.

#### Structure and content of the accounting schedules.

The separate financial statements at 31 December 2009 are composed of the equity and financial position, the statement of comprehensive income, the cash-flow statement, the statement of changes in Net Equity.

The statement of comprehensive income is set out in accordance with the one statement approach and is classified on the basis of the nature of costs. The cash flow statement was prepared using the indirect method.

The 2009 separate financial statements, the accounting schedules and the explanatory notes are in Euros.

#### **Audit**

The 2009 separate financial statements are subject to audit by KPMG S.p.A..

#### Accounting and assessment standards

The separate financial statements of Centrale del Latte di Torino & C. S.p.A. at 31 December 2009 were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union, and as required by the measures enforcing article 9 of Legislative Decree no. 38/2005. IFRS also include the International Accounting Standards (IAS), still in force, as well as all the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC), previously named Standing Interpretations Committee (SIC).

The separate financial statements are drafted on the historical cost principle, on a going concern basis.

The accounting standards adopted for drafting these separate financial statements are the same as those adopted for drafting these financial statements of the Company for the financial year that ended on 31 December 2008, with the exception of the following:

From 1 January 2009, the company has applied the following new standards:

• IAS 1 revised — Presentation of the financial statements: the accounting schedules have been re-named in accordance with the indications provided in IAS 1 revised, and are now named as follows: statement of equity and financial position (formerly the balance sheet), statement of comprehensive income (formerly the income statement) and statement of changes in equity (formerly the statement of movements in shareholders' equity). Conversely, the name of the cash flow statement has remained unchanged. IAS 1 forbids the presentation of income items such as income and charges deriving from transactions with non-shareholders in the statement of changes in net equity, and requests that these be indicated separately from changes deriving from transactions with shareholders. The Company has chosen to present a single statement of comprehensive income.

At 31 December 2009 the company did not present changes deriving from transactions with non-shareholders.

• IAS 23 revised – Financial charges: the Standard as revised in 2007 eliminates the option of immediately recognising borrowing costs incurred in respect of investments in what are known as "qualifying assets" in the statement of comprehensive income, instead requiring that

such costs be capitalised. In accordance with transitional provisions, the Company has applied the revised version of IAS 23 prospectively to assets capitalisation of which commenced on or after the date of entry into force.

- IFRIC 13 Customer Loyalty Programmes. The application of this interpretation has had no significant effects on the company.
- Improvement to IAS/IFRS (2008): following the 2008 improvement process conducted by the IASB, a number of changes have been made to the Company's accounting standards, which have had a limited effect on the Company's financial statements.

the following accounting standards, amendments and interpretations applicable from 1 January 2009 govern circumstances and cases that were not present in the Company at the date of these financial statements:

- IFRS 8 Operating Segments
- Amendment to IFRS 2 Share-based payments Vesting conditions and cancellation;
- IFRIC 15 Agreements for the Construction of Real Estate;
- Amendment to IFRS 1 First-time adoption of international financial reporting standards;
- Amendment to IAS 27 Consolidated and separate financial statements;
- Amendment to IFRS 7 –Financial instruments: additional disclosures.

The following accounting standards, amendments and interpretations were not yet applicable from 1 January 2009, and were not adopted in advance by the company:

- IFRS 3 revised Business Combinations;
- Amendment to IFRS 5 Non-current assets held for sale and discontinued operations;
- Amendment to IAS 39 Financial instruments: recognition and measurement;
- IFRIC 17 Distributions of non-cash assets to owners;
- IFRIC 18 Transfers of assets from customers.

In drafting the separate financial statements for FY 2009 at 31 December 2009, a number of assessments, estimates and hypotheses were formulated that have an impact on the application of the accounting standards and on the amounts of the assets, liabilities, costs and revenue indicated in the financial statements. The estimates and assumptions are based on previous experience and on other factors considered reasonable in the relevant cases, and were adopted in order to estimate the book value of assets and liabilities that could not readily be deduced from other sources. It should be noted, however, that these are estimates and therefore the final figures may differ from the estimated figures. Estimates are used to show provisions for credit risk, inventory obsolescence, amortisation and depreciation, write-downs of assets, employee benefits, taxes, and provisions for liabilities and charges.

These estimates and assumptions are revised regularly. Any changes deriving from the revision of accounting estimates are shown in the period in which the revision takes places, where the revision affects that period only. Where the revision affects both the current and future periods, the change is shown in the period in which the revision took place and in the relevant future periods.

These separate financial statements were drafted on a going concern basis, applying the accrual accounting method and complying with the principle of providing relevant, significant information and preferring substance over form, with the aim of facilitating consistency with future presentations.

The accounting standards and assessment criteria are illustrated below.

#### Intangible fixed assets

Intangible fixed assets are entered as credit in the statement of financial position when it is likely that the use of the assets will determine future economic benefits and when the cost of the assets can be reliably determined. They are entered at contribution value, at acquisition price or production cost, inclusive of any ancillary expenses. Intangible assets with definite useful lives are amortised systematically on the basis of their expected future use so that the net amount at period end corresponds to their residual use or recoverable amount according to company production plans. Amortisation begins when the asset becomes available for use.

The category "Concession of licenses and trademarks" includes the trademarks pertaining to the company that are considered as having a finite useful life and are therefore entered at purchase cost and amortised at constant rates throughout their useful life, currently estimated at 20 years.

#### Tangible fixed assets

Tangible fixed assets are recognised at purchase cost, plus any directly attributable accessory expenses required to prepare the asset for use and less commercial allowances or discounts. The period-end amount is net of accumulated amortisation.

The depreciation charges recognised in the income statement have been calculated systematically and consistently according to rates deemed representative of the estimated economic and technical lives of the assets, as illustrated below:

Buildings 4%
General plant systems 10%
Specific plant systems 5% - 16%
Equipment 20%
Office furniture and ordinary equipment 12%
Electronic equipment 20%
Motor vehicles and internal transport means 20%
Motor vehicles 25%

The depreciation period begins from the financial year in which the asset is available for use.

Land is not depreciated, as it is presumed to have an indefinite useful life.

The land on which the Company's facilities stand was measured at fair value by independent experts during the transition to international accounting standards.

Profits and losses deriving from the divestment or sale of fixed assets, calculated with reference to their book value, are entered among operating income and expenses on the income statement. Maintenance and repair costs are charged to the income statement for the financial year in which they were sustained, except for those of an incremental nature, which are charged to the fixed assets they refer to and are amortised on the basis of their residual use. Incremental expenses are those reasonably likely to increase future economic benefits, such as a rise in useful life, an increase in productive capacity, an improvement in product quality, or the adoption of production processes that lead to a substantial reduction in production costs.

Assets held through financial leasing contracts through which are substantially transferred all the risks and benefits linked to ownership are shown as tangible fixed assets at their fair value, or, if lower, at the current value of the minimum payments due for the leasing contract. The corresponding liability owed to the lessor is entered in the financial statements among payables to other lenders.

#### Impairment of fixed assets

Tangible fixed assets, intangible fixed assets and other non-current assets are periodically subjected to impairment tests, each time circumstances indicate that they may be impaired. The value of a fixed asset is reduced if its net carrying amount exceeds its recoverable amount, which is defined as the greater of its net market value (fair value less costs to sell) and current value in use.

#### **Equity investments carried at cost**

These are equity investments in subsidiaries and joint ventures that are carried at cost in the separate financial statements and are written down to reflect permanent impairment losses, which are recovered in subsequent years if the grounds for the write-downs cease to apply.

#### Other financial assets

Equity investments in other costs are carried at fair value. Profits and losses deriving from changes in fair value are charged directly to net equity (fair value reserve) until they are transferred or become impaired; in which case overall profits and losses are charged to the income statement for the period. When fair value cannot be reliably determined, equity investments are carried at the cost adjusted for impairment, the effect of which is recognised in the income statement.

Stocks widely traded on regulated markets are entered at fair value, with reference made to the stock price registered at close of trading on the closing date of the period.

#### Financial assets and liabilities

Financial assets and liabilities are initially recognised at their fair value, plus any directly attributable transaction costs, whereas subsequent measurements are conducted using the amortised cost method.

#### **Derivative financial instruments**

The company owns no derivative financial instruments.

#### Trade receivables and payables

Trade receivables, which are set to come due under normal commercial terms, are presented at their presumed realisable values.

Trade payables, which are set to come due under normal commercial terms, are recognised at their face values.

#### Financial receivables

These include financial assets for short-term trading. Such assets are initially recognised at fair value, plus any directly attributable transaction costs, and then measured at fair value.

#### Cash and cash equivalents

They include bank deposits and cash holdings carried at par value.

#### **Inventories**

These are entered at whichever is lower between the purchase cost and the market value. For finished products, cost is determined on the basis of direct production cost, plus overhead directly attributable to the product. For marketed products, raw materials and consumables, the weighted average cost for the year is used. The net market value is determined on the basis of sales prices net of completion costs and sales costs.

#### **Accruals and deferrals**

These are calculated using the accrual accounting method and in application of the matching principle that offsets revenue against expenses for the same financial year. They include costs or revenue common to two or more financial years and are entered under other receivables and other payables.

#### **Employee benefits**

#### **Employee severance indemnity**

Employee severance indemnity is compulsory for Italian companies under Law 297/1982. Effective 1 January 2007, the decrees implementing the budget act introduced considerable changes in the rules governing employee severance indemnity, including the worker's choice of how to allocate future accruals. In particular, workers may allocate new accruals to specific pension plans or keep them with their employers (in which case the Company pays employee severance indemnity accruals into a treasury account with the INPS). The amendment of the law has resulted in the transformation of the nature of the employee severance indemnity from a defined-benefit plan to a defined-contribution plan for future accruals, whereas it continues to be regarded as defined-benefit plans for accruals prior to 31 December 2006.

Actuarial profits and losses are entered to the income statement for the period in which they occur.

#### **Provision for liabilities and charges**

These provisions are entered into the financial statements when the Company has a legal or implicit obligation to pay particular amounts, as a result of past events, and it is probable that a financial outflow will be required from the company to the Company in order to settle the obligation. These amounts are recognised in the financial statements only when it is possible to carry out a reliable estimate of the pertinent amount.

Contingencies which represent only possible liabilities are described in the notes, in the section of the comments on provisions.

In the event of merely remote events, i.e. events that are highly unlikely to occur, no provision is recognised, nor is any relevant information provided.

Provisions are presented at the current amount of expected outlays where the discount effect is material.

#### Revenue

Revenue is carried at the fair value of the payment received or owed, net of any discounts, refunds, credits, and bonuses.

Revenue on the sale of an asset is recognised when the entity has transferred substantially all risks and rewards of ownership of that asset to the buyer.

Revenue on services rendered is recognised when the degree of completion of the transaction at the reporting date for the separate financial statements may be reliably determined according to the date of accrual of the service.

#### **Public contributions**

Contributions are entered into the financial statements only when it is reasonably certain that the company will comply with the conditions set for receiving the contribution and that those contributions will effectively be received. Public contributions for plants are entered as deferred revenue and are systematically charged as income to the income statement during the useful life of the asset they refer to.

Contributions for current expenses are carried to the income statement in the financial year in which the conditions exist for their recognition.

#### Costs

Costs are carried at the fair value of the amount paid or payable.

They are entered into the financial statements on an accrual accounting principle, net of returns, discounts, premiums and bonuses.

#### **Financial income and expenses**

Financial income and expenses are shown and entered in the financial statements on an accrual accounting principle. Financial expenses sustained for investments in assets for which a set period of time is normally required for the asset to be ready for use or sale (qualifying assets), are capitalised and amortised through the useful life of the class of assets they refer to.

#### **Taxes**

Taxes payable for the period are determined in accordance with the current fiscal regulations. Deferred taxes are calculated on temporary differences between the recognised amounts of assets and liabilities and the amounts of those assets and liabilities for tax purposes. Deferred tax assets are only recognised where it is likely that the entity will earn taxable income against which it may set off the temporary deductible difference. Deferred tax liabilities are recognised on all the temporary taxable differences.

In addition, the tax consolidation program governed by Presidential Decree 971/86, amended by Legislative Decree 344/2003, was introduced in 2005. The program allows for optional group taxation, which consists of determining a single taxable group income for the ultimate parent company corresponding to the algebraic sum of the net total incomes of participants and thus a single income tax for Group companies.

The companies that joined the tax consolidation regime are Centro Latte Rapallo S.p.A. and Centrale del Latte di Vicenza S.p.A. The option is valid for three financial years from the one that closed at 31 December 2008.

#### **Segment reporting**

The organisation of the Company is based on a single business segment for the production and sale of food products, since no business or geographical segment with a different risk profile may be identified.

## MERGER BY INCORPORATION OF SALADS & FRUITS SrI INTO CENTRALE DEL LATTE DI TORINO & C. S.p.A.. RESTATEMENT OF BOOK VALUES AT 31 DECEMBER 2008.

The book values at 31 December 2008 have been redetermined on the basis of the presumed effects of the merger between Centrale del Latte di Torino & C. S.p.A. (CLT) and Salads & Fruits S.r.l. (S&F), as if the merger had taken place on 1 January 2008. The aim is to make it easier to compare the two financial years.

The balance sheet layout is reported below, with the effects of the recalculation indicated in the adjustments column:

#### Statement of comprehensive income

	CLT 31 Dec 08	S&F 31 Dec 08	Adjustments	31 Dec 08
	31 Dec 08	31 Dec 08		pro - forma
Revenue from sales and services	59,455,431	2,925,881	(679,145)	61,702,167
Other revenue	810,845	57,982	-	868,827
Change in inventories of semi-finished and finished goods	(168,862)	3,069	-	(165,793)
Total revenue from sales and services	60,097,414	2,986,932	(679,145)	62,405,201
Raw and ancillary materials, consumables and goods	(32,718,514)	(1,751,236)	679,145	(33,790,605)
Personnel costs				
Wages and salaries	(4,770,243)	(467,230)	-	(5,237,473)
Social security contributions	(1,551,808)	(322,994)	=	(1,874,802)
Employee severance indemnity	(472,692)	(32,394)		(505,086)
Other costs	(82,981)	-	=	(82,981)
Depreciation, amortisation and write-downs			-	
Amortisation of intangible fixed assets	(39,374)	-	-	(39,374)
Depreciation of tangible fixed assets	(1,528,657)	(281,908)	-	(1,810,565)
Write-downs of current receivables	(56,012)	(2,191)	-	(58,203)
Provisions for liabilities and charges	(120,000)	-	-	(120,000)
Other operating costs			-	
Services	(13,944,198)	(1,069,162)	-	(15,013,360)
Lease and rental costs	(218,078)	(53,146)	-	(271,224)
Sundry operating expenses	(402,246)	(40,805)	-	(443,051)
EBIT	4,192,611	(1,034,134)	-	3,178,231
Financial income	360,415	379	(7,447)	353,347
Financial charges	(902,266)	(222,409)	7,447	(1,117,228)
Write-down of equity investments	(2,171,810)	(55,778)	2,116,209	(111,379)
Pre-tax profit (loss)	1,478,949	(1,311,942)	2,116,209	2,283,217
Income taxes	(1,600,948)	(5,552)	(23,213)	(1,629,713)
(Deferred) prepaid taxes	208,414	342,226	(342,226)	208,414
NET PROFIT (LOSS) (A)	86,415	(975,268)	1,750,770	861,918

## **Equity and financial position - assets**

ASSETS	CLT 31 Dec 08	S&F 31 Dec 08	Adjustments	31 Dec 08 pro - forma
NON-CURRENT ASSETS				
Tangible fixed assets	10,489,634	5,194,887	(12,727)	15,671,794
Land	1,663,000	452,180		2,115,180
Buildings	3,289,746	2,654,059		5,943,805
Plants and machinery	4,649,520	1,930,517	(20,738)	6,559,299
Industrial and commercial equipment	470,410	158,131	8,011	636,552
Assets under construction and advances	416,958	-	-	416,958
Intangible fixed assets	395,002	-	-	395,002
Trademarks, licences and similar	395,002	-	-	395,002
Financial fixed assets	47,522,542	101,531	(1,365,922)	46,258,151
Equity investments in subsidiaries	42,451,730	-	(1,365,920)	41,085,810
Equity investments in joint ventures	961,293	-	-	961,293
Other financial assets	1,134	5	-	1,139
Financial receivables from subsidiaries	4,000,000	-	-	4,000,000
Deferred tax assets	108,385	101,526	(2)	209,909
TOTAL NON-CURRENT ASSETS	58,407,177	5,296,418	(1,378,649)	62,324,946
CURRENT ASSETS				
Inventories	1,294,966	130,091	-	1,425,057
Raw and ancillary materials and consumables	836,336	123,178	-	959,514
Finished products and goods	458,630	6,913	-	465,543
Trade and other receivables	17,703,408	628,599	(183,500)	18,148,507
Trade receivables	10,812,803	205,252	12,730	11,030,785
Receivables from joint ventures	80,684	-	-	80,684
Receivables from subsidiaries	2,652,860	172,676	(172,676)	2,652,860
Receivables from ultimate parent company	-	150,596	(23,554)	127,042
Tax assets	2,171,030	67,607	-	2,238,637
Other receivables	1,547,366	32,468	-	1,579,834
Financial receivables	438,665	-	-	438,665
Cash and cash equivalents	3,787,718	447	-	3,788,165
Bank and postal accounts	3,640,269	-	-	3,640,269
Cash and valuables on hand	147,449	447	-	147,896
TOTAL CURRENT ASSETS	22,786,092	759,137	(183,500)	23,361,729
TOTAL ASSETS	81,193,269	6,055,555	(1,562,151)	85,686,675

#### Equity and financial position - liabilities

LIABILITIES AND NET EQUITY	CLT 31 Dec 08	S&F 31 Dec 08	Adjustments	31 Dec 08 pro - forma
Share capital	20,600,000	2,288,000	(2,288,000)	20,600,000
Reserves	26,997,694	(755,423)	898,866	27,141,138
Share premium account	14,324,577	-		14,324,577
Revaluation reserve	196,523	-		196,523
Legal reserve	926,532	-		926,532
Other reserves	10,197,679	6,229	(6,229)	10,197,679
Non-distributable IFRS first-time adoption reserve	1,265,968	213,618	(213,618)	1,265,968
Merger surplus (deficit)	<del>-</del>	<del>-</del>	(632,059)	(632,059)
Profit (loss) for the period	86,415	(975,270)	1,750,773	861,918
TOTAL EQUITY	47,597,694	1,532,577	(1,389,134)	47,741,138
NON-CURRENT LIABILITIES				
Long-term loans	10,327,196	1,888,199	-	12,215,395
Long-term payables to other lenders	341,599	52,757	-	394,356
Deferred taxes	728,475	-	-	728,475
Long-term provisions	2,155,757	1,940,956	-	2,202,906
Employee severance indemnity	2,035,757	47,149	-	2,082,906
Provision for liabilities and charges	120,000	-	-	120,000
TOTAL NON-CURRENT LIABILITIES	13,553,027	1,988,105	-	15,541,132
CURRENT LIABILITIES				
Financial payables	2,397,898	1,274,434	-	3,672,332
Current share of long-term loans	2,302,775	441,572	-	2,744,347
Current share of payables to other lenders	95,123	40,842	-	135,965
Payables to banks	-	792,020	-	792,020
Trade and other payables	17,644,650	1,260,441	(173,017)	18,732,073
Trade payables	13,394,029	739,416	-	14,133,445
Payables to subsidiaries	1,348,637	-	(172,676)	1,175,960
Payables to joint ventures	1,757	-	-	1,757
Payables to ultimate parent company	-	23,554	(23,554)	-
Tax liabilities	218,433	24,940	23,213	266,586
Payables to social security authorities	469,994	52,556	-	522,550
Other payables	2,211,800	419,975	-	2,631,775
TOTAL CURRENT LIABILITIES	20,042,548	2,534,875	(173,017)	22,404,405
TOTAL EQUITY AND LIABILITIES	81,193,269	6,055,555	(1,562,151)	85,686,675

The main adjustments involve:

- the equity investment in Salads & Fruits S.r.l. was derecognised along with the share of the investee's equity at 1 January 2008:
- the receivables and payables outstanding at year-end were derecognised along with all costs and revenue recognised during the year;
- the impairment loss on the equity investment was derecognised;
- the deferred tax assets on the loss for the first years due to the merger were derecognised.

#### **BREAKDOWN OF ASSETS**

Where necessary, in order to facilitate comparison, the pro forma column shows the values at 31 December 2008, which simulate the merger with Salads & Fruits Srl as if the merger had taken place at the beginning of FY 2008.

#### **NON CURRENT ASSETS**

#### Tangible fixed assets (1ne)

Variations in tangible fixed aspects and the respective provisions are illustrated in the tables below:

		Land	Buildings		Industrial			Fixed assets	
					and			under	
TANGIBLE	FIXED			Plants and	commercial			construction	
ASSETS				machinery	equipment	Other	Total	/acquisition	Totals
Historical cost		1,663,000	9,055,954	19,754,851	3,001,163	4,157	33,479,125	416,958	33,896,083
Depreciation pro	vision	-	(5,766,208)	(15,105,331)	(2,530,753)	(4,157)	(23,406,449)	-	(23,406,449)
Initial amoun	t	1,663,000	3,289,746	4,649,520	470,410	_	10,072,676	416,958	10,489,634
Merger amou	nts	_,,	5,255,15	.,,	,			,	
Historical cost		452,180	2,766,290	2,339,328	201,941	-	5,759,738	-	5,759,738
Depreciation pro	ovision	-	(112,231)	(429,548)	(35,799)	-	(577,578)	-	(577,578)
		2,115,180	5,943,805	6,559,299	636,552	-	15,254,836	416,958	15,671,794
Acquisitions		-	259,235	1,228,391	313,390	-	1,801,016	528,750	2,329,766
Transfers		-	-	286,958	-	-	286,958	(286,958)	-
Disposals and		-	-			-		-	
eliminations				(931,060)	(188,317)		(1,119,377)		(1,119,377)
Use of provision	IS	-	-	700,857	163,591	-	864,448	-	864,448
Depreciation		-	(335,494)	(1,224,094)	(222,643)	-	(1,782,230)	-	(1,782,230)
Final amount		2,115,180	5,867,545	6,620,352	702,573	-	15,305,650	658,750	15,964,400

Changes in provisions for tangible fixed assets:

	Buildings	Industrial and			
		Plant and	commercial		
TANGIBLE FIXED ASSETS		machinery	equipment	Other	Total
Initial amount	5,766,208	15,105,331	2,530,753	4,157	23,406,449
Merger amounts	112,231	429,548	35,799	-	577,578
	5,878,439	15,534,879	2,566,552	4,157	23,984,027
Use of provisions	-	(700,857)	(163,591)	-	(864,448)
Depreciation	335,494	1,224,094	222,643	_	1,782,231
Final amount	6,213,933	16,058,116	2,625,604	4,157	24,901,810

Tangible fixed assets include the net book value of machinery under financial leasing contracts for  $\in$  303,349 ,  $\in$  96,349 deriving from the merger.

#### Intangible fixed assets (2ne)

Variations in intangible fixed aspects and the respective provisions are illustrated in the tables below:

INTANGIBLE FIXED ASSETS	Trademarks
Historical cost	787,782
Amortisation provision	(392,780)
Initial amount	395,002
Amortisation for the period	(39,375)
Final amount	355,627

The merger did not result in the addition of items relating to intangible assets.

#### **Financial fixed assets**

In 2009, the Company recognised an impairment loss of € 3,680,189 on its equity investment in Centrale del Latte di Vicenza S.p.A. and the merger of Salads & Fruits S.r.l. into Centrale del Latte di Torino & C. S.p.A., resulting in the derecognition of the amount of the investment in the merging company.

	Equity investments in subsidiaries	Equity investments in joint ventures	Equity investments in other companies	Totals
Initial amount	42,451,730	961,293	1,134	43,414,157
Merger amounts	-	-	5	5
	42,451,730	961,293	1,139	43,414,162
Increases	-	-	=	-
Decreases	(5,046,110)	-	=	(5,046,110)
Final amount	37,405,620	961,293	1,139	38,368,052

In addition to the impairment loss on the investment in Centrale del Latte di Vicenza S.p.A., decreases include the derecognition of the amount of the investment in Salads & Fruits S.r.l. due to the merger.

#### List of equity investments in subsidiaries (3ne)

The figures presented below have been drawn from the subsidiaries' most recent financial statements, those for the year ended 31 December 2009:

				4	Amount of equity
	Share		Profit (loss)		investment
	capital	Net equity	for the year	Share held	entered
Centro Latte Rapallo S.p.A.					
Via S. Maria del campo 157 – Rapallo (Ge)	2,600,000	7,382,659	366,669	100%	17,337,826
Centrale del Latte di Vicenza S.p.A.					
Via Faedo 60 - Vicenza	23,041,820	19,248,216	(1,561,795)	91,74%	20,067,794

The losses of Centrale del Latte di Vicenza S.p.A. are not impaired and may be recovered as illustrated in the three-year business plan approved by the Company's Board of Directors.

#### List of equity investments in joint ventures (4ne).

The figures presented below have been drawn from the most recent approved financial statements, those for the year ended 31 December 2009, adjusted in accordance with international accounting standards:

	Share capital	Net equity	Profit (loss) for the year		Amount of equity investment entered
FRASCHERI S.p.A.					
Via C.Battisti 29 – Bardineto (Sv)	599,500	2,563,470	440,965	40%	961,293

#### List of other financial equity investments (5ne)

Equity investments in other companies not exceeding  $\in$  1,000 on an individual basis come to a collective total of  $\in$  1,139 and consist of interests held in credit guarantee and power supply consortia.

#### Financial receivables from subsidiaries (6ne).

Financial receivables from subsidiaries came to  $\in$  4,000,000 and refer to an evergreen loan bearing interest at a rate equal to the three-month Euribor plus a spread of 0.50% issued to the subsidiary Centrale del Latte di Vicenza S.p.A.

#### Deferred tax assets (7ne)

The following table illustrates the changes in the temporary differences that gave rise to deferred tax assets:

		Initial	Initial pro-			
		amount	forma			
	Initial	from	amount			Final
	amount	merger		Increases	Decreases	amount
Tax recovery of depreciation of buildings	109,381	-	109,381	-	-	109,381
Adjustment of employee severance	201,345	-	201,345	-	(201,345)	-
indemnity to present value						
Entertainment expenses	15,927	73,202	89,129	-	(81,031)	8,098
Remuneration of directors	49,710	-	49,710	28,635	(49,710)	28,635
Prior-year losses	-	280,317	280,317	-	(280,317)	-
Derecognition of intangible assets	-	37,441	37,441	-	(37,441)	-
	376,363	390,960	767,323	28,365	(649,844)	146,114

Deferred tax assets were calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2009, by applying the IRES (corporate income tax) rate of 27.5% and the IRAP (regional production tax) rate of 3.90%. The following table illustrates the changes in deferred tax assets:

		Initial	Initial pro-			
		amount	forma			
	Initial	from	amount			Final
	amount	merger		Increases	Decreases	amount
Tax recovery of depreciation of buildings	34,347	-	34,347	-	-	34,347
Entertainment expenses	4,997	15,241	20,238	-	(17,699)	2,539
Adjustment of employee severance		-	55,370			
indemnity to present value	55,370			-	(55,370)	-
Remuneration of directors	13,670	-	13,670	7,875	(13,669)	7,876
Prior-year losses	-	70,877	70,877	-	(70,877)	-
Derecognition of intangible assets	-	15,407	15,407	-	(15,047)	-
	108,384	101,525	209,909	7,875	(173,024)	44,762

#### **CURRENT ASSETS**

#### **Inventories (8ne)**

Inventories at 31 December 2009 amounted to  $\in$  1,330,770. They were broken down as follows:

		Initial	Initial		
		amount from	pro-forma		
	Initial amount	merger	amount	Final amount	Change
Raw and ancillary materials and consumables	836 336	123 178	959 514	1 014 014	54.500

	1,294,966	130,091 1	L,425,057	1,330,770	(94,287)
Finished products and goods	458,630	6,913	465,543	316,756	(148,787)

#### Trade receivables (9ne)

Trade receivables, all of which were due within one year, came to  $\in$  10,007,236 at 31 December 2009, derive from normal commercial sales transactions and have been presented net of the associated provisions for impairment. In further detail, the provisions allocated to account for receivables claimed in bankruptcies have been fully and directly applied to decrease the amounts of the associated assets, reducing those amounts to zero.

The following table provides a breakdown of provisions for impaired receivables and changes in those provisions during 2009:

	Initial	Initial amount from	Initial pro- forma			
	amount	merger	amount			Final
				Increases	Decreases	amount
Taxed provision for impaired receivables	87,651	3,100	90,751	-	(3,100)	87,651
0.5% provision for credit risk	382,843	2,191	385,034	53,712	-	438,746
Provision for impaired default interest	18,027	-	18,027	-	-	18,027
	488,521	5,191	493,712	53,712	(3,100)	544,424

#### Receivables from joint ventures (10ne)

Receivables from joint ventures came to € 143,477 at the end of 2009 and were associated with normal commercial sales transactions undertaken between the Company and Frascheri S.p.A. during the year.

#### Receivables from subsidiaries (11ne)

Receivables from subsidiaries came to  $\in$  2,335,211 at the end of 2009 and were associated with normal commercial sales transactions undertaken between the Company and its subsidiaries during the year.

#### Tax assets (12ne)

	31 Dec 09	31 Dec 08	31 Dec 08
	31 Dec 09	31 Dec 00	pro-forma
VAT receivable	1,799,807	1,930,227	1,997,475
Direct taxes	170,957	199,303	199,303
Employee severance indemnity withholdings	27,874	41,500	41,589
Total tax assets	1,998,638	2,171,030	2,238,637

### Other receivables (13ne)

Other receivables include:

	31 Dec 09	31 Dec 08	31 Dec 08 pro-forma
Receivables for performance guarantees received securing the payment of the			
surtax in accordance with Law 486/92 (milk quotas)	1,224,136	1,224,136	1,224,136
Accrued income and prepaid expenses	62,242	61,774	74,356
Deposits	46,218	18,748	38,035
Credits to be received	45,902	167,185	167,185

Advances to suppliers	21,728	18,895	18,895
Receivables from social security institutions	10,898	52,162	52,162
Loans to employees	5,761	-	-
Advances on salaries	2,600	-	_
Miscellaneous	1,782	3,466	4,065
Receivables from distributors	, -	1,000	1,000
Total other receivables	1,421,267	1,547,366	1,579,834

#### Accrued income and prepaid expenses

The following table illustrates the composition of accrued income and prepaid expenses:

	31 Dec 09	31 Dec 08	31 Dec 08 pro-forma
ACCRUED INCOME			
Interest on bank accounts	2,427	-	-
PREPAID EXPENSES			
Other costs	16,413	18,966	23,973
Lieu tax	12,833	18,333	18,333
VAT guarantee policies	9,037	16,199	18,111
Advertising costs	8,839	-	-
Leases	6,472	-	4,813
Maintenance fees	2,788	2,151	2,925
Loan fees	1,933	1,932	1,932
Software leases	1,500	3,593	3,669
Multiannual charges on loans	-	600	600
TOTAL PREPAID EXPENSES	59,815	61,774	74,356
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	62,242	61,774	74,356
Financial receivables - Securities held for trading (14ne)			
		31 Dec 09	31 Dec 08
Hedgersel - Ersel Hedge Sgr S.p.A.		-	438,665
Total securities		-	438,665

Securities held for trading were sold during the year, yielding  $\in$  160,906 in income.

#### Cash and cash equivalents (15ne+16ne).

Cash and cash equivalents, all of which are freely available, came to  $\in$  3,139,444 and are presented in the schedule that illustrates financial position in the analysis of financial payables.

#### **BREAKDOWN OF LIABILITIES**

Where necessary, in order to facilitate comparison, the pro forma column shows the values at 31 December 2008, which simulate the merger with Salads & Fruits Srl as if the merger had taken place at the beginning of FY 2008.

#### **NET EQUITY**

#### Share capital (17ne)

Share capital, fully subscribed and paid-up, came to  $\leq$  20,600,000, divided into 10,000,000 shares having a par value of  $\leq$  2.06. Changes in equity are illustrated in a specific schedule of the 2009 financial statements.

#### Availability and eligibility for distribution of equity reserves

		Nature	Use	Available	Eligible for distribution
Share capital	20,600,000				
Share premium account	14,324,577	Profits/capital	-	YES	YES
Revaluation reserve	196,523	Profits/capital	-	YES	YES
Legal reserve	930,853	Profits/capital	-	YES	YES
Other reserves Non-distributable IFRS first-time	10,279,774	Profits/capital	-	YES	YES
adoption reserve	1,265,967	Profits/capital		NO	NO
Merger surplus	166,015	Merger	-	NO	NO
Profit (loss) for the period	(1,358,562)			NO	NO

#### **NON CURRENT LIABILITIES**

#### Financial payables (19ne+20ne+21ne+24ne+25ne+26ne)

The following is an analysis of the items that comprise the Company's financial indebtedness, sub-divided by maturity.

Payables to banks and other lenders, as illustrated in the following table, came to  $\in$  13,164,395, of which  $\in$  557,299 consisted of overdrafts. The item "Payables to other lenders" refers to the loan contracted by Minindustria on 17 July 1996 – Special revolving fund for technological innovation – Law No 46 of 17 February 1982, with a term of 15 years, including a payment period of 10 years, and to finance lease agreements.

	Payables within year-	Within 5			Total
	end	years	Over 5 years	Total payables	payables
				over 1 year	
Payables to banks	557,229	-	-	-	557,229
Payables to banks for loans	4,024,904	8,187,544	-	8,187,544	12,212,448
Payables to other lenders	132,544	262,104	-	262,104	394,648
Totals	4,714,747	8,449,648	-	8,449,648	13,164,395

Medium/long-term loans are broken down as follows:

Issuer	Amount	Amount	Residual	Last	Guarantees
	granted	paid	debt	deadline	
Intesa Sanpaolo S.p.A.	3,000,000	3,000,000	1,554,141	30 Jun 2011	
Euribor rate 6 months + 0.50					
Banca Regionale Europea S.p.A.	3,000,000	3,000,000	1,773,055	31 Dec 2011	
Euribor rate 6 months + 0.50					
Credito Emiliano CREDEM S.p.A.	3,000,000	3,000,000	2,500,000	23 Apr 2012	
Euribor rate 6 months + 0.65					
Banca Popolare di Novara	500,000	500,000	363,068	30 Jun 2012	
Euribor 6 months + 0.90					
Unicredit Banca d'Impresa S.p.A.	300,000	300,000	218,362	30 Jun 2013	Second mortgage on industrial
Euribor rate 3 months + 1.75					property located in Casteggio
					(PV)
Centrobanca S.p.A.	2,000,000	2,000,000	2,000,000	31 Oct 2013	
Euribor rate 3 months + 1.10					
Banca Regionale Europea S.p.A.	500,000	500,000	410,072	31 Dec 2013	

Euribor rate 6 months + 0.50					
Unicredit Banca d'Impresa	1,300,000	1,300,000	893,750	31 May 2015	First mortgage on industrial
Euribor rate 6 months + 1.75					property located in Casteggio
					(PV)
Banca Sella S.p.A.	2,500,000	2,500,000	2,500,000	10 Jun 2015	
Euribor rate 1 month + 0.75					

The following table presents total residual debt, broken down by maturity:

	within 12	over one		
	months	year, within 5	over 5 years	Totals
		years		
Credito Emiliano CREDEM S.p.A.	1,000,000	1,500,000	-	2,500,000
Banca Sella S.p.A.	221,882	2,278,118	-	2,500,000
Banca Regionale Europea S.p.A.	960,884	1,222,243	-	2,183,127
Centrobanca S.p.A.	455,200	1,544,800	-	2,000,000
Intesa Sanpaolo S.p.A.	1,023,574	530,567	-	1,554,141
Unicredit Banca d'Impresa S.p.A.	220,727	891,385	-	1,112,112
Banca Popolare di Novara	142,637	220,431	-	363,068
	4,024,904	8,187,544	-	12,212,448
Payables to other lenders can be broken down as follows:				
	within 12	over one		
	months	year, within 5	over 5 years	Totals
		years		
Finance lease payables	77,301	205,213		282,514
Minindustria loan 17 Jul 1996	55,243	56,891	-	112,134
	132,544	262,104	-	394,648

Finance lease payables refer to leases of plant and equipment.

#### Financial position.

The following table contains an illustration of the Company's net financial position at 31 December 2009 in accordance with the requirements of CONSOB Notice No. DEM/6264293 of 28 July 2006 and the CESR's recommendations of 10 February 2005, CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004:

	31 Dec 09	31 Dec 08	31 Dec 08 pro-forma
Cash and cash equivalents (15ne+16ne)	3,139,444	3,787,718	3,788,165
Financial receivables - securities held for trading (14ne)	-	438,665	438,665
Total current financial assets	3,139,444	4,226,383	4,226,830
Payables to banks	(557,299)	-	(792,020)
Current share of medium/long-term loans (24ne)	(4,024,904)	(2,302,775)	(2,744,347)
Current share of payables to other lenders (25ne)	(132,544)	(95,123)	(135,965)

Total current financial liabilities	(4,714,747)	(2,397,898)	(3,672,332)
Payables for medium/long-term loans (19ne)	(8,187,544)	(10,327,196)	(12,215,394)
Payables to other lenders for medium/long-term loans (20ne)	(262,104)	(341,599)	(394,356)
Total non-current financial liabilities	( - / - /	(10,668,795)	. , ,
Total financial liabilities		• • • •	
Net financial position	(13,104,395)	(13,066,693)	(10,282,082)
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#### Loan covenants

No covenants apply to the loans issued to the Company.

#### Deferred taxes (21ne):

The merger did not result in the recognition of deferred taxes. The following table illustrates the changes in the temporary differences that gave rise to deferred taxes:

	Initial			Final
	amount	Increases	Decreases	amount
Measurement of land	1,663,000	-	-	1,663,000
Elimination of tax interference – accelerated depreciation	479,416	-	(175,945)	303,471
Adjustment of employee severance indemnity to present value	-	25,202	-	25202
	2,142,416	25,202	(175,945)	1,991,673

Deferred tax liabilities have been calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2009, by applying the IRES (corporate income tax) rate of 27.5% and the IRAP (regional production tax) rate of 3.90%. The merger did not result in the recognition of deferred tax liabilities. The following table illustrates the changes in deferred tax liabilities:

	Initial			Final
	amount	amount increases		amount
Measurement of land	522,181	-	-	522,181
Elimination of tax interference – accelerated depreciation	206,294	-	(55,247)	151,046
Adjustment of employee severance indemnity to present value	-	6,932	-	6,932
	728,475	6,932	(55,247)	680,159

#### **Long-term provisions**

#### Employee severance indemnity (22ne)

At 31 December 2009 the severance indemnity amounted to  $\in$  2,010,555.

Initial amount	2,035,757
Initial amount from merger	47,149
Service cost	-
Interest cost	88,016
Decreases and uses	(144,967)
Actuarial loss (income)	(15,400)
Final amount	2,010,555

The interest cost represents the cost of the liability deriving from the passage of time and is proportional to the interest rate adopted in measurements and the amount of the liabilities outstanding in the previous year.

The amounts corresponding to actuarial income have been recognised among personnel costs. The amount of interest cost has been recognised among financial charges.

The key actuarial assumptions pertain to the technical interest rate, inflation rate and the revaluation rate for salaries and employee severance indemnity. Technical assessments were conducted on the basis of the assumptions set forth below:

- technical annual discount rate	4.45%
- annual inflation rate	2.00%
- annual rate of severance indemnity increase	3.00%

The iBoxx Eurozone Corporates AA index was used as the discount rate, with a term of seven to ten years.

Provision for liabilities and charges (23ne)

Provisions for liabilities and charges, allocated in 2009, came to € 120,000 and account for the risk associated with a tax assessment for tax year 2004.

#### **CURRENT LIABILITIES**

Current share of long-term loans (24ne): It is broken down under financial payables.

Current share of payables to other lenders (25ne): It is broken down under financial payables.

Payables to banks (26ne): It is broken down under financial payables.

**Trade payables (27ne)** amounted to € 11,998,098, all payables within year-end.

**Payables to subsidiaries (28ne)** associated with normal commercial sales transactions between the Company and its subsidiaries during the year came to € 880,443.

**Payables to joint ventures (28ne)** associated with normal commercial sales transactions between the companies and its affiliates during the year came to  $\leq 21,672$ .

Tax liabilities (30ne) came to € 828,507 and comprise the following line items:

	31 Dec 09	31 Dec 08	31 Dec 08
			pro-forma
Payables for income taxes	633,246	56,168	79,381
Payables for employees' withholding taxes	171,221	148,425	172,540
Withholdings payable on independent contractors' fees	24,040	13,840	14,666
Total tax liabilities	828,507	218,433	266,586

**Payables to social security authorities (31ne)** consist of social-security contributions payable on wages and salaries and the contribution associated with the separate management of coordinated ongoing independent contractors in the total amount of  $\in$  527,526.

#### The item "Other payables" (32ne) includes:

	31 Dec 09	31 Dec 08	31 Dec 08
			pro-forma
Surtaxes payable under Law 486/92 (milk quotas)	1,276,085	1,276,085	1,276,085
Accrued liabilities and deferred income	504,562	266,170	603,192
Payables for wages and salaries	523,528	486,824	569,777
Withholdings from milk producers payable under Law 88/88	77,697	77,697	77,697
Payables for remuneration of directors and auditors	72,143	86,705	86,705
Security deposits received	12,578	12,578	12,578
Other payables	4,547	4,607	4,607
Employee union withholdings	1,243	1,134	1,134
Total other payables	2,472,383	2,211,800	2,631,775

Accrued expenses and deferred income are broken down as follows:

DEFERRED INCOME	31 Dec 09	31 Dec 08	31 Dec 08 pro-forma
Contributions to operating expenses	478,711	205,180	538,094
Other	-	848	848
Total deferred income	478,711	206,028	538,942
ACCRUED EXPENSES			
Interest on bank loans	25,671	60,142	60,142
Other	180	-	4,108
Total accrued expenses	25,851	60,142	64,250
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	504,562	266,170	603,192

#### **COMMITMENTS AND OTHER CONTINGENT LIABILITIES**

There were no off-balance sheet commitments or other contingent liabilities at 31 December 2009.

The financial authorities conducted an audit of the Company's 2007 and 2008 tax position in the fourth quarter of 2009. To date, no assessment notice has been served on the Company. Accordingly, the possible effects on the income statement cannot be foreseen at this time.

#### **BREAKDOWN OF INCOME STATEMENT ITEMS**

Where necessary, in order to facilitate comparison, the pro forma column shows the values at 31 December 2008, which simulate the merger with Salads & Fruits Srl as if the merger had taken place at the beginning of FY 2008.

#### **REVENUE**

#### Revenue from sales and services (1ene)

Breakdown of sales by turnover segment (1ene):

							31 Dec 08	
	31 Dec 09		31 Dec 08		Change		pro forma	
Fresh milk	23,994,461	42%	25,072,752	42%	(1,078,291)	-4.3%	25,072,752	41%
Intra-group	3,173,774	6%	4,852,520	8%	(1,678,746)	-34.6%	4,852,520	8%
Total fresh milk	27,168,236	47%	29,925,272	<b>50%</b>	(2,757,036)	-9.2%	29,925,272	48%
UHT milk	12,629,396	22%	13,229,385	22%	(599,989)	-4.5%	13,229,385	21%
Intra-group	1,198,597	2%	1,206,281	2%	(7,684)	-0.6%	1,206,281	2%
Total UHT milk	13,827,993	24%	14,435,666	24%	(607,673)	-4.2%	14,435,666	23%
Yogurt	2,078,202	4%	2,213,710	4%	(135,508)	-6.1%	2,213,710	4%
Intra-group	-	0%	86,156	0%	(86,156)	-100.0%	86,156	0%
Total yogurt	2,078,202	4%	2,299,866	4%	(221,664)	-9.6%	2,299,866	4%
Fresh vegetables	2,893,766	5%	2,211,379	4%	682,387	30.9%	3,335,990	5%
Intra-group	1,476,171	3%	-	0%	1,476,171	100%	1,122,124	2%
Total fresh vegetables	4,369,937	8%	2,211,379	4%	2,158,558	97.6%	4,458,114	<b>7</b> %
Bulk milk and cream	2,263,519	4%	2,364,079	4%	(100,560)	-4.3%	2,364,079	4%
Intra-group	2,354,081	4%	2,736,112	5%	(382,031)	-14.0%	2,736,112	4%
Total bulk milk and cream	4,617,600	8%	5,100,191	9%	(482,591)	-9.5%	5,100,191	8%
Other packaged products	4,744,143	8%	4,799,829	8%	(55,686)	-1.2%	4,799,829	8%
Intra-group	655,047	1%	683,229	1%	(28,182)	-4.1%	683,229	1%
Total other packaged products	5,399,190	9%	5,483,058	9%	(83,868)	-1.5%	5,483,058	9%
Total sales	57,461,158	100%	59,455,431	100.0%	(1,994,274)	-3.4%	61,702,167	100%
of which intra-group (*)	8,601,198	15.4%	9,564,298	16.1%	(706,628)	-7.4%	10,686,422	17%

The total amount of intra-group sales includes 40% of the sales to the joint venture Frascheri S.p.A.

#### Breakdown of other revenue (2ene)

							31 Dec 08	
	31 Dec 09		31 Dec 08		Change		pro forma	
Extraordinary income	155,568	33%	75,058	9%	80,510	107%	89,921	10%
Recoveries from subsidiaries	90,750	20%	237,550	29%	(146,800)	-62%	237,550	27%
Contributions to operating expenses	59,383	13%	29,318	4%	30,065	103%	66,067	8%
Sales of salvaged materials	45,086	10%	54,501	7%	(9,415)	-17%	54,501	6%
Other	44,949	9%	67,197	8%	(22,248)	-33%	72,328	8%
Rental income	43,046	9%	38,151	5%	4,895	13%	38,151	4%
Contributions from suppliers	22,251	5%	76,707	9%	(54,456)	-71%	76,707	9%
Indemnities	18,626	4%	4,636	1%	13,990	302%	4,636	1%
Recoveries	5,094	1%	4,265	1%	829	19%	5,504	1%
Gains on asset disposal	2,517	1%	223,462	28%	(220,945)	-99%	223,462	26%
Total	487,270	100%	810,845	100%	(323,575)	-40%	868,827	100%

#### Use of raw materials and consumables (4ene)

The costs for raw materials and consumables amounted to € 28,972,775 and include:

							31 Dec 08	
	31 Dec 09		31 Dec 08		Change		pro forma	
Purchases of ingredients – sundry								
foodstuffs	18,104,355	62%	21.463.971	66%	(3.359.616)	-16%	22.691.387	67%
Packaging materials	4,200,501	14%	4.308.762	13%	(108.261)	-3%	4.649.169	14%
Goods for resale	2,952,566	10%	3.511.081	11%	(558.514)	-16%	3.650.524	11%
Intra-group products	1,621,549	6%	1.649.297	5%	(27.748)	-2%	970.152	3%
Consumables and ancillary material	1,504,372	5%	1.350.536	4%	153.834	11%	1.394.506	4%
Intra-group purchases of ingredients	571,000	2%	397.292	1%	173.709	44%	397.292	1%
Intra-group ancillary material	18,432	0%	37.575	0%	(19.143)	-51%	37.575	0%
	28,972,775	100%	32.718.514	100%	(3.745.739)	-11%	33.790.605	100%

#### Personnel costs (5ene+6ene+7ene+8ene)

Personnel costs totalled € 7,955,908, broken down as follows:

							31 Dec 08	
	31 Dec 09		31 Dec 08		Change		pro forma	
Wages and salaries	5,687,314	71%	4,770,243	69%	917,071	19%	5,237,473	68%
Social security charges	1,829,166	23%	1,551,808	23%	277,358	18%	1,874,802	24%
Employee severance indemnity	380,512	5%	472,692	7%	(92,180)	-20%	505,086	7%
Other costs	58,916	1%	82,981	1%	(24,065)	-29%	82,981	1%
	7,955,908	100%	6,877,724	100%	1,078,184	16%	7,700,342	100%

The employee severance indemnity accrued in 2009 may be considered a defined-contribution plan in the amount of  $\in$  380,512.

The average workforce came to 156 at 31 December 2009 (123 at 31 December 2008).

	From merger					Average
		Engagements	Dismissals	Transfers	In service	workforce
Managers		_	1	_	8	8
Middle management		-	-	-	5	5
White-collar personnel	4	1	_	_	54	54
Blue-collar personnel	27	1	2	_	88	89
TOTAL	31	2	3	-	155	156

#### Amortisation and depreciation (9ene + 10ene)

Amortisation of intangible assets was calculated and recognised in the total amount of  $\in$  39,375. Depreciation of tangible assets was calculated and recognised in the total amount of  $\in$  1,782,833.

The following tables provide a breakdown of intangible and tangible assets by category:

	31 Dec 09	31 Dec 08	Change
Licenses and trademarks	39,375	39,375	-
Total	39,375	39,375	-

					31 Dec 08
	31 Dec 09	31 Dec 08	Change		pro forma
Plants and machinery	1,224,094	1,057,679	166,415	16%	1,262,507
Buildings	335,494	273,845	61,649	23%	329,171
Industrial and commercial equipment	222,642	197,133	25,509	13%	218,887
Total	1,782,230	1,528,657	253,573	17%	1,810,565

#### Costs for services (13ene)

The costs for services amounted to € 13,715,031 and include

							31 Dec 08	
	31 Dec 09		31 Dec 08		Change		pro forma	
Transport for product distribution Large-scale retailers' promotion	4,483,756	33%	4,365,794	31%	117,962	31%	4,735,542	32%
contributions	2,681,667	20%	3,181,732	23%	(500,065)	23%	3,206,732	21%
Administrative services	1,348,656	10%	960,638	7%	388,018	40%	1,089,740	7%
Motive power and natural gas	1,058,999	8%	1,202,721	9%	(143,722)	-12%	1,369,670	9%
Industrial services	991,323	7%	941,548	7%	49,775	5%	1,258,317	8%
Commercial and advertising services	980,046	7%	1,045,740	7%	(65,694)	-6%	1,057,628	7%
Purchase services	778,775	6%	838,213	6%	(59,438)	-7%	841,955	6%
Maintenance services	750,607	5%	871,621	6%	(121,014)	-14%	901,050	6%
Gift articles	454,929	3%	355,556	3%	99,373	28%	355,556	2%
Insurance services	186,273	1%	180,635	1%	5,638	3%	187,643	1%
Other	-	-	-	-	-	-	9,527	0%
Total	13.715.031	100%	13.944.199	100%	(229.167)	-2%	15.013.360	100%

#### Lease and rental costs (14ene)

Lease and rental costs amounted to € 344,954. Industrial leases refer to leased plant.

						,	31 Dec 08	
	31 Dec 09		31 Dec 08		Change		pro forma	
Industrial leases	304,432	88%	200,159	92%	104,273	52%	253,305	93%
Leases of premises and buildings	40,522	12%	17,919	8%	22,603	126%	17,919	7%
Total	344,954	100%	218,078	100%	126,876	58%	271,224	100%

The minimum financial commitments in connection with industrial leases that cannot be cancelled come to:

### Sundry operating expenses (15ene)

Sundry operating expenses amounted to € 546,191 Euro and include:

						3	1 Dec 08		
	31 Dec 09	31 Dec 08		(	Change	pro forma			
Taxes other than income taxes	241,816	44%	247,344	61%	(5,528)	-2%	265,413	60%	
Capital losses	156,733	29%	15,098	4%	141,635	938%	15,098	3%	
Entertainment expenses	56,483	10%	33,352	8%	23,132	69%	33,352	8%	
Contingent liabilities	38,566	7%	60,345	15%	(21,778)	-36%	60,614	14%	
Membership fees	35,341	6%	35,756	9%	(415)	-1%	38,494	9%	
Other	11,422	2%	514	0%	10,909	2123%	17,959	4%	
Subscriptions magazines and books	3,400	1%	4,985	1%	(1,585)	-32%	5,203	1%	

<sup>- € 215,293</sup> for 2010;

<sup>- € 8,295</sup> for 2011.

Total	546,191	100%	402,246	100%	143,946	36%	443,051	100%
subsidiaries	-	-	3,181	1%	(3,181)	100%	3,181	1%
Impairment of equity investments in								
Fines and penalties	2,430	0%	1,672	0%	757	45%	3,738	1%

#### Financial income and charges (16ene + 17ene)

A breakdown of financial income and charges is shown in the table below:

	31 Dec 09	31 Dec 08		Change		1		
Financial income								
Financial income from securities	160,906	55%	12,093	3%	148,813	1224%	12,093	3%
Interest from subsidiaries	81,854	27%	148,896	42%	(67,042)	-45%	141,449	40%
Interest from banking institutions	39,241	13%	198,068	55%	(158,827)	-80%	198,447	56%
Actuarial income	15,400	5%	-	-	15,400	100%	-	-
Interest on VAT refunds	702	0%	745	0%	(43)	-6%	745	1%
Other	428	0%	613	0%	(185)	-30%	613	0%
Total	298,531	100%	360,415	100%	61,884	-17%	353,347	100%

						31 Dec 08			
	31 Dec 09	:	31 Dec 08	08 Change		pro forma			
Financial charges									
Interest on mortgages and loans	445,811	72%	627,918	70%	(182,107)	-29%	798,877	72%	
Losses on securities in portfolio Employee severance indemnity		-	129,373	14%	(129,373)	-100%	129,373	12%	
discounting charges	88,016	14%	100,699	11%	(12,683)	-13%	100,699	11%	
Interest on current accounts	33,279	5%	3,095	0%	30,184	975%	40,492	4%	
Performance bond expenses	29,723	5%	20,449	2%	9,274	45%	20,449	2%	
Finance lease interest	15,562	3%	13,173	2%	2,389	18%	19,426	2%	
Other	6,662	1%	6,044	1%	618	10%	6,397	1%	
Collection charges	-	-	1,515	0%	(1,515)	-100%	1,515	0%	
Total	619,053	100%	902,266	100%	(283,213)	-31%	1,117,228	100%	

#### Adjustments to financial assets (18ene)

Adjustments to financial assets refer to the impairment loss on the investment in Centrale del Latte di Vicenza S.p.A. of € 3,680,189.

#### Taxes (19ene + 20ene).

Income taxes, not including deferred tax assets and liabilities, came to € 1,796,536 compared to € 1,392,534 in 2008.

							31 Dec 08	
	31 Dec 09		31 Dec 08		Change		pro forma	
IRES for the year 27.5%	1,254,194	74%	1,222,352	76%	31,842	3%	1,244,514	76%
IRAP for the year 3.90%	424,534	26%	378,596	24%	45,938	12%	385,199	24%
TOTAL TAXES	1,678,728	100%	1,600,948	100%	77,780	5%	1,629,713	100%
Taxes other than income taxes	974	-	-	-	-	-	-	-
TOTAL TAXES	1,679,702	100%	1,600,948		78,754	5%	1,629,713	-
Deferred taxes	(48,316)	41%	(203,386)	98%	(251,702)		(203,386)	98%
Prepaid taxes	165,149	-141%	(5,028)	2%	160,121		(5,028)	2%
TOTAL PREPAID AND DEFERRED								
TAXES	116,833	100%	(208,414)	100%	(91,581)		(208,414)	100%
NET TOTAL TAXES	1,796,536		1,392,534		404,002	29%	1,421,299	

The following schedule reconciles pre-tax profit and taxable income:

Taxable base for IRES purposes		IRES tax 27.5%
(1.358.562)	Theoretical IRES	-
6,666,463		
3,680,189		
(747,196)		
4,560,705	Actual IRES	1,254,194
Taxable base for IRAP purposes	Thooyetical	IRAP tax 3.9%
4,438,685	IRAP	173,109
7,955,909		·
1,065,215		
(2,574,329)		
10,885,480	Actual IRAP	424,534
	(1.358.562) 6,666,463 3,680,189 (747,196) 4,560,705  Taxable base for IRAP purposes 4,438,685 7,955,909 1,065,215 (2,574,329)	IRES purposes  (1.358.562)

#### EPS.

Information concerning earnings per share is presented below the income statement.

#### Transactions with related parties.

The Company has not undertaken transactions with related parties beyond those presented in the following table: equity investments in the issuer held by directors, statutory auditors and their non-legally separated spouses and minor children, either directly or through subsidiaries.

Relevant persons	Office	Shares held at 01 Jan 09	Purchased in 2009	Sold in 2009	Shares held at 31 Dec 09
Luigi LUZZATI	Chairman Vice Chairman and Managing	166,062	-	-	166,062
Riccardo POZZOLI	Director	59,125	-	-	59,125
Adele ARTOM	Director	2,699,492	(*) 894,371	-	3,593,864
Antonella FORCHINO	Director	135,904	1,403	-	137,306
Ermanno RESTANO	Director	25,000	-	-	25,000

 $<sup>(\</sup>ensuremath{^*}\xspace)$  including 806,653 shares acquired through inheritance.

#### Commercial dealings with other related parties.

In the past, the Parent Company entered into a lease agreement for an area adjacent to the Turin production facility used as a parking lot for the motor vehicles of its employees and distributors and a residence made available for use by the Company's employees, both of which were owned by the ultimate parent company, Finanziaria Centrale del Latte di Torino S.p.A., in the total amount of  $\in$  9,840.

The following table presents the situation of dealings with related parties at 31 December 2009:

	Receivabl				
	es	Payables	Costs	Revenue	
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis					
Centrale del Latte di Torino & C. S.p.A subsidiary	-	-	-	9,840	
	-	-	-	9,840	
Centrale del Latte di Torino & C. S.p.A. vis-à-vis:					
Finanziaria Centrale del Latte di Torino S.p.A. – ultimate parent company	-	-	9,840	_	

Centro Latte Rapallo S.p.A. – subsidiary	2,192,590	149,270	464,316	7,530,509
Centrale del Latte di Vicenza S.p.A subsidiary	4,142,621	731,173	1,721,938	1,242,139
Frascheri S.p.A. – affiliate in joint venture	143,477	21,672	24,728	641,895
	6,478,688	902,115	2,220,822	9,414,543
Centro Latte Rapallo S.p.A. vis-à-vis:	2, 11 2, 12 2	5 5 - 4 - 2 - 5	_,	-, -= -,
Centrale del Latte di Torino & C. S.p.A.	149,270	2,192,590	7,530,509	464,316
Centrale del Latte di Vicenza S.p.A.	2,780	137,162	508,716	14,863
Frascheri S.p.A.	57	12,458	45,410	502
	152,107	2,342,210	8,084,635	479,681
Centrale del Latte di Vicenza S.p.A. vis-à-vis:	,	, ,		,
Centrale del Latte di Torino & C. S.p.A.	731,173	4,142,621	1,242,139	1,721,938
Centro Latte Rapallo S.p.A.	137,162	2,780	14,863	508,716
Frascheri S.p.A.	-	-	-	189
	868,335	4,145,401	1,257,002	2,230,843
Frascheri S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	21,672	142 477	641,895	24 720
Centro Latte Rapallo S.p.A.	•	143,477 57	502	24,728
Centrale del Latte di Vicenza S.p.A.	12,458	5/		45,410
	24 120	- 142 E24	189	70 120
	34,130	143,534	642,586	70,138

#### **Remuneration of Directors and Auditors.**

The following is a presentation of the accrued but unpaid remuneration and gross remuneration paid to members of the Parent Company's Board of Directors and Board of Auditors at 31 December 2009 and for services rendered to Group companies by Directors.

Due to his appointment to the position of Managing Director, effective 1 July 2009 Nicola Codispoti ceased to be considered a salaried employee of the Parent Company and resigned from the position of Managing Director of Centrale del Latte di Vicenza S.p.A. His salary and remuneration for services as managing director are presented in the column "Other payments".

First name and					
surname	Office held	Office	Remuneration	Bonuses	Other
		ires in (*)	for the office (**)	ncentives	uneration (***)
Luigi LUZZATI	Chairman	2010	100,000	47,000	181,541
Riccardo POZZOLI	Executive Vice Chairman and	2010	150,000	47,000	215,650
	Managing Director				
Nicola CODISPOTI	Managing Director	2010	135,000	27,000	508,208
Adele ARTOM	Director	2010	3,750	-	-
Guido ARTOM	Director	2010	4,500	-	-
Antonella FORCHINO	Director	2010	6,750	-	-
Luciano ROASIO	Director	2009	4,500	-	-
Ermanno RESTANO	Director	2010	3,750	-	-
Alberto TAZZETTI	Director	2010	5,250	-	-
Germano TURINETTO	Director	2010	3,750	-	-

	Chairman of the Board of				
Marco Maria BALOSSO		2011	20,625	-	-
Giovanni RAYNERI	Statutory auditor	2011	6,231	-	-
Vittoria ROSSOTTO	Statutory auditor	2011	12,902	-	-

office expires upon approval of the Financial Statements of Centrale del Latte di Torino & C. S.p.A. (\*\*) remuneration and attendance fees for the office held in Centrale del Latte di Torino & C. S.p.A. (\*\*\*) remuneration for positions filled at subsidiaries and salaries.

#### MATERIAL NON-RECURRING EVENTS AND TRANSACTIONS

Salads & Fruits S.r.l. was merged into Centrale del Latte di Torino & C. S.p.A. in 2009 as part of the corporate reorganisation undertaken in the interest of organisational simplification. The Salads & Fruits division will allow Centrale del Latte di Torino & C. to engage directly in the production of fresh salads, thereby increasing efficiency and reducing the costs of decision-making and operational processes due to the Group's streamlined structure.

#### **FINANCIAL AND OPERATIONAL RISKS**

#### Risks associated to the business activity

The main risk related to the Company's specific industrial activity regards fluctuations in milk raw material prices. The Company contains this risk by drawing up annual agreements with milk producers, which set the purchase prices at the beginning of the dairy year and maintain those prices for the whole of the period that runs from 1 April to 31 March of the following year, save for particular circumstances in which agreements may be reached on a different basis.

For purchases made outside of the main supply channel, reference is made to the most advantageous market conditions available when the need arises.

#### Financial risks.

The financial instruments of the Company comprise bank loans, sight and short-term bank deposits. The aim of these instruments is to finance the Company's operating activities. Other financial instruments of the Company are trade payables and receivables deriving from operating activity.

The main risks generated by financial instruments, are the interest rate, the liquidity and the credit risks.

Interest rate risk. The Company's exposure to interest rate risk is connected mainly to long-term loans and financing, to which are normally applied interest rates equivalent to 3 month and 6 month Euribor rates plus a fixed spread. With the application of the so-called "Basel 2" Accord, the companies are subjected to an analysis on the part of lending credit institutes that attribute a rating to them; the fixed spread may vary depending on the rating assigned. At the date of closure of these consolidated financial statements, no variations had been applied.

Liquidity risk. The Company contains liquidity risk by planning the use of liquidity by considering financial investments, financial assets (trade receivables and other financial assets) and cash flows expected from transactions.

Credit risk. The Company mainly deals with familiar, reliable clients. Receivables are monitored during the financial year in order to limit exposure to losses. The maximum risk is equivalent to the book value of these assets in the event of insolvency on the part of the counterparty. At the date of the financial statements, there were no overdue receivables that had not suffered impairment.

#### FEES OWED TO THE AUDITING FIRM KPMG S.p.A.

#### Article 149 duodecies of the Issuers' Regulations

Audit of separate and consolidated financial statements € 57,500 € 11,060

Audit of half-yearly report

#### EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.

Circular Letter no. 9/E pf 9 March 2010 of the Agenzia delle Entrate (Italian Revenue Office) provided clarification regarding the application of articles 117 -129 of the Income Tax Consolidation Act as regards the reportability of taxation losses in merger transactions. These provisions have no material impact on the 2009 financial statements.

#### **BUSINESS OUTLOOK.**

As regards management forecasts for the new financial year, attention should be drawn to the unfavourable economic circumstances and the increase in competition, with a further contraction in sales, and the need to pursue a careful cost policy in order to safeguard the economic and financial balance. With this in mind, there are plans to set in motion a labour mobility procedure within the framework of the Company's reorganisation programme.

Milk prices from the producer have been set for Q1 2010.

# Centrale del Latte di Torino Group 2009 Consolidated Financial Statements

**Accounting schedules** 

31 Dec 09

31 Dec 08

# Consolidated statement of comprehensive income (amounts shown in Euros)

Where necessary, the comparative figures from the 2008 consolidated financial statements have been restated to provide a consistent basis of comparison with the 2008 consolidated financial statements.

			31 Dec 09	31 Dec 06
1ec	1ene	Revenue from sales	98,340,730	104,492,505
2ec	2ene	Other revenue	1,066,961	2,051,087
3ec	3ene	Change in inventories of semi-finished and finished goods	(143,099)	(155,725)
		Total revenue from sales and services	99,264,592	106,387,867
4ec	4ene	Raw and ancillary materials, consumables and goods	(47,818,914)	(55,710,020)
		To affiliates		-
_	_	Personnel costs		
5ec	5ene	Wages and salaries	(10,012,013)	(9,703,407)
6ec	6ene	Social security contributions	(3,283,300)	(3,381,463)
7ec	7ene	Employee severance indemnity	(614,626)	(922,441)
8ec	8ene	Other costs	(263,766)	(268,157)
_	_	Depreciation, amortisation and write-downs		
9ec	9ene	Amortisation of intangible fixed assets	(1,559,383)	(1,559,382)
	10ene	Depreciation of tangible fixed assets	(3,983,801)	(3,571,142)
	11ene	Write-downs of current receivables	(175,615)	(187,381)
12ec	12ene	Write-down of intangible assets	-	(230,350)
		Other operating costs		
<b>13ec</b>	13ene	Services	(26,006,567)	(27,993,030)
14ec	14ene	Lease and rental costs	(701,096)	(544,669)
15ec	15ene	Allocations for risks	(230,663)	(478,786)
16ec	16ene	Sundry operating expenses	(965,059)	
17ec	17ene		-	(159,654)
		Operating result	3,649,789	726,600
	18ene	Financial income	315,070	433,935
19ec	19ene	Financial charges	(1,496,561)	(2,010,023)
20ec	20ene	Adjustments to equity investments	(118,364)	157,508
		Pre-tax profit (loss)	2,349,935	(691,978)
21ec	21ene	Income taxes from tax consolidation	(2,035,998)	(1,458,401)
22ec	22ene	(Deferred) prepaid taxes	357,172	757,385
		NET PROFIT (LOSS) (A)	671,109	(1,392,995)
		Total other profits (losses) net of tax effects (B)	-	-
		TOTAL OVERALL PROFIT (LOSS) (A+B)	671,109	(1,392,995)
		TOTAL OVERALL PROFIT (LOSS) ATTRIBUTABLE TO:		
24ec		Ultimate Parent Company's shareholders		(1,220,577)
2 100		Minority interest	(129,005)	(172,419)
		Number of shares with voting rights	10,000,00	00 10,000,000
		Net EPS	0.0	08 (0.12)

Notes:
- The references in the first column are to the individual item or group of items in the reclassified accounting schedules;

The references in the second column are to the breakdown and analysis of the individual items set out in the notes;

**Statement of consolidated equity and financial position - Assets** (amounts shown in Euros)
Where necessary, the comparative figures from the 2008 consolidated financial statements have been restated to provide a consistent basis of comparison with the 2008 consolidated financial statements.

		ASSETS	31 Dec 09	31 Dec 08
		NON-CURRENT ASSETS		
	1ne	Tangible fixed assets	63,113,241	62,822,919
1		Land	11,846,173	11,984,973
1		Buildings	24,358,709	24,007,009
1		Plants and machinery	23,636,811	23,837,315
1		Industrial and commercial equipment	2,095,399	1,901,425
1		Other	517,398	667,240
2		Assets under construction and advances	658,751	424,958
	2ne	Intangible fixed assets	16,154,896	17,714,278
3		Trademarks	15,804,818	17,364,200
3		Goodwill	350,078	350,078
		Financial fixed assets	158,515	371,068
4	3ne	Equity investments in affiliates	45,000	-
4	4ne	Other financial assets	28,366	28,366
5	5ne	Deferred tax assets	85,149	342,702
		TOTAL NON-CURRENT ASSETS	79,426,652	80,908,265
		CURRENT ASSETS		
	6ne	Inventories	3,193,062	3,464,353
6		Raw and ancillary materials and consumables	2,040,856	2,176,024
6		Finished products and goods	1,152,206	1,288,329
		Trade and other receivables	26,803,266	29,385,807
7	7ne	Trade receivables	19,619,374	20,879,750
8	8ne	Receivables from affiliates	-	-
9	9ne	Receivables from shareholders in joint ventures	86,121	59,404
10	10ne	Tax assets	4,110,351	4,584,312
11	11ne	Other receivables	2,687,420	3,008,196
12	12ne	Financial receivables	-	438,665
13	13ne	Financial receivables from affiliates	300,000	300,000
14	14ne	Financial assets held for sale	-	115,480
		Cash and cash equivalents	7,194,570	7,224,497
15	15ne	Bank and postal accounts	6,959,921	6,961,211
16	16ne	Cash and valuables on hand	234,649	263,286
		TOTAL CURRENT ASSETS	37,190,898	40,074,655
		TOTAL ASSETS	116,617,550	120,982,920

- Notes:

  The references in the first column are to the individual item or group of items in the reclassified accounting schedules;
- The references in the second column are to the breakdown and analysis of the individual items set out in the notes.

**Statement of consolidated equity and financial position – Liabilities** (amounts shown in Euros)
Where necessary, the comparative figures from the 2008 consolidated financial statements have been restated to provide a consistent basis of comparison with the 2008 consolidated financial statements.

		LIABILITIES AND NET EQUITY	31 Dec 09	31 Dec 08
17	17ne	Capitale Sociale	20,600,000	20,600,000
4.0		Reserves	19,579,827	18,789,934
18		Share premium account	14,324,578	14,324,578
19		Revaluation reserve	196,523	196,523
20		Legal reserve	930,853	926,532
21		Other reserves	2,648,689	2,566,595
22		Consolidation reserve	1,679,365	1,679,365
23		Non-distributable IFRS first-time adoption reserve	134,886	134,886
24		Profits (losses) carried forward	(1,301,194)	182,031
25		Merger surplus	166,015	-
26		Profit (loss) for the period	800,114	(1,220,576)
	17ne	GROUP'S NET EQUITY	40,179,827	39,389,934
27		Minority share	1,589,902	1,718,907
		TOTAL EQUITY	41,769,729	41,108,841
		NON-CURRENT LIABILITIES		
28	18ne	Long-term loans	16,606,994	21,258,073
29	19ne	Long-term payables to other lenders	7,080,981	7,794,705
30	20ne	Deferred taxes	5,676,993	6,245,960
		Provisions	4,844,067	5,120,911
31	21ne	Employee severance indemnity	3,912,972	4,189,362
32	22ne	Provision for liabilities and charges	931,095	931,549
		TOTAL NON-CURRENT LIABILITIES	34,209,036	40,419,647
		CURRENT LIABILITIES		
		Financial payables	13,511,533	8,650,966
33	23ne	Payables to banks	8,080,630	3,968,190
34	24ne	Current share of long-term loans	4,648,053	3,867,507
35	25ne	Current share of payables to other lenders	782,850	815,269
2.5	2.5	Trade and other payables	27,127,252	30,803,467
36	26ne	Advances	-	127,680
37	27ne	Trade payables	20,671,260	24,590,621
38	28ne	Payables to affiliates	-	-
39	29ne	Payables to shareholders in joint ventures	20,478	59,405
40	30ne	Tax liabilities	1,226,565	624,124
41	31ne	Payables to social security authorities	866,258	875,370
42	32ne	Other payables	4,342,690	4,526,267
		TOTAL CURRENT LIABILITIES	40,638,785	39,454,432
		TOTAL EQUITY AND LIABILITIES	116,617,550	120,982,920

#### Notes:

- The references in the first column are to the individual item or group of items in the reclassified accounting schedules;
- The references in the second column are to the breakdown and analysis of the individual items set out in the notes.

# Consolidated cash flow statement (amounts shown in Euros)

	31 Dec 09	31 Dec 08
Initial cash availability	3,694,971	8,343,366
A. Cash flow from operating activities		
Profit (loss) for the year – gross of minority losses	671,109	(1,392,995)
Amortisation of intangible fixed assets	1,559,383	1,559,382
Depreciation of tangible fixed assets	3,983,801	3,571,142
Total amortisation and depreciation	5,543,184	5,130,523
Employee severance indemnity accrued in the FY, net of indemnities already paid	(276,389)	348,009
Deferred taxes	(568,966)	(794,330)
Accrual to (Use of) provision for liabilities and charges	(454)	402,786
Total accruals	(845,809)	(43,535)
Change in net working capital		
Net trade receivables and other receivables	1,304,140	(854,108)
Inventories	271,290	(509,883)
Other receivables	1,052,289	1,537,341
Suppliers	(4,085,967)	(2,539,495)
Sundry payables	(192,689)	6,379
Tax liabilities	602,442	200,848
Total change in net working capital	(1,048,496)	(2,158,917)
Operating cash flow	4,319,988	1,535,076
B. Cash flow from (for) investing activities		
Net acquisitions of technical fixed assets	(4,274,125)	(15,637,163)
Financial (investments/write-ups) divestments /write-downs	70,480	816,025
(Increases) decreases in intangible fixed assets	-	230,351
Total cash flow from (for) investing activities	(4,203,645)	(14,590,787)
Free cash flow	116,343	(13,055,711)
C. Cash flow from change in net equity Dividends paid	-	(500,000)
Total cash flow from change in net equity	-	(500,000)
D. Cash flow from financing activities		
Change in medium/long-term financial payables	(4,697,374)	8,907,316
Total cash flow from financing activities	(4,697,374)	8,907,316
Total cash flows for the period	(4,581,031)	(4,648,395)
CASH AND BANKS AT YEAR-END	(886,060)	3,694,971
of which bank accounts and cash on hand	7,194,570	7,224,496
of which securities held for trading	-	438,665
of which payables to banks	(8,080,630)	(3,968,190)
Financial charges paid	1,181,491	1,564,411
Taxes paid	858,587	1,135,763
· and para	030,307	1,133,703

# Change in consolidated net equity (amounts shown in Euros)

	At 1 Jan 08	Result allocation	Dividend payment	Control acquisition of S&F	Profit (loss) for the period	At 31 Dec 08
Share capital	20,600,000	-	-	-	-	20,600,000
Share premium account	14,324,578	-	-	-	-	14,324,578
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	798,455	128,077	-	-	-	926,532
Other reserves	2,443,203	123,392	-	-	-	2,566,595
Consolidation reserve Non-distributable IFRS first-	1,679,365	-	-	-	-	1,679,365
time adoption reserve	134,886	-	-	-	-	134,886
Profits (losses) carried forward	-	-	-	182,030	-	182,030
Profit (loss) for the period	751,469	(251,469)	(500,000)	-	(1,220,576)	(1,220,576)
Group's net equity	40,928,478	-	(500,000)	182,030	(1,220,576)	39,389,932
Minority share	2,052,672	-	-	(161,346)	(172,419)	1,718,907
Total equity	42,981,151	182,030	(500,000)	20,684	(1,392,995)	41,108,839
	At 1 Jan 08	Result allocation	Dividend payment	Control acquisition of S&F	Profit (loss) for the period	At 31 Dec 08
Share capital	20,600,000	-	-	-	-	20,600,000
Share premium account	14,324,578	-	-	-	-	14,324,578
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	926,532	4,321	-	-	-	930,853
Other reserves	2,566,595	82,094	-	-	-	2,648,689
Consolidation reserve Non-distributable IFRS first-	1,679,365	-	-	-	-	1,679,365
time adoption reserve	134,886	-	-	-	-	134,886
Profits (losses) carried forward	182,030	(1,306,991)	-	(176,233)		(1,301,194)
Merger surplus	-		-	166,015		166,015
Profit (loss) for the period	(1,220,576)	1,220,576	-	-	800,114	800,114
Group's net equity	39,389,932	-	-	(10,218)	800,114	40,179,827
	,,-			. , ,	•	
Minority share	1,718,907	-	-	-	(129,005)	1,589,902

# Centrale del Latte di Torino Group 2009 Consolidated Financial Statements

**Notes to the Consolidated Financial Statements** 

40%

#### The Group.

The Parent Company, Centrale del Latte di Torino & C. S.p.A., having its place of incorporation and domicile in Turin, Italy, at Via Filadelfia 220, manages, coordinates and provides general guidance for the industrial, commercial, managerial and financial policies of its subsidiaries, Centro Latte Rapallo S.p.A. and Centrale del Latte di Vicenza S.p.A. The Parent Company jointly controls Frascheri S.p.A., which is consolidated according to the proportional method (40%).

The Group deals with the processing, transformation and sale of:

- milk and dairy products
- packaged products in the fresh and ultra-fresh segment
- fresh vegetables and fruit.

The publication of the 2009 consolidated financial statements was authorised by the Board of Directors on 11 March 2010.

### Scope of consolidation.

The line-by-line method is applied to the consolidation of equity investments in operating companies in which the Group holds a direct or indirect interest and controls the majority of voting rights or has the power to determine their financial and management policies in order to obtain the benefits of their activities, whereas the proportional method is applied to the consolidation of joint ventures.

Subsidiaries begin to be consolidated on the date on which actual control is transferred to the Group and cease to be consolidated on the date on which control is transferred outside the Group.

Equity investments in affiliates are measured according to the equity method. When the Group has significant influence over an affiliate, or has joint control of its financial and operating policies, the pertinent share of the affiliate's financial statements are added into the Group's consolidated financial statements beginning on the date on which significant influence or joint control begins and ending on the date on which they cease. The following equity investments fell into this category at 31 December 2009:

	Share held
Companies consolidated line-by-line:	
Centro Latte Rapallo S.p.A.	100%
Via S. Maria del campo 157 – Rapallo (Ge)	
Centrale del Latte di Vicenza S.p.A.	91.74%
Via Faedo 60 – Vicenza	
Consolidated proportionally:	

Via C. Battisti 29 – Bardineto (Sv)

Frascheri S.p.A.

The consolidated financial statements are prepared by using the financial statements of the foregoing companies prepared in accordance with the same accounting standards as observed by the Parent Company and approved by their respective boards of directors.

## Changes in the scope of consolidation.

The scope of consolidation has changed compared to 31 December 2009. The merger of Salads & Fruits into Centrale del Latte di Torino & C. S.p.A., with the former becoming a division of the latter, entered into effect for statutory purposes in July 2009. The merger entered into force for tax and accounting purposes on 1 January 2009. Since the merger was between a parent and its fully owned subsidiary, the transaction is beyond the scope of IFRS 3 and has been treated in a manner consistent with the consolidated financial statements in accordance with Assirevi Preliminary Orientation 2 (OPI 2).

The financial statements of Centro Latte Rapallo S.p.A., Centrale del Latte di Vicenza S.p.A. and Frascheri S.p.A. at 31 December 2009 have been used for consolidation purposes. Frascheri S.p.A. has been consolidated according to the proportional method due to the Company's interest in the investee (40%).

# Consolidation techniques.

In preparing the consolidated financial statements, the assets, liabilities, costs and revenues of consolidated companies are added up line by line, attributing minority-interest shareholders their portion of net equity and the profit or loss for the period in specific items in

the balance sheet and income statement. If control of a company is acquired during the year, the Group's share of that company's costs and revenues is recognised in the consolidated financial statements beginning on the date on which control is acquired.

The main adjustments applied in preparing the consolidated financial statements are as follows:

- the carrying amounts of consolidated equity investments are derecognised along with the Company's share of the investees' net equity, whereas the consolidated companies' assets and liabilities are recognised according to the line-by-line or proportional method;
- dealings between the parent and entities consolidated on a line-by-line basis in the form of payables and receivables and costs and revenues are derecognised, specifically: transactions that give rise in accounts payable and receivable and costs and revenue;
- the difference between the price of the equity investment and the present value of the acquiree's assets and liabilities at the acquisition date is recognised among intangible assets.

## Structure and content of the accounting schedules.

The 2009 financial statements consist of the consolidated statement of financial and equity position, consolidated statement of comprehensive income, consolidated cash flow statement, statement of changes in equity and explanatory notes.

Where necessary, the comparative figures from the 2008 consolidated financial statements have been restated to provide a consistent basis of comparison with the 2009 consolidated financial statements. The consolidated statement of comprehensive income has been presented according to the one-statement approach and classified according to the nature of the costs. The consolidated cash flow statement is presented using the indirect method.

The 2009 consolidated financial statements, the accounting schedules and the explanatory notes are in Euros.

#### Audit

The 2009 consolidated financial statements are subject to audit by KPMG S.p.A..

# **Accounting and assessment standards**

The Consolidated Financial Statements of Gruppo Centrale del Latte di Torino at 31 December 2009 were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and ratified in accordance with the procedure as per article 6 of EC Regulation No. 1606/2002. IFRS also include the International Accounting Standards (IAS), still in force, as well as all the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC), previously named Standing Interpretations Committee (SIC).

The accounting standards adopted for drafting these consolidated financial statements are the same as those adopted for drafting the Group's annual consolidated financial statements for the financial year that ended on 31 December 2008, with the exception of the following:

From 1 January 2009, the Group has applied the following new standards:

- IAS 1 revised Presentation of the financial statements: the accounting schedules have been re-named in accordance with the indications provided in IAS 1 revised, and are now named as follows: statement of equity and financial position (formerly the balance sheet), statement of comprehensive income (formerly the income statement) and statement of changes in equity (formerly the statement of movements in shareholders' equity). Conversely, the name of the cash flow statement has remained unchanged. IAS 1 forbids the presentation of income items such as income and charges deriving from transactions with non-shareholders in the statement of changes in net equity, and requests that these be indicated separately from changes deriving from transactions with shareholders. The Group did not present changes deriving from transactions with non-shareholders.
- IAS 23 revised Financial charges: the Standard as revised in 2007 eliminates the option of immediately recognising borrowing costs incurred in respect of investments in what are known as "qualifying assets" in the statement of comprehensive income, instead requiring that such costs be capitalised. In accordance with transitional provisions, the Group has applied the revised version of IAS 23 prospectively to assets capitalisation of which commenced on or after the date of entry into force.
- IFRIC 13 Customer Loyalty Programmes. The application of this interpretation has had no significant effects on the Group.
- Improvement to IAS/IFRS (2008): following the 2008 improvement process conducted by the IASB, a number of changes have been made to the Group's accounting standards, which have had a limited effect on the Group's financial statements.

the following accounting standards, amendments and interpretations applicable from 1 January 2009 govern circumstances and cases that were not present in the Group at the date of these financial statements:

- IFRS 8 Operating Segments
- Amendment to IFRS 2 Share-based payments Vesting conditions and cancellation;
- IFRIC 15 Agreements for the Construction of Real Estate;
- Amendment to IFRS 1 First-time adoption of international financial reporting standards;
- Amendment to IAS 27 Consolidated and separate financial statements;
- Amendment to IFRS 7 Financial instruments: additional disclosures.

The following accounting standards, amendments and interpretations were not yet applied at 1 January 2009, and were not adopted in advance by the company:

- IFRS 3 revised Business Combinations;
- Amendment to IFRS 5 Non-current assets held for sale and discontinued operations;
- Amendment to IAS 39 Financial instruments: recognition and measurement;
- IFRIC 17 Distributions of non-cash assets to owners;
- IFRIC 18 Transfers of assets from customers.

In drafting the consolidated financial statements for FY 2009 at 31 December 2009, a number of assessments, estimates and hypotheses were formulated that have an impact on the application of the accounting standards and on the amounts of the assets, liabilities, costs and revenue indicated in the financial statements. The estimates and assumptions are based on previous experience and on other factors considered reasonable in the relevant cases, and were adopted in order to estimate the book value of assets and liabilities that could not readily be deduced from other sources. It should be noted, however, that these are estimates and therefore the final figures may differ from the estimated figures. Estimates are used to show provisions for credit risk, inventory obsolescence, amortisation and depreciation, write-downs of assets, employee benefits, taxes, and provisions for liabilities and charges.

These estimates and assumptions are revised regularly. Any changes deriving from the revision of accounting estimates are shown in the period in which the revision takes places, where the revision affects that period only. Where the revision affects both the current and future periods, the change is shown in the period in which the revision took place and in the relevant future periods.

These consolidated financial statements were drafted on a going concern basis, applying the accrual accounting method and complying with the principle of providing relevant, significant information and preferring substance over form, with the aim of facilitating consistency with future presentations.

The accounting standards and assessment criteria are illustrated below.

### Intangible fixed assets

Intangible fixed assets are entered as credit in the statement of financial position when it is likely that the use of the assets will determine future economic benefits and when the cost of the assets can be reliably determined. They are entered at contribution value, at acquisition price or production cost, inclusive of any ancillary expenses. Intangible assets with definite useful lives are amortised systematically on the basis of their expected future use so that the net amount at period end corresponds to their residual use or recoverable amount according to company production plans. Amortisation begins when the asset becomes available for use.

The category "Concession of licenses and trademarks" includes the trademarks pertaining to the Group that are considered as having a finite useful life and are therefore entered at purchase cost and amortised at constant rates throughout their useful life, currently estimated at 20 years.

The line item "Goodwill" represents the amount by which the cost incurred by the Group to acquire an investee's share capital exceeds the present value of the Group's share of the net assets acquired at the acquisition date. Goodwill is tested for impairment on an annual basis or more frequently if events that may result in impairment losses have occurred.

# **Tangible fixed assets**

Tangible fixed assets are recognised at purchase cost, plus any directly attributable accessory expenses required to prepare the asset for use and less commercial allowances or discounts. The period-end amount is net of accumulated amortisation.

The depreciation charges recognised in the income statement have been calculated systematically and consistently according to rates deemed representative of the estimated economic and technical lives of the assets, as illustrated below:

•	Buildings	2% - 4%
•	General plant systems	3.4% - 10%
•	Specific plant systems	16% - 18,4%
•	Equipment	3.8% - 20%
•	Office furniture and ordinary equipment	5% - 12%
•	Electronic equipment	20% - 25%
•	Motor vehicles and internal transport means	6.6% - 20%
•	Motor vehicles	25% - 25%

The depreciation period begins from the financial year in which the asset is available for use.

Land is not depreciated, as it is presumed to have an indefinite useful life.

The land on which the Group's facilities stand was measured at fair value by independent experts during the transition to international accounting standards.

Profits and losses deriving from the divestment or sale of fixed assets, calculated with reference to their book value, are entered among operating income and expenses on the income statement. Maintenance and repair costs are charged to the income statement for the financial year in which they were sustained, except for those of an incremental nature, which are charged to the fixed assets they refer to and are depreciated on the basis of their residual use. Incremental expenses are those reasonably likely to increase future economic benefits, such as a rise in useful life, an increase in productive capacity, an improvement in product quality, or the adoption of production processes that lead to a substantial reduction in production costs. Assets held through financial leasing contracts through which are substantially transferred all the risks and benefits linked to ownership are shown as tangible fixed assets at their fair value, or, if lower, at the current value of the minimum payments due for the leasing contract. The corresponding liability owed to the lessor is entered in the financial statements among payables to other lenders.

# Impairment of fixed assets

Tangible fixed assets, intangible fixed assets and other non-current assets are periodically subjected to impairment tests, each time circumstances indicate that they may be impaired. The value of a fixed asset is reduced if its net carrying amount exceeds its recoverable amount, which is defined as the greater of its net market value (fair value less costs to sell) and current value in use.

# Financial instruments

# **Equity investments carried at equity**

These are equity investments in affiliates that are measured according to the equity method in the consolidated financial statements on the basis of the most recently approved financial statements available, adjusted to ensure they are consistent with international accounting standards.

# **Equity investments held for sale**

These are equity investments that have been designated for sale by a specific resolution of the competent boards of directors. They are measured at the lesser of cost and fair value less costs to sell.

# Other financial assets

Equity investments in other costs are carried at fair value. Profits and losses deriving from changes in fair value are charged directly to net equity (fair value reserve) until they are transferred or become impaired; in which case overall profits and losses are charged to the income statement for the period. When fair value cannot be reliably determined, equity investments are carried at the cost adjusted for impairment, the effect of which is recognised in the income statement.

Stocks widely traded on regulated markets are entered at fair value, with reference made to the stock price registered at close of trading on the closing date of the period.

# Financial assets and liabilities

Financial assets and liabilities are initially recognised at their fair value, plus any directly attributable transaction costs, whereas subsequent measurements are conducted using the amortised cost method.

# **Derivative financial instruments**

The Group did not hold any derivative financial instruments in 2009.

#### Trade receivables and payables

Trade receivables, which are set to come due under normal commercial terms, are presented at their presumed realisable values.

Trade payables, which are set to come due under normal commercial terms, are recognised at their face values.

#### Financial receivables

These include financial assets for short-term trading. Such assets are initially recognised at fair value, plus any directly attributable transaction costs, and then measured at fair value.

#### Cash and cash equivalents

They include bank deposits and cash holdings carried at par value.

#### **Inventories**

These are entered at whichever is lower between the purchase cost and the market value. For finished products, cost is determined on the basis of direct production cost, plus overhead directly attributable to the product. For marketed products, raw materials and consumables, the weighted average cost for the year is used. The net market value is determined on the basis of sales prices net of completion costs and sales costs.

#### **Accruals and deferrals**

These are calculated using the accrual accounting method and in application of the matching principle that offsets revenue against expenses for the same financial year. They include costs or revenue common to two or more financial years and are entered under other receivables and other payables.

# **Employee benefits**

# **Employee severance indemnity**

Employee severance indemnity is compulsory for Italian companies under Law 297/1982. Effective 1 January 2007, the decrees implementing the budget act introduced considerable changes in the rules governing employee severance indemnity, including the worker's choice of how to allocate future accruals. In particular, workers may allocate new accruals to specific pension plans or keep them with their employers (in which case the Company pays employee severance indemnity accruals into a treasury account with the INPS). The amendment of the law has resulted in the transformation of the nature of the employee severance indemnity from a defined-benefit plan to a defined-contribution plan for future accruals, whereas it continues to be regarded as defined-benefit plans for accruals prior to 31 December 2006.

Actuarial profits and losses are entered to the income statement for the period in which they occur.

# **Provision for liabilities and charges**

These provisions are entered into the financial statements when the Group has a legal or implicit obligation to pay particular amounts, as a result of past events, and it is probable that a financial outflow will be required from the Group in order to settle the obligation. These amounts are recognised in the financial statements only when it is possible to carry out a reliable estimate of the pertinent amount.

Contingencies which represent only possible liabilities are described in the notes, in the section of the comments on provisions.

In the event of merely remote events, i.e. events that are highly unlikely to occur, no provision is recognised, nor is any relevant information provided.

Provisions are presented at the current amount of expected outlays where the discount effect is material.

### Revenue

Revenue is carried at the fair value of the payment received or owed, net of any discounts, refunds, credits, and bonuses.

Revenue on the sale of an asset is recognised when the entity has transferred substantially all risks and rewards of ownership of that asset to the buyer.

Revenue on services rendered is recognised when the degree of completion of the transaction at the reporting date for the financial statements may be reliably determined according to the date of accrual of the service.

# **Public contributions**

Contributions are entered into the financial statements only when it is reasonably certain that the company will comply with the conditions set for receiving the contribution and that those contributions will effectively be received. Public contributions for plants are entered as deferred revenue and are systematically charged as income to the income statement during the useful life of the asset they refer to.

Contributions for current expenses are carried to the income statement in the financial year in which the conditions exist for their recognition.

#### Costs

Costs are carried at the fair value of the amount paid or payable.

They are entered into the financial statements on an accrual accounting principle, net of returns, discounts, premiums and bonuses.

#### Financial income and expenses

Financial income and expenses are shown and entered in the financial statements on an accrual accounting principle. Financial expenses sustained for investments in assets for which a set period of time is normally required for the asset to be ready for use or sale (qualifying assets), are capitalised and amortised through the useful life of the class of assets they refer to.

#### **Taxes**

Taxes payable for the period are determined in accordance with the current fiscal regulations.

Deferred taxes are calculated on temporary differences between the recognised amounts of assets and liabilities and the amounts of those assets and liabilities for tax purposes. Deferred tax assets are only recognised where it is likely that the entity will earn taxable income against which it may set off the temporary deductible difference. Deferred tax liabilities are recognised on all the temporary taxable differences. In addition, the tax consolidation program governed by Presidential Decree 971/86, amended by Legislative Decree 344/2003, was introduced in 2005. The program allows for optional group taxation, which consists of determining a single taxable group income for the ultimate parent company corresponding to the algebraic sum of the net total incomes of participants and thus a single income tax for Group companies.

The companies that joined the tax consolidation regime are Centro Latte Rapallo S.p.A. and Centrale del Latte di Vicenza S.p.A. The option is valid for three financial years from the one that closed at 31 December 2008.

# **Segment reporting**

The organisation of the Group is based on a single business segment for the production and sale of food products, since no business or geographical segment with a different risk profile may be identified.

# **EPS**

Earnings per share is calculated by dividing earnings by the weighted average number of shares outstanding during the period. It is presented at the foot of the statement of comprehensive income

# **BREAKDOWN OF ASSETS**

# **NON-CURRENT ASSETS**

# Tangible fixed assets (1ne)

Variations in tangible fixed aspects and the respective provisions are illustrated in the tables below:

	Land	Buildings					Fixed	
							assets	
				Industrial			under	
				and			constructi	
IMMOBILIZZAZIONI			Plant and	commercial			on/acquisi	
MATERIALI			machinery	equipment	Other	Total	tion	Totals
Historical cost	12,290,173	31,736,587	47,132,064	7,944,164	2,173,259	101,276,247	424,958	101,701,205
Depreciation provision	-	7,729,580	23,234,749	6,042,739	1,506,019	38,513,087	-	38,513,087
Provision for future capital								
losses	(305,200)	-	(60,000)	-	-	(365,200)	-	(365,200)
Initial amount	11,984,973	24,007,009	23,837,315	1,901,425	667,240	62,397,959	424,958	62,822,920
Acquisitions	-	1,186,224	2,191,895	649,233	177,851	4,205,204	520,750	4,725,954
Transfers	-	10,510	266,223	147,601	(129,257)	295,077	(286,957)	8,119
Disposals and eliminations	(344,000)	-	(3,205,242)	(862,408)	(50,872)	(4,462,522)	-	(4,462,522)
Use of provisions	-	-	2,914,952	788,365	34,057	3,737,374	-	3,737,374
Use of provision for future								
capital losses	205,200	-	60,000	-	-	265,200	-	265,200
Depreciation	-	(845,034)	(2,428,331)	(528,816)	(181,620)	(3,983,801)	-	(3,983,801)

Final amount 11,846,173 24,358,709 23,636,811 2,095,399 517,398 62,454,490 658,751 63,113,241

The provision for future capital losses arises from a reclassification of an item previously carried among other provisions and is associated with capital losses sustained by Centrale del Latte di Vicenza S.p.A. in connection with part of the land expropriated to build the access road for the new Vicenza facility and for disused plant at the old facility.

Changes in provisions for tangible fixed assets:

				Industrial and		
	Land	Buildings	Plant and	commercial		
TANGIBLE FIXED ASSETS			machinery	equipment	Other	Total
Initial amount	-	7,729,580	23,176,429	6,042,740	1,503,018	38,451,767
Provision for future capital losses	305,200	-	60,000	-	-	-
Use of provision for future capital losses	(205,200)	-	(60,000)	-	-	-
Use of provisions	-	-	(2,914,952)	(788,365)	(34,057)	(3,737,374)
Depreciation	-	845,034	2,438,663	528,817	181,620	3,983,800
Final amount	100,000	8,574,614	22,689,808	5,783,192	1,650,582	38,798,197

Provisions for tangible fixed assets include the net carrying amount of equipment under finance lease (€ 8,886,807) and refer primarily to plant at the new Vicenza facility.

# Intangible fixed assets (2ne)

INTANGIBLE FIXED ASSETS	Trademarks
Historical cost	32,733,814
Amortisation provision	(15,369,314)
Initial amount	17,364,200
Amortisation for the period	(1,559,382)
Final amount	15,804,818

# Equity investments in affiliates (3ne)

Equity investments in affiliates refer to the interest held by the subsidiary Centro Latte Rapallo S.p.A. in GPP Genova Pasta e Pesto S.p.A., no longer intended for sale, and came to € 45,000.

# **Equity investments in affiliates**

Initial amount	-
Reclassification from financial assets held for sale	115,480
Increases	300,000
Decreases	(370,480)
Final amount	45,000

# Other financial assets (4ne)

Equity investments in other companies are broken down in the table below:

	31 Dec 09	31 Dec 08
Capitalimpresa S.p.A.	25,150	25,150
Consorzio CFV	1,000	1,000
Other equity investments individually worth less than one thousand euro	2,216	2,216

# Total equity investments in other companies

28,366

28,366

# Deferred tax assets (5ne)

The following table illustrates the changes in the temporary differences that gave rise to deferred tax assets:

	Initial			Final
	amount	Increases	Decreases	amount
Allocation to taxed provisions for risks	377,032	-	(265,200)	111,832
Prior-year losses	280,316	-	(280,316)	=
Adjustment of employee severance indemnity to present value	201,345	-	(201,345)	-
Tax recovery of depreciation of buildings	109,382	-	-	109,382
Entertainment expenses	84,991	-	(76,893)	8,098
Derecognition of intangible assets due to conversion to IFRSs	73,161	-	(73,161)	=
Remuneration of directors	49,710	28,635	(49,710)	28,635
Supplementary customer indemnity	-	3,547	-	3,547
Membership fees	-	2,611	-	2,611
	1,175,937	34,793	(946,626)	264,104

Deferred tax assets were calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2009, by applying the IRES (corporate income tax) rate of 27.5% and the IRAP (regional production tax) rate of 3.90%. The following table illustrates the changes in deferred tax assets:

	Initial			Final
	amount	Increases	Decreases	amount
Allocation to taxed provisions for risks	114,093	-	(75,470)	38,623
Prior-year losses	96,799	-	(96,799)	-
Tax recovery of depreciation of buildings	34,347	-	-	34,347
Derecognition of intangible assets due to conversion to IFRSs	15,721	-	(15,721)	-
Entertainment expenses	12,026	-	(9,658)	2,368
Adjustment of employee severance indemnity to present value	56,044	-	(56,044)	-
Remuneration of directors	13,670	7,875	(13,670)	7,875
Supplementary customer indemnity	-	1,113	-	1,113
Membership fees	-	820	-	820
	342,702	9,808	(267,361)	85,149

# **CURRENT ASSETS**

# **Inventories (6ne)**

Inventories came to € 3,155,859 at 31 December 2009 and may be broken down as follows:

	Initial amount	Final amount	Change
Raw and ancillary materials and consumables	2,176,024	2,040,856	(135,168)
Finished products and goods	1,288,329	1,152,206	(136,123)
	3,464,353	3,193,062	(271,291)

# Trade receivables (7ne)

Trade receivables, all of which were due within one year, came to  $\in$  19,619,374 at 31 December 2009, derive from normal commercial sales transactions and have been presented net of the associated provisions for impairment. In further detail, the provisions allocated to account for receivables claimed in bankruptcies have been fully and directly applied to decrease the amounts of the associated assets, reducing those amounts to zero.

The following table provides a breakdown of provisions for impaired receivables and changes in those provisions during 2009:

	<b>Initial amount</b>	Increases	Decreases	Final amount
Provision for bad debts	496,094	104,711	( 75,019)	525,786
Taxed provision for impaired receivables	261,649	50,000	(19,630)	292,019
Provision for impaired default interest	36,048	22,684	(49,331)	9,401
	793,791	177,395	(143,980)	827,206

**Receivables from shareholders of joint ventures (9e)** came to € 86,121 and are associated with the unconsolidated share (60%) of the normal commercial transactions undertaken with Frascheri S.p.A. during the year.

# Tax assets (10ne)

	31 Dec 09	31 Dec 08
VAT receivable	3,748,477	4,200,235
Direct taxes	331,240	336,264
Employee severance indemnity withholdings	30,634	44,275
Withholding taxes on interest receivable	-	3,538
Total tax assets	4,110,351	4,584,312

# Other receivables (11ne)

Other receivables include:

	31 Dec 09	31 Dec 08
Receivables for performance guarantees received securing the payment of the surtax in accordance		
with Law 486/92 (milk quotas)	1,997,467	1,997,467
Receivables from distributors	204,468	192,875
Miscellaneous	177,353	63,819
Accrued income and prepaid expenses	154,423	161,137
Deposits	57,794	42,402
Credits to be received	45,902	347,185
Advances to suppliers	25,579	141,849
Receivables from social security institutions	11,939	55,682
Loans to employees	8,660	4,100
Advances on salaries	3,834	1,680
Total other receivables	2,687,420	3,008,196

# Accrued income and prepaid expenses

The following table illustrates the composition of accrued income and prepaid expenses:

	31 Dec 09	31 Dec 08
PREPAID EXPENSES		
Other costs	48,722	82,700
Leases	30,710	14,873
Maintenance fees	20,438	3,090
Advertising costs	19,952	4,155
VAT guarantee policies	15,378	18,111
Lieu tax	12,833	18,333
Loan fees	1,933	1,933
Software leases	1,500	5,731
Insurance	530	11,613

Multiannual charges on loans	-	600
TOTAL PREPAID EXPENSES	151,996	161,139
ACCRUED INCOME		
Interest on bank accounts	2,427	-
TOTAL ACCRUED INCOME	-	-
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	154,423	161,139
Financial receivables - Securities held for trading (12ne)		

# F

31 Dec 09 31 Dec 08 Hedgersel - Ersel Hedge Sgr S.p.A. 438,665 **Total securities** 438,665

Securities held for trading were sold during the year, yielding € 160,906 in income.

# Cash and cash equivalents (15ne+16ne).

Cash and cash equivalents, all of which are freely available, came to € 7,194,570 and are presented in the schedule that illustrates financial position in the analysis of financial payables.

# **BREAKDOWN OF LIABILITIES**

# **GROUP'S NET EQUITY**

# Share capital (16ne)

Share capital, fully subscribed and paid-up, came to € 20,600,000, divided into 10,000,000 shares having a par value of € 2.06. Changes in the Group's net equity are illustrated in the specific schedule of the consolidated financial statements at 31 December 2009.

# Availability and eligibility for distribution of equity reserves

		Nature	Use	Available	Eligible for distribution
Share capital	20,600,000		-	-	-
Share premium account	14,324,577	Profits/capital	-	YES	YES
Revaluation reserve	196,523	Profits/capital	-	YES	YES
Legal reserve	930,853	Profits/capital	-	YES	YES
Other reserves	2,648,689	Profits/capital	-	YES	YES
Consolidation reserve Non-distributable IFRS first-time	1,679,365	Profits/capital	-	YES	NO
adoption reserve	134,886	Profits/capital		NO	NO
Profits (losses) carried forward	(1,301,194)	Profits (losses)	-	NO	NO
Merger surplus	166,015	Merger	-	NO	NO
Profit (loss) for the period	800,115			NO	NO

The following schedule reconciles the profit or loss for the period and net equity of the Parent Company with the profit or loss for the period and net equity in the consolidated financial statements:

	Result for the period	Net equity
Balances from accounting schedules of Centrale del Latte di Torino & C.		
S.p.A. at 31 December 2009	(1,358,562)	46,405,147
Result for the year of Centro Latte Rapallo S.p.A.	366,669	366,669
Result for the year of Centrale del Latte di Vicenza S.p.A. Result of Frascheri	(1,561,795) 176,386	(1,561,798) 176,386
Centro Latte Rapallo S.p.A. trademark, after taxes	(640,665)	5,765,982
Goodwill	-	350,078
Derecognition of equity investments in companies within the scope of consolidation	3,680,189	(9,691,909)
Other consolidation adjustments	8,887	(40,829)
Balances as consolidated accounting schedules at 31 December 2009	671,109	41,769,729
Minority balances	129,005	(1,589,902)
Balances pertaining to the Group at 31 December 2009	800,114	40,179,827

# **NON CURRENT LIABILITIES**

# Financial payables (18ne+19ne+23ne+24ne+25ne)

The following is an analysis of the items that comprise the Company's financial indebtedness, sub-divided by maturity.

Payables to banks and other lenders, as illustrated in the following table, came to  $\in$  37,199,508.

The item "Payables to other lenders" refers to the loan contracted by Minindustria on 17 July 1996 – Special revolving fund for technological innovation – Law No 46 of 17 February 1982, with a term of 15 years, including a payment period of 10 years, and to finance lease agreements.

	Payables	Over one		Total	Total
	within year-	year, within		payables	payables
	end	5 years	Over 5 years	over 1 year	
Payables to banks for overdrafts	8,080,638	-	-	-	8,080,630
Payables to banks for loans	4,648,053	10,607,004	5,999,990	16,606,994	21,255,047
Payables to other lenders	782,850	3,177,649	3,903,332	7,080,981	7,863,831
Totals	13,511,533	13,784,653	9,903,330	23,687,975	37,199,508

Medium/long-term loans are broken down as follows:

Issuer	Amount	Amount	Residual	Last	Guarantees
	granted	paid	debt	deadline	
Intesa Sanpaolo S.p.A.	80,000	80,000	4,396	31 Mar 2010	
Euribor rate 1 month + 1.1					
Intesa Sanpaolo S.p.A.	3,000,000	3,000,000	1,554,141	30 Jun 2011	
Euribor rate 6 months + 0.50					
Banca Regionale Europea S.p.A.	3,000,000	3,000,000	1,773,055	31 Dec 2011	
Euribor rate 6 months + 0.50					
Credito Emiliano CREDEM S.p.A.	3,000,000	3,000,000	2,500,000	23 Apr 2012	
Euribor rate 6 months + 0.65					
Banca Popolare di Novara	500,000	500,000	363,068	30 Jun 2012	
Euribor rate 6 months + 0.90					
Unicredit Banca d'Impresa S.p.A.	300,000	300,000	218,362	30 Jun 2013	Second mortgage on industrial
Tasso Euribor 3 mesi + 1,75					property located in Casteggio
					(PV)

Issuer	Amount	Amount	Residual	Last	Guarantees
	granted	paid	debt	deadline	
Cassa Risparmio di Savona	332,000	332,000	133,322	30 Jun 2013	Mortgage on industrial property
Rate 0.475% + half Euribor 6 months					located in Borghetto S.S. (Sv)
Centrobanca S.p.A.	2,000,000	2,000,000	2,000,000	31 Oct 2013	
Euribor rate 3 months + 1.10					
Banca Regionale Europea S.p.A.	500,000	500,000	410,072	31 Dec 2013	
Euribor rate 6 months + 0.5					
Cassa Risparmio di Savona	108,000	108,000	47,737	31 Dec 2013	Mortgage on industrial property
Rate 0.50% + half Euribor 6 months					located in Borghetto S.S. (Sv)
Banca Sella S.p.A.	2,500,000	2,500,000	2,500,000	10 Jun 2015	
Euribor rate 1 month + 0.75					
Unicredit Banca d'Impresa	1,300,000	1,300,000	893,750	31 May 2015	First mortgage on industrial
Euribor rate 6 months + 1.75					property located in Casteggio
					(PV)
Unicredit Banca d'Impresa S.p.A.	10,000,000	10,000,000	8,857,143	30 Jun 2025	Mortgage on an owned property
Euribor rate 6 months + 1.80					in Vicenza

The following table presents total residual debt, broken down by maturity:

	within 12 months	over one year, within 5 years	over 5 years	Totals
Intesa Sanpaolo S.p.A.	1,027,970	530,567	-	1,558,537
Credito Emiliano CREDEM S.p.A.	1,000,000	1,500,000	-	2,500,000
Banca Regionale Europea S.p.A.	960,884	1,222,243	-	2,183,127
Unicredit Banca d'Impresa	792,166	3,177,101	5,999,990	9,969,257
Centrobanca	455,200	1,544,800	-	2,000,000
Banca Sella S.p.A.	221,882	2,278,118	-	2,500,000
Banca Popolare di Novara	142,636	220,431	-	363,068
Cassa di Risparmio di Savona	47,315	133,744	-	181,060
	4,648,043	10,607,004	5,999,990	21,255,047

Payables to other lenders can be broken down as follows:

	within 12 months	over one year, within 5 years	over 5 years	Totals
Finance lease payables Minindustria loan 17 Jul 1996	727,607 55,243 <b>782,850</b>	3,120,758 56,891 <b>3,177,649</b>	3,903,332 - <b>3,903,332</b>	7,751,697 112,134 <b>7,863,831</b>

Finance lease payables refer to leases of plant and equipment.

# Financial position.

The following table contains an illustration of the Group's net financial position at 31 December 2009 in accordance with the requirements of CONSOB Notice No DEM/6264293 of 28 July 2006 and the CESR's recommendations of 10 February 2005, CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No 809/2004:

	31 Dec 09	31 Dec 08
Cash and cash equivalents (15ne+16ne)	7,194,570	7,224,497
Securities held for trading (12ne)	-	438,665
Total current financial assets	7,194,570	7,663,162
Payables to banks (23ne)	(8,080,630)	(3,968,190)
Current share of medium/long-term loans (24ne)	(4,648,053)	(3,867,507)
Current share of payables to other lenders (25ne)	(782,850)	(815,269)
Total current financial liabilities	(13,511,533)	(8,650,966)
Payables for medium/long-term loans (18ne)	(16,606,994)	(21,258,072)
Payables to other lenders for medium/long-term loans (19ne)	(7,080,981)	(7,794,705)
Total non-current financial liabilities	(23,687,975)	(29,052,777)
Total financial liabilities	(37,199,508)	(37,703,743)
Net financial position	(30,004,938)	(30,040,581)

#### Loan covenants

Loans issued by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte di Vicenza S.p.A., set to mature on 30 June 2025, currently in the prepayment period, with an outstanding balance of € 8,857,143 at 31 December 2009:

- ratio of the borrower's net financial indebtedness to its net equity is not to exceed 1.5. These covenants have been satisfied.

# Deferred taxes (20ne)

The following table illustrates the changes in the temporary differences that gave rise to deferred taxes:

	Initial			Final
	amount	Increases	Decreases	amount
Trademarks	16,232,228	-	(1,667,341)	14,564,887
Derecognition of amortisation of intangible assets	327,047	-	(327,047)	-
Measurement of land	1,663,000	-	-	1,663,000
Elimination of tax interference – accelerated depreciation	1,011,529	124,394	(717,261)	418,662
Adjustment of employee severance indemnity to present value	56,643	31,655	-	88,298
Capital gains	88,427	32,489	(55,476)	65,440
	19,378,874	188,538	(2,767,125)	16,800,287

Deferred taxes were calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2009, by applying the IRES (corporate income tax) and IRAP (regional production tax) tax rates, which fell from 33% to 27.5% and from 4.25% to 3.90%, respectively. The following table illustrates the changes in deferred tax liabilities:

	Initial		Final	
	amount	increases	Decreases	amount
			(2=2 2 4 4)	
Trademarks	4,994,229	-	(359,314)	4,634,914
Derecognition of amortisation of intangible assets	102,691	-	(102,691)	-
Elimination of tax interference – accelerated depreciation	639,493	45,744	(198,965)	486,272
Measurement of land	522,182	-	-	522,182

	6,291,717	63,384	(678,109)	5,676,993
Capital gains	11,860	10,709	(17,139)	5,430,
Adjustment of employee severance indemnity to present value	21,264	6,931	-	28,195

# **Long-term provisions**

# **Employee severance indemnity (21ne)**

At 31 December 2009 the severance indemnity amounted to € 3,912,972.

Initial amount	4,189,362
Service cost	103,944
Interest cost	177,540
Decreases and uses	(499,199)
Actuarial loss (income)	, ,
Final amount	(58,674)
	3,912,972

The service cost is the present value of services rendered by a worker in the reporting period alone from a demographic-financial standpoint.

The interest cost represents the cost of the liability deriving from the passage of time and is proportional to the interest rate adopted in measurements and the amount of the liabilities outstanding in the previous year.

The amounts corresponding to service cost and actuarial income have been recognised among personnel costs. The amount of interest cost has been recognised among financial charges.

The key actuarial assumptions pertain to the theoretical lines of remuneration, the technical interest rate, inflation rate and the revaluation rate for salaries and employee severance indemnity. Technical assessments were conducted on the basis of the assumptions set forth below:

- technical annual discount rate	4.45%
- annual inflation rate	2.00%
- annual rate of remuneration increase (*)	3.00%
- annual rate of severance indemnity increase	3.00%
(*) only for CLR and Frascheri	

The iBoxx Eurozone Corporates AA index was used as the discount rate, with a term of seven to ten years.

# Provision for liabilities and charges (22ne)

	Initial			Final
	amount	Increases	Decreases	amount
Provision for future capital losses	844,200	227,116	596,316	475,000
Provision for risks – milk quotas	422,337	-	-	422,337
Provision for customer indemnities	30,212	3,546	-	33,758
	1 206 740	230 662	E06 316	031 005

The decrease in the provision for future capital losses includes the amount of € 365,200, reclassified among tangible fixed assets.

The rest of the provision for future capital losses refers to the risk associated with an audit of the Parent Company's 2004 tax position in the amount of  $\in$  120,000, whereas the remainder,  $\in$  355,000, refers to a prudential allocation in connection with the affiliate GPP – Genova Pasta e Pesto – S.p.A. to account for any additional losses that the company may sustain. The amount of  $\in$  227,116 was drawn down from the provision in 2009 to account for the impairment of the equity investment, after which a like amount was re-allocated to the provision to restore it to its initial amount.

#### **CURRENT LIABILITIES**

Payables to banks (23ne): It is broken down under financial payables.

Current share of long-term loans (24ne): It is broken down under financial payables.

Current share of payables to other lenders (25ne): It is broken down under financial payables.

**Trade payables (26ne + 27ne)** amounted to € 20,671,260, all payables within year-end.

**Payables to shareholders of joint ventures (29e)** came to € 20,478 and are associated with the unconsolidated share (60%) of the normal commercial transactions undertaken with Frascheri S.p.A. during the year.

# Tax liabilities (30ne) include the following line items:

	31 Dec 09	31 Dec 08
Payables for income taxes	803,442	213,712
Payables for employees' withholding taxes	362,730	363,222
Withholdings payable on independent contractors' fees	55,312	44,698
Payables for other taxes	5,081	2,492
Total tax liabilities	1,226,565	624,124

**Payables to social security authorities (31ne)** consist of social-security contributions payable on wages and salaries and the contribution associated with the separate management of coordinated ongoing independent contractors in the total amount of  $\in$  866,258.

# The item "Other payables" (32ne) includes:

	31 Dec 09	31 Dec 08
Surtaxes payable under Law 486/92 (milk quotas)	2,049,416	2,049,693
Payables for wages and salaries	1,042,219	1,093,010
Accrued liabilities and deferred income	990,094	1,188,470
Other payables	96,387	16,981
Withholdings from milk producers payable under Law 88/88	77,974	77,697
Payables for remuneration of directors and auditors	72,143	86,705
Security deposits received	12,578	12,578
Employee union withholdings	1,881	1,134
Total other payables	4,342,690	4,526,267

Accrued expenses and deferred income are broken down as follows:

	31 Dec 09	31 Dec 08
DEFERRED INCOME		
Contributions to operating expenses	844,064	1,033,186
Other	1,500	-
Total deferred income	845,564	1,033,186
ACCRUED EXPENSES		
Accrued personnel costs and associated charges	57,883	56,196
Interest on bank loans	47,609	60,198
Other charges	39,039	38,891
Total accrued expenses	144,530	155,285
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	990,094	1,188,471

# **COMMITMENTS AND OTHER CONTINGENT LIABILITIES**

There were no off-balance sheet commitments or other contingent liabilities at 31 December 2009.

During the fourth quarter of 2009, the parent company Centrale del Latte di Torino & C. S.p.A. underwent a taxation inspection by the Guardia di Finanza (Italian financial police) for FYs 2007 and 2008. To date, no assessment notice has been served on the Company. Accordingly, the possible effects on the income statement cannot be foreseen at this time.

# BREAKDOWN OF INCOME STATEMENT ITEMS REVENUE

# Revenue from sales and services (1ne)

Breakdown of sales by turnover segment (1ene):

	31 Dec 09		31 dic-08		Change	
Fresh milk	44,801,826	45.6%	47,552,716	46%	(2,750,890)	-6%
UHT milk	18,804,876	19.1%	20,373,582	19%	(1,568,706)	-8%
Yogurt	7,229,377	7.4%	8,175,095	8%	(945,718)	-12%
Fresh vegetables	6,294,687	6.4%	7,208,771	7%	(914,084)	-13%
Bulk milk and cream	3,012,059	3.1%	3,111,832	3%	(99,773)	-3%
Other packaged products	18,197,906	18.5%	18,070,507	17%	127,399	1%
Total	98,340,730	100.0%	104,492,504	100%	(6,151,773)	-6%
Breakdown of other revenue (2ene)						
	31 Dec 09		31 Dec 08		Change	
Extraordinary income	244,065	23%	263,436	13%	(19,372)	-7%
Subcontracting revenue	205,782	19%	81,974	4%	123,808	151%
Other	184,360	17%	175,688	9%	8,671	5%
Sales of salvaged materials	55,304	5%	55,700	3%	(396)	-1%
Gains on asset disposal	48,747	5%	872,067	43%	(823,320)	-94%
Rental income	43,046	4%	38,151	2%	4,895	13%
Contributions from suppliers	47,874	4%	102,242	5%	(54,368)	-53%
Recoveries	26,987	3%	76,256	4%	(49,269)	-65%
Insurance refunds	22,522	2%	190,604	9%	(168,082)	-88%
Contributions to operating expenses	188,275	18%	194,969	10%	(6,694)	-3%

# Use of raw materials and consumables (4ene)

**Total** 

The costs for raw materials and consumables amounted to € 47,818,914 and include:

	31 Dec 09		31 Dec 08		Change	
Purchases of ingredients – sundry foodstuffs	26,900,442	56%	32,261,855	58%	(5,361,413)	-17%
Goods for resale	11,404,410	24%	13,387,996	24%	(1,983,585)	-15%
Packaging materials	7,313,667	15%	7,753,006	14%	(439,340)	-6%
Consumables and ancillary material	2,200,395	5%	2,307,164	4%	(106,767)	-5%
Total	47,818,914	100%	55,710,020	100%	(7,891,106)	-14%

100%

2,051,087

100% (984,126)

-48%

1,066,961

# Personnel costs (5ene+6ene+7ene+8ene)

Personnel costs, an analysis of which is provided in the report on operations, came to € 14,173,705 and may be broken down as follows:

	31 Dec 09		31 Dec 08		Change	
Wages and salaries	10,012,013	71%	9,703,407	68%	308,606	3%
Social security charges	3,283,300	23%	3,381,464	24%	(98,163)	-3%
Employee severance indemnity	614,626	4%	922,441	6%	(307,815)	-33%
Other costs	263,766	2%	268,156	2%	(4,390)	-2%
Total	14,173,705	100%	14,275,468	100%	(101,762)	-1%

The employee severance indemnity accrued in 2009 may be considered a defined-contribution plan in the amount of  $\in$  614,626. The average workforce came to 283 at 31 December 2009 (277 at 31 December 2008).

					Average
	Engagements	Dismissals	Transfers	In service	workforce
Managers	-	1	-	15	15
Middle management	-	-	-	8	8
White-collar personnel	7	7	-	108	107
Blue-collar personnel	11	9	-	153	153
TOTAL	18	17	_	284	283

# Amortisation and depreciation (9ene + 10ene)

Amortisation of intangible assets was calculated and recognised in the total amount of  $\in$  1,559,383. Depreciation of tangible assets was calculated and recognised in the total amount of  $\in$  3,983,801.

The following tables provide a breakdown of intangible and tangible assets by category:

	31 Dec 09		31 Dec 08	(	Change	
Licenses and trademarks	1,559,383		1,559,382		1	-
Total	1,559,383		1,559,382		1	-
	31 Dec 09		31 Dec 08		Change	
Plants and machinery	2,428,331	61%	2,198,439	62%	229,892	10%
Buildings	845,034	21%	651,015	18%	194,019	30%
Industrial and commercial equipment	528,816	13%	502,649	14%	26,167	5%
Other	181,620	5%	219,039	6%	( 37,419)	-17%
Total	3,983,801	100%	3,571,142	100%	412,659	12%

# Costs for services (13ene)

The costs for services amounted to € 26,043,768 and include

	31 Dec 09		31 Dec 08		Change	
Transport for product distribution	8,327,156	32%	8,785,657	31%	(458,500)	-5%
Large-scale retailers' promotion contributions	3,805,876	15%	4,380,352	16%	(574,476)	-13%
Commercial and advertising services	2,917,379	11%	3,433,295	12%	(515,916)	-15%
Motive power and natural gas	2,387,149	9%	2,797,003	10%	(409,854)	-15%
Administrative services	2,381,388	9%	2,121,751	8%	259,636	12%
Maintenance services	1,948,059	7%	2,029,986	7%	(81,928)	-4%
Industrial services	1,786,246	7%	1,924,223	7%	(137,977)	-7%
Transports for purchases	1,625,930	6%	1,778,286	6%	(152,356)	-9%
Gift articles	514,370	2%	388,851	1%	125,519	32%
Insurance services	313,014	1%	316,644	1%	(3,631)	-1%
Other	=	0%	36,982	0%	(36,982)	100%
Total	26,006,567	100%	27,993,030	100%	(1,986,462)	-7%

# Lease and rental costs (14ene)

Lease and rental costs amounted to € 701,096. Leases refer to the industrial buildings and warehouses in Rapallo and Bardineto one parking area in Turin for employees.

	31 Dec 09		31 Dec 08		Change	
Leases of premises and buildings	146,608	21%	296,167	54%	(101,895)	-41%
Industrial leases	554,488	79%	248,502	46%	258,322	87%
Total	701,096	100%	544,669	100%	156,427	29%

The minimum financial commitments in connection with industrial leases that cannot be cancelled come to:

- € 215,293 for 2010;
- € 8,295 for 2011.

# **Provision for risks (15ene)**

**Allocations for risks** amounted to € 230,663, and mainly regarded the write-down of the equity investment in GPP Genova Pasta e Pesto S.p.A. held by Centro Latte Rapallo.

# Sundry operating expenses (16ene)

Sundry operating expenses amounted to € 965,059 Euro and include:

	31 Dec 09		31 Dec 08		Change	
Taxes other than income taxes	361,411	37%	371,384	39%	(9,973)	-3%
Capital losses	173,749	18%	162,642	17%	11,107	7%
Contingent liabilities	150,236	16%	125,093	13%	25,143	20%
Other	121,971	13%	134,504	14%	(12,533)	-9%
Membership fees	90,922	9%	96,880	10%	(5,958)	-6%
Entertainment expenses	56,483	6%	45,615	5%	10,869	24%
Subscriptions magazines and books	5,987	1%	9,143	1%	(3,156)	-35%
Fines and penalties	4,299	0%	6,125	1%	(1,826)	-30%
Total	965.059	100%	951.385	100%	13.673	1%

# Financial income and charges (18ene + 19ene)

A breakdown of financial income and charges is shown in the table below:

	31 Dec 09		31 Dec 08		Change	
Financial income						
Financial income on securities in portfolio	160,906	51%	12,093	3%	148,814	1230,6%
Interest from banking institutions	99,478	32%	324,070	75%	(224,591)	-69,3%
Other	29,404	9%	48,899	11%	(19,495)	-39,9%
Actuarial income	15,400	5%			15,400	100%
Interest on VAT refunds	9,881	3%	41,366	10%	(31,485)	-76,1%
Financial income on swap contract	-	-	7,508	2%	(7,508)	-100%
Total financial income	315,070	100%	433,935	100%	(118,865)	-27,4%
Financial charges					( -,,	,
Interest on mortgages and loans	921,055	62%	1,255,818	63%	(334,764)	-26,7%
Employee severance indemnity discounting charges	177,540	12%	216,178	11%	(38,638)	-17,9%
Finance lease interest	203,403	14%	158,662	8%	44,741	28,2%
Interest on current accounts	93,464	6%	149,930	8%	(56,466)	-37,7%
Losses on securities in portfolio	-	-	129,373	7%	(129,373)	-100%
Collection charges	47,533	3%	58,087	3%	(10,554)	-18,2%
Performance bond expenses	41,006	3%	32,417	2%	8,589	26,5%
Other	11,626	1%	9,556	0%	2,070	21,7%
Interest on suppliers	934	0%	-	-	933	(100%)
Total	(1,496,561)		(2,010,023)	100%	(513,462)	-25,5%
Financial income and expenses	(1,181,491)		(1,576,088)	200 /0	394,597	-25,0%

# Adjustments to equity investments (20ene)

In 2009, the subsidiary Centro Latte Rapallo S.p.A. recognised an impairment loss of € 118,364 on its equity investment in GPP – Genova Pasta e Pesto – S.p.A.

# Taxes (21ene + 22ene).

Income taxes deriving from the tax consolidation program, not including deferred tax assets and liabilities, came to  $\in$  1,678,826 compared to  $\in$  701,016 in 2008.

	31 Dec 08		31 Dec 0	8	Change	ge	
IRES for the year 27.5%	1,369,254	67%	866,135	60%	503,119	58%	
IRAP for the year 3.90%	666,744	33%	580,716	40%	86,028	15%	
TOTAL TAXES	2,035,998	100%	1,446,851	100%	589,147	41%	
Taxes other than income taxes	-		11,550		(11,550)	100%	
TOTAL TAXES	2,035,998	100%	1,458,401	100%	577,597	40%	

NET TOTAL TAXES	1,678,826	701,016	977,810	
Deferred/prepaid taxes	(357,172)	(757,385)	400,213	-52%

# Transactions with related parties.

The Company has not undertaken transactions with related parties beyond those presented in the following table: equity investments in the issuer held by directors, statutory auditors and their non-legally separated spouses and minor children, either directly or through subsidiaries.

Relevant persons	Office	Shares held at 01 Jan 09	Purchased in 2009	Sold in 2009	Shares held at 31 Dec 08
Luigi LUZZATI	Chairman Vice Chairman and Managing	166,062	-	-	166,062
Riccardo POZZOLI	Director	59,125	-	-	59,125
Adele ARTOM	Director	2,699,492	(*) 894,371	-	3,593,864
Antonella FORCHINO	Director	135,904	1,403	-	137,306
Ermanno RESTANO	Director	25,000	-	-	25,000

<sup>(\*)</sup> including 806,653 shares acquired through inheritance.

# Commercial dealings with other related parties.

In the past, the Parent Company entered into a lease agreement for an area adjacent to the Turin production facility used as a parking lot for the motor vehicles of its employees and distributors. The area in question is owned by the ultimate parent, Finanziaria Centrale del Latte di Torino S.p.A. The annual rent is  $\in$  9,840.

The subsidiary Centro Latte Rapallo has issued an interest-free loan to the affiliate GPP Genova pasta e pesto S.p.A.

The following table presents the situation of dealings among related parties at 31 December 2009:

	Receivabl			
	es	Payables	Costs	Revenue
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis				
Centrale del Latte di Torino & C. S.p.A subsidiary	-	-	-	9,840
	-	-	-	9,840
Centrale del Latte di Torino & C. S.p.A. vis-à-vis:				
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis	-	-	9,840	-
Centro Latte Rapallo S.p.A. vis-à-vis:	-	-	9,840	-
GPP	300,000	-	-	-
GPP Genova pasta e pesto S.p.A. vis-à-vis	300,000	-	-	-
Centro Latte Rapallo S.p.A.	-	300,000	-	-
	_	300,000	-	_

# **Remuneration of Directors and Auditors.**

The following is a presentation of the accrued but unpaid remuneration and gross remuneration paid to members of the Parent Company's Board of Directors and Board of Auditors at 31 December 2009.

First name and		Office	Remuneration for	Bonuses	Other
surname	Office held	s in (*)	e office (**)	ncentives	uneration (***)

Luigi LUZZATI	Chairman	2010	100,000	47,000	181,541
Riccardo POZZOLI	Executive Vice Chairman and	2010	150,000	47,000	215,650
	Managing Director				
First name and		Office		Bonuses	
surname	Office held	ires in	Remuneration	and	Other
					remuneration
		(*)	for the office (**)	incentives	(***)
Nicola CODISPOTI	Managing Director	2010	135,000	27.000	508.208
Adele ARTOM	Director	2010	3,750	-	-
Guido ARTOM	Director	2010	4,500	-	-
Antonella FORCHINO	Director	2010	6,750	-	-
Luciano ROASIO	Director	2009	4,500	-	-
Ermanno RESTANO	Director	2010	3,750	-	-
Alberto TAZZETTI	Director	2010	5,250	-	-
Germano TURINETTO	Director	2010	3,750	-	-
	Chairman of the Board of				
Marco Maria BALOSSO		2011	20,625	-	-
Giovanni RAYNERI	Statutory auditor	2011	6,231	-	-
Vittoria ROSSOTTO	Statutory auditor	2011	12,902	-	-

office expires upon approval of the Financial Statements of Centrale del Latte di Torino & C. S.p.A.

# MATERIAL NON-RECURRING EVENTS AND TRANSACTIONS

Salads & Fruits S.r.l. was merged into Centrale del Latte di Torino & C. S.p.A. in 2009 as part of the corporate reorganisation undertaken in the interest of organisational simplification. The Salads & Fruits division will allow Centrale del Latte di Torino & C. to engage directly in the production of fresh salads, thereby increasing efficiency and reducing the costs of decision-making and operational processes due to the Group's streamlined structure.

# **FINANCIAL AND OPERATIONAL RISKS**

# Risks associated to the business activity

The main risk related to the Group's specific industrial activity regards fluctuations in milk raw material prices. The Group contains this risk by drawing up annual agreements with milk producers, which set the purchase prices at the beginning of the dairy year and maintain those prices for the whole of the period that runs from 1 April to 31 March of the following year, save for particular circumstances in which agreements may be reached on a different basis.

For purchases made outside of the main supply channel, reference is made to the most advantageous market conditions available when the need arises.

# Financial risks.

The financial instruments of the Group comprise bank loans, sight and short-term bank deposits. The aim of these instruments is to finance the Group's operating activities. Other financial instruments of the Group are trade payables and receivables deriving from operating activity.

The main risks generated by financial instruments, are the interest rate, the liquidity and the credit risks.

# Interest rate risk.

The Group's exposure to interest rate risk is connected mainly to long-term loans and financing, to which are normally applied interest rates equivalent to 3 month and 6 month Euribor rates plus a fixed spread. With the application of the so-called "Basel 2" all the

<sup>(\*\*)</sup> remuneration and attendance fees for the office held in Centrale del Latte di Torino & C. S.p.A.

<sup>(\*\*\*)</sup> remuneration for positions filled at subsidiaries and salaries.

companies in the Group are subjected to an analysis on the part of credit institutes that attribute a rating to them; the fixed spread may vary depending on the rating assigned. At the date of closure of these consolidated financial statements, no variations had been applied. Details of the rates applied to individual loans is provided in the following note regarding financial payables.

**Liquidity risk.** The Group contains liquidity risk by planning the use of liquidity by considering financial investments, financial assets (trade receivables and other financial assets) and cash flows expected from transactions.

Credit risk. The Group mainly deals with familiar, reliable clients. Receivables are monitored during the financial year in order to limit exposure to losses. The maximum risk is equivalent to the book value of these assets in the event of insolvency on the part of the counterparty. At the date of the financial statements, there were no overdue receivables that had not suffered impairment.

# FEES OWED TO THE AUDITING FIRM KPMG S.p.A.

# Article 149 duodecies, paragraph 2 of the Issuers' Regulations

Audit of separate and consolidated financial statements  $\in$  99,500 Audit of half-yearly report  $\in$  20,720

#### **EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.**

Circular Letter no. 9/E pf 9 March 2010 of the Agenzia delle Entrate (Italian Revenue Office) provided clarification regarding the application of articles 117 -129 of the Income Tax Consolidation Act as regards the reportability of taxation losses in merger transactions. These provisions have no material impact on the 2009 financial statements.

#### **BUSINESS OUTLOOK.**

As regards management forecasts for the new financial year, attention should be drawn to the unfavourable economic circumstances and the increase in competition, with a further contraction in sales, and the need to pursue a careful cost policy in order to safeguard the economic and financial balance. With this in mind, there are plans to set in motion a labour mobility procedure within the framework of the Parent Company's reorganisation programme.

Milk prices from the producer have been set for Q1 2010.