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

2011 Separate and 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 (***)

Benedetto DE DENEDETTI
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.

Introducing the Company and the Group

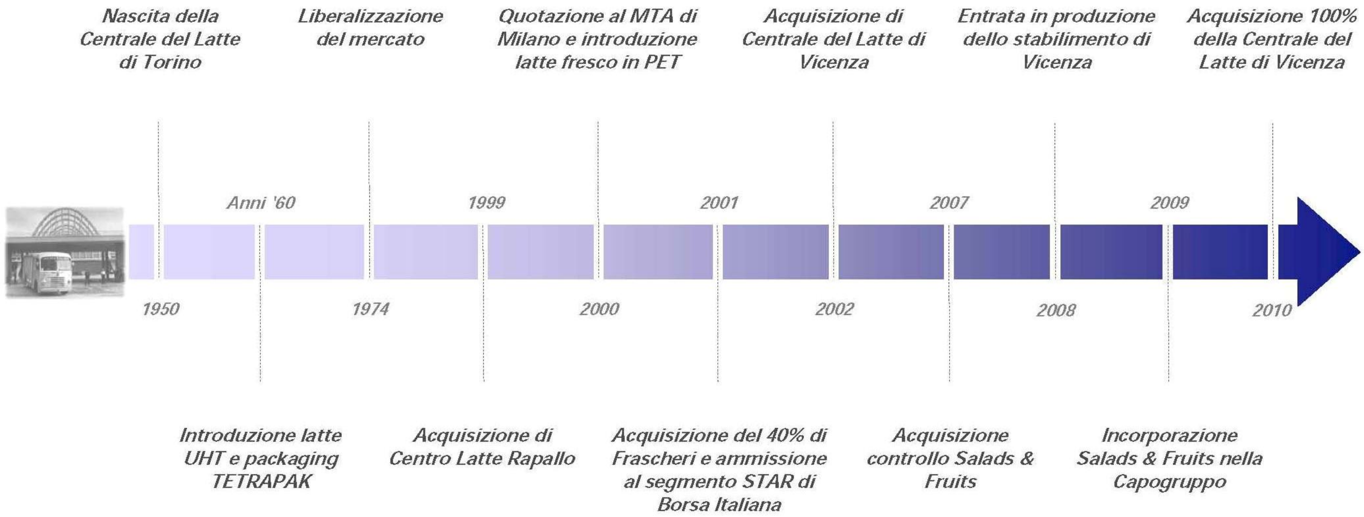
The History

Since 1950, milk in Turin has been synonymous with Centrale del Latte. A private firm since its foundation, with head offices in Via Filadelfia 220, Turin, its day to day growth has led it to develop and expand in two directions: on the one hand, it has ensured widespread coverage of the milk market in Turin, while on the other it has also expanded beyond its traditional geographical distribution area. Over the years, painstaking attention to production and a coherent product diversification strategy have earned the Group a prestigious leadership role that is the result of the relationship of trust and familiarity built up over time.

After 50 years of constant success in the business, and in view of the perfectly mature market situation, Centrale del Latte di Torino & C. S.p.A. has implemented a policy of expansion, conducted both internally - by widening the range of products offered – and externally, through acquisitions.

It was to provide financial support for this growth and development process that in November 2000 the company listed its shares on the MTA (Electronic Stock Market) of Milan, and in 2001 was admitted to the STAR segment of Borsa Italiana.

1950	Foundation of Centrale del Latte di Torino
1960's	Introduction of UHT milk and TETRAPAK packaging
1974	Liberalisation of the market
1999	Acquisition of Centro Latte Rapallo
2000	Listing on the MTA of Milan and introduction of fresh milk in PET bottles
2001	Acquisition of 40% of Frascheri and admission to the STAR segment of Borsa Italiana
2002	Acquisition of Centrale del Latte di Vicenza
2007	Acquisition of control of Salads & Fruits
2008	Start of production in the Vicenza facility
2009	Salads & Fruits incorporated into the Parent Company
2010	Acquisition of 100% of Centrale del Latte di Vicenza



The Group

The Centrale del Latte di Torino & C. S.p.A. Group is inter-regional in scope, and specialises in the production and direct sale – also through its subsidiaries Centro Latte Rapallo S.p.A., Centrale del Latte di Vicenza S.p.A. and its affiliate Frascheri S.p.A. – of dairy products such as fresh milk, long-life (UHT) milk, yogurt and fresh vegetables.

Given its dynamic nature and tendency towards diversification, the Group has for some time been selling own-brand packaged products in the fresh food sector, such as eggs, cheeses, pasta, vegetables and fresh salads and fruit, produced either directly or through carefully selected third-party companies.

The Group has a very strong territorial base, with almost all of its turnover realised in the Piedmont, Liguria and Veneto regions, where it enjoys a leadership position as regards fresh and long-life milk.

The Group has five production facilities to its name, all equipped with cutting-edge technology for the processing, packaging and cold storage of its products. These are located in: Turin, Rapallo (Genoa), Bardineto (Savona), Casteggio (Pavia) and Vicenza.

At 31 December 2011, the Centrale del Latte di Torino & C. S.p.A. Group was made up as follows:

The Shareholders

The share capital of the Company is equal to € 20,600,000.00 fully paid-up, divided into 10,000,000 common shares with a par value of € 2.06 each.

According to the information available at 29 February 2012, Centrale del Latte di Torino & C. S.p.A. has 3,202 registered shareholders, divided up as follows:

Finanziaria Centrale del Latte di Torino S.p.A.	51.78%
B & E Equities S.p.A.	15.03%
Lavia s.s.	5.90%
Float	27.29%

Centrale del Latte di Torino Group

2011 Separate and Consolidated Financial Statements

Directors' Report

Dear Shareholders,

The difficult, complex socio-economic scenario, marked by the severe sovereign debt crisis, the performance of the spreads and the consequent credit squeeze and the series of hard-hitting taxation measures applied throughout 2011 have inevitably affected the results of the financial statements for 2011. Consumption on the part of families has fallen drastically, even in what are traditionally regarded as primary sectors, such as food, and the search for more affordable prices has driven consumers towards non-brand-name products, thus penalising those companies that have always counted on their brand name for success. It is the strength of the brand and the guarantee of product quality that have allowed the companies in the group to increase sales by 2% compared to the consolidated turnover for 2010, also taking account of the changes to sales contract conditions, with large-scale retailers' promotion contributions (recognised among commercial services) being moved to discounts that directly reduce turnover.

Milk raw material prices have continued to rise rapidly, with increases of as much as 9% compared to 2010 prices. These increases have not been fully incorporated into sale prices, and this brought about a drop in profit margins, especially during the first nine months of the FY. During the last quarter, also thanks to the completion of the mobility procedure of the Parent Company, EBITDA rose again, reaching, in Q4 alone, 8.1% of the value of production (10.2% for the parent company), allowing the Group to end FY 2011 with an EBITDA of 6.3%, compared to the 2010 figure of 8.7%.

The Group continued to pursue its strategy of rationalising production in order to reduce costs; the adoption of the SAP Group IT system is part of this strategy. The new operating system, adopted by all the companies in the Group except for Frascheri S.p.A. during the last months of 2011, will make it possible to standardise procedures in all sectors, from production and product distribution to the full integration of the accounting, administration, financial and management areas, with the aim of cutting costs even further.

In this situation, the group has increased its market shares and strengthened brand awareness, without neglecting growth in new productive sectors, in particular ESL milk and in third-party brand products. In this area, Centrale del Latte di Vicenza has developed its own-brand products further, improving profit margins.

The consolidated financial statements at 31 December 2011 closed with a net loss of € 1,021 thousand, after income taxes for € 1,139 thousand, amortisation, depreciation and write-downs for € 5,883 thousand, and provisions for future liabilities for € 100 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)	31/12/2011	31/12/2010	
Revenue from sales and services	103,352	101,370	+2%
Value of production	105,011	103,426	+1%
EBITDA	6,575	8,982	-27%
EBIT	592	3,092	-81%
Pre-tax result	(427)	1,981	N/A
Net result after taxes	(1,021)	1,001	N/A

The Group's net revenue amounted to € 103,352 thousand, compared to € 101,370 thousand of the previous FY. It is broken down in the following chart:

	31/12/2011		31/12/2010		Change	
Fresh milk	46,191	46%	46,570	46%	(379)	-1%
UHT milk	20,324	19%	19,730	19%	594	3%
Yogurt	7,958	7%	6,938	8%	1,020	15%
Fresh vegetables	5,800	6%	6,299	7%	(499)	-8%
Bulk milk and cream	3,365	3%	3,371	3%	(6)	0%
Other packaged products	19,714	19%	18,462	17%	1,252	7%
Total	**103,352**	**100%**	**101,370**	**100%**	**1,981**	**2%**

The fresh milk segment decreased by 1% compared to FY2010.

In the long-life (UHT) segment, an increase of € 594 thousand (+3%) was recorded.

The yogurt segment, where there is competition from aggressive, specialised competitors, sales grew by € 1,020 thousand compared to 2010 (+15%), also thanks to the third-party brand productions of the subsidiary Centrale del Latte di Vicenza S.p.A.

The fresh vegetable segment has been most heavily affected by the relative drop in consumption, going from € 6,299 thousand in 2010 to € 5,800 thousand in 2011 (-8%).

The bulk milk and cream segment was basically stable, € 3,365 thousand versus € 3,371 thousand in 2010.

The segment comprising other packaged products showed a rise in value of € 1,252 thousand, i.e. +7%.

Geographical breakdown

The table below shows turnover at 31 December 2011, divided up into geographical areas:

(€/000)	Fresh milk	UHT milk	Yogurt	Fresh vegetables	Bulk milk and cream	Other packaged products	Total
Piedmont							
31/12/2011	**24,492**	**13,006**	**1,992**	**2,703**	**1,231**	**4,887**	**48,311**
31/12/2010	24,916	12,989	1,932	2,032	455	4,672	46,996
% change	-2%	0%	3%	33%	171%	5%	3%
Liguria							
31/12/2011	**13,431**	**2,153**	**892**	**2,601**	**270**	**10,272**	**29,618**
31/12/2010	12,948	2,175	730	2,915	371	9,435	28,575
% change	4%	-1%	22%	-11%	-27%	9%	4%
Veneto							
31/12/2011	**8,265**	**5,163**	**5,075**	**496**	**799**	**4,557**	**24,355**
31/12/2010	8,705	4,565	4,275	505	431	4,355	22,836
% change	-5%	13%	19%	-2%	85%	5%	7%
Other							
31/12/2011	**-**	**-**	**-**	**-**	**1,065**	**-**	**1,065**
31/12/2010	-	-	-	848	2,114	-	2,962
% change	-	-	-	-100%	-50%	-	-64%
Total	-	-	-			-	
31/12/2011	**46,190**	**20,323**	**7,958**	**5,800**	**3,365**	**19,716**	**103,352**
31/12/2010	46,570	19,730	6,938	6,299	3,371	18,462	101,370
% change	**-1%**	**3%**	**15%**	**-8%**	**0%**	**7%**	**2%**

Other revenue amounted to € 1,192 thousand, compared to € 2,058 thousand in FY2010. It is broken down in a pertinent table of the notes.

Operating costs. As mentioned earlier, milk prices throughout the whole year were higher than those in 2010. Consumption of raw materials and packaging products went from € 52,399 thousand in 2010 to € 56,695 thousand in 2011. Service and lease and rental costs fell by 1%, from € 26,351 thousand in 2010 to € 26,018 thousand in 2011.

Personnel costs reached € 14,627 thousand in 2011, inclusive of the costs involved in the mobility procedure, compared to € 14,041 thousand in 2010. The average number of employees in FY2011 was 284, compared to 285 in 2010. This figure can be broken down into categories as follows:

Managers	15
Middle management	9
White-collar personnel	111
Blue-collar personnel	148

Depreciation of tangible fixed assets went from € 4,056 thousand in 2010 to € 4,029 thousand in 2011, while amortisation of intangible fixed assets totalled € 1,703 thousand, € 144 thousand of which for the new information system.

Allocations for risks amounted to € 100 thousand, and mainly regarded the risks associated with the equity investment in GPP Srl held by Centro Latte Rapallo SpA.

Financial income and expenses. Financial expenses registered at the end of FY 2011 amounted to a total of € 1,254 thousand, a rise compared to the € 1,204 thousand of the previous FY, and are mainly attributable to interest on loans and financing. Financial expenses reached € 236 thousand, compared to € 94 thousand of the FY closed on 31 December 2010.

For each of the paragraphs considered hitherto, regarding revenue and costs for FY2011, statements illustrating the figures and comparing them with the previous financial year have been drawn up and published in the notes to the consolidated financial statements.

The economic management and the equity position of the Group in FY2011 are illustrated in the reclassified consolidated financial statements in annex a) to this report. 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 position.

The Group's net financial position at 31 December 2011 was negative for € 31,908 thousand (€ 31,055 thousand at the end of 2010).

(€/000)	31/12/2011	31/12/2010
Cash and cash equivalents (12ne+13ne)	5,510	4,703
Total current financial assets	**5,510**	**4,703**
Payables to banks (21ne)	(5,100)	(4,907)
Current share of medium/long-term loans (22ne)	(5,189)	(5,601)
Current share of payables to other lenders (23ne)	(784)	(786)
Total current financial liabilities	**(11,072)**	**(11,294)**
Payables for medium/long-term loans (16ne)	(20,767)	(18,184)
Payables to other lenders for medium/long-term loans (17ne)	(5,578)	(6,280)
Total non-current financial liabilities	**(26,346)**	**(24,464)**
Total financial liabilities	**(37,418)**	**(35,758)**
Net financial position	**(31,908)**	**(31,055)**

At the end of FY2011 the operating cash flow was € 1,314 thousand, compared to € 2,059 thousand at the end of 2010, whereas the cash flow absorbed by investments in technical and financial fixed assets was € 2,138 thousand (€ 2,042 thousand in 2010), the cash flow from investing activities and changes in net equity reached € 1,468 thousand, bringing about a cash generation of € 614 thousand. It is important to note the increase in VAT rebates still to be paid out, which went from € 4,326 thousand in 2010 to € 5,201 thousand at the end of FY2011 (+20%).

Changes to the equity and financial structure of the Group compared to 31 December 2010 are illustrated in the cash flow statement.

INFORMATION ON FINANCIAL AND OPERATING RISKS OF THE GROUP.

Risks associated with 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 and 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 are provided in the notes to the consolidated financial statements, specifically in the 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.

The dispute regarding the labelling of a number of packs came to a positive conclusion, with the Court of Chiavari acquitting the Group because the matter may not be considered an offence. The case was subsequently dismissed in Turin and Vicenza.

In 2010 Centro Latte Rapallo S.p.A. underwent an inspection on the part of the local ENASARCO Foundation office, from which emerged a number of controversies regarding the interpretation of the legal framework governing the contracts of staff dealing with transport and product delivery.

Specifically, ENASARCO held that the transport activities contracted out by Centro Latte Rapallo S.p.A to 42 self-employed drivers for the delivery of its products to customers should be governed by the social welfare provisions that apply to sales agents.

On the basis of this assumption, the ENASARCO Foundation obtained, on 3 November 2011, an injunction from the Court of Rome for € 811,185.93. The Company rapidly presented an appeal against the injunction, asking the Employment Tribunal of the Court of Rome to suspend the provisional payment injunction, presenting a bank guarantee pending the issue of the sentence of the court of first instance.

The appeal presented an exhaustive series of arguments to support and defend the genuine nature of the transport contracts entered into by the Company, and, also in accordance with the advice received by the Company's lawyers, the quantification of the risk of losing the case appears premature; it is difficult to predict how long the case will take, since the two positions appear irreconcilable. .

Similarly, following an inspection on the part of the Enasarco Foundation, the parent group received a tax demand for a total of € 244 thousand. The company, firmly convinced that its stance is correct, has taken all the measures necessary to combat the actions of the Foundation and to present an appeal within the deadline and in accordance with the procedures established.

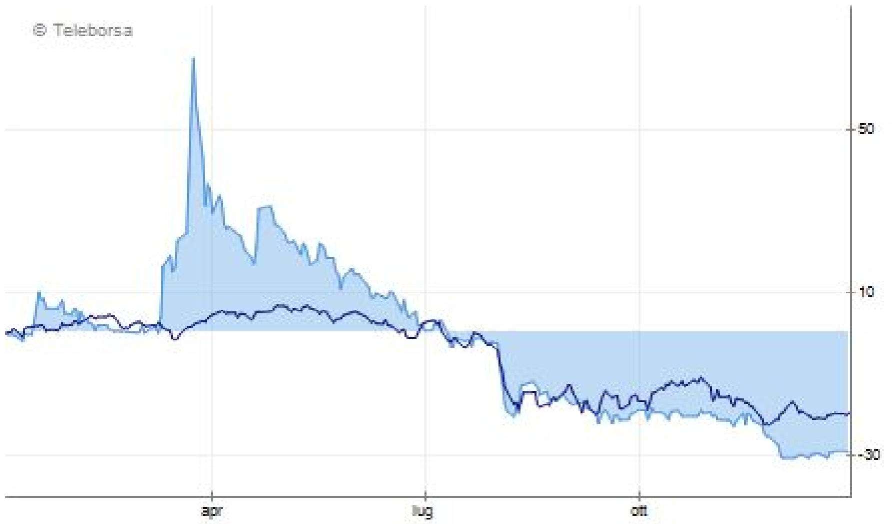
The tax inspection carried out on Centrale del Latte di Torino & C. S.p.A by the Guardia di Finanza (Italian financial police) resulted in a tax demand for FYs 2007 and 2008, for which a total payment of € 180,000 was made, partially covered by the provision set aside, amounting to € 120,000.

As regards the tax inspection relating to FY 2004, the hearing held on 25 October 2011 partially upheld the appeal filed by the company regarding the most significant findings.

Centrale del Latte di Torino & C. S.p.A. – stock performance

The stock performance of Centrale del Latte di Torino & C. S.p.A., listed on the STAR division of Borsa Italiana, has been affected by the world financial crisis. The peak price registered was € 4.10 per share against a minimum of € 1.70. On 30 December 2011, the last trading day of the year, the company shares closed at € 1.735.

The graphs below illustrate share prices from 1 January to 30 December 2011 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).



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Data protection

Following Law Decree no. 5 of 9 February 2012, which cancelled article 26 of the “technical regulations regarding minimum security measures”, it is no longer compulsory to keep and update the Security Policy Document (SPD), as established by the data protection legislation currently in force. The company and its subsidiaries have nonetheless complied with the regulations governing personal data protection.

INFORMATION ON THE PARENT COMPANY'S MANAGEMENT

Economic management

The FY2011 of Centrale del Latte di Torino & C. S.p.A. closed with net revenue reaching € 59,378 thousand, basically in line with € 59,380 thousand in FY2010. Milk raw material prices have continued to rise rapidly, with increases of as much as 9% compared to 2010 prices. These increases have not been fully incorporated into sale prices, and this brought about a drop in profit margins, especially during the first nine months of the FY. During the last quarter, also thanks to the completion of the mobility procedure, EBITDA rose again, reaching 10.2% in Q4 alone, allowing the company to end FY 2011 with an EBITDA of 7.5%, compared to 6.4% at the end of Q3 2011).

The strength of the brands and the guarantee of product quality allowed the parent company to keep sales stable, even taking account of the changes to sales contract conditions, under which, as of the beginning of 2011, large-scale retailers’ promotion contributions are now considered as discounts directly reducing turnover, instead of being recognised among service costs, as was the case the previous year.

At the end of FY2011, the main indicators in the income statement are summarised and compared with those of FY2010 in the following table:

(€/000)	31/12/2011	31/12/2010	Change
Net sales	59,378	59,380	0%
Value of production	60,333	60,314	0%
EBITDA	4,506	5,818	-23%
EBIT	2,328	3,849	-39%
Pre-tax result	1,255	2,684	-53%
Net profit (loss)	281	1,485	-81%

Revenue from sales

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

(€/000)	31/12/2011		31/12/2010		Change	
Fresh milk	24,741	42%	25,138	42%	(392)	-2%
Intra-group	3,777	6%	3,236	5%	541	17%
Total fresh milk	**28,518**	**48%**	**28,374**	**47%**	**144**	**1%**
UHT milk	13,006	22%	12,989	22%	16	0%
Intra-group	1,213	2%	1,136	2%	77	7%
Total UHT milk	**14,219**	**24%**	**14,125**	**24%**	**92**	**1%**
Yogurt	1,992	3%	1,932	3%	60	3%
Total yogurt	**1,991**	**3%**	**1,932**	**3%**	**60**	**3%**
Fresh vegetables	2,927	5%	3,165	5%	(238)	-7%
Intra-group	1,707	3%	1,848	3%	(141)	-8%
Total fresh vegetables	**4,634**	**8%**	**5,013**	**8%**	**(384)**	**-8%**
Bulk milk and cream	2,431	4%	2,632	4%	(201)	-8%
Intra-group	1,900	3%	1,934	3%	(34)	-2%
Total bulk milk and cream	**4,331**	**7%**	**4,566**	**7%**	**(235)**	**-5%**
Other packaged products	4,889	8%	4,674	8%	215	5%
Intra-group	796	1%	696	1%	100	14%
Total other packaged products	**5,685**	**10%**	**5,370**	**9%**	**315**	**6%**
Total sales	**59,378**	**100%**	**59,380**	**100,0%**	**(2)**	**0%**
of which intra-group	**9,392**	**16%**	**8,850**	**15%**	**542**	**6%**

In the **fresh milk segment**, the parent company registered, net of intra-group sales, a turnover of € 24,741 thousand, a drop of 2% compared to FY2010.

For long-life milk, sales net of intra-group sales amounted to € 13,006 thousand, basically in line with € 12,989 in 2010.

The **yogurt segment** recorded a turnover of € 1,992 thousand, up 3% compared to FY2011.

The fresh vegetable segment has been the most severely affected by the relative fall in consumption, going from € 3,165 thousand in 2010 to € 2,927 thousand in 2011 (-8%).

Sales of **other packaged products,** with a distinctive service component, increased by 5% compared to FY2010.

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 € 573 thousand compared to € 803 thousand in FY2010. 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 2011. Prices always remained above the 2010 prices. Consumption of raw materials and packaging products went from € 31,327 thousand in 2010 to € 33,330 at the end of 2011. Service costs went from € 14,901 in 2010 to € 13,881 thousand, with the 7% drop due to the changes in contractual conditions mentioned at the beginning and the containing of commercial and advertising costs. **Sundry operating expenses** amounted to € 592 thousand (€ 517 thousand in 2010). Depreciation on tangible fixed assets amounted to € 1,940 thousand, compared to € 1,868 thousand in FY2010. Amortisation of intangible fixed assets amounted to € 183 thousand (€ 39 thousand in 2010), € 144 thousand of which related to the new Group SAP information system and € 39 thousand related to trademarks.

Financial income and expenses.

Financial expenses registered at the end of FY2011 totalled € 554 thousand, up on the € 483 thousand of the previous financial year, and are for the most part (€ 397 thousand) imputable to interest payable deriving from loans and financing.

Financial income reached € 79 thousand, compared to € 126 thousand at the end of FY 2010.

Write-downs of equity investments.

The equity investment in Centrale del Latte di Vicenza S.p.A. was written down for € 598 thousand, reaching € 29,432,156.

The economic management and the equity position of the Parent Company in FY2011 are illustrated reclassified consolidated financial statements in annex a) of this report. 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 FY2011, after paying the balance of 2010 taxes and after the advance payment for FY2011 taxes, was negative for € 16,892 thousand, compared to a negative financial position of € 15,766 thousand in 2010. It is important to note VAT rebates still to be paid out, which rose from € 2875 thousand in 2010 to € 3556 thousand at the end of FY2011 (+24%)

(€/000)	31/12/2011	31/12/2010
Cash and cash equivalents (15ne+16ne)	1,288	848
Total current financial assets	**1,288**	**848**
Payables to banks	(2,500)	(3,901)
Current share of medium/long-term loans (24ne)	(4,366)	(4,781)
Current share of payables to other lenders (25ne)	(72)	(105)
Total current financial liabilities	**(6,938)**	**(8,787)**
Payables for medium/long-term loans (18ne)	(11,092)	(7,686)
Payables to other lenders for medium/long-term loans (19ne)	(151)	(141)
Total non-current financial liabilities	**(11,243)**	**(7,827)**
Total financial liabilities	**(18,181)**	**(16,614)**
Net financial position	**(16,892)**	**(15,766)**

The changes to the equity and financial structure of the Parent Company from 31 December 2010 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 SpA closed FY2011 with a net loss of € 135 thousand after taxes (a net profit of € 32 thousand in 2010), and after allocating € 100 thousand to the provision for risks associated with the equity investment in the affiliate GPP S.r.l. The overall turnover, gross of intra-group sales, amounted to € 25,313 thousand, compared to € 24,338 thousand in FY 2010.

Centrale del Latte di Vicenza S.p.A.

Centrale del Latte di Vicenza S.p.A., a 100%-subsidiary, closed FY2011 with a net loss of € 1,146 thousand, compared to a loss of € 598 thousand in 2010. The net revenue, gross of intra-group sales, amounted to € 26,440 thousand, compared to € 25,174 thousand in FY 2010.

Frascheri S.p.A.

The Company closed FY 2011 with a net profit of € 34 million, compared to the net profit of € 36 thousand in FY 2010. The overall turnover, gross of intra-group sales, amounted to € 10,840 thousand, compared to € 10,661 thousand in FY2010. The financial statements of Frascheri S.p.A. was amended in accordance with IAS/IFRS standards in order to make them suitable for insertion in the Group's consolidated financial statements.

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

Reconciliation between Financial Statements 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 compliance with 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

The Code is in the process of being updated, following the new elements introduced at the end of December 2011; this process will be completed within the set time.

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

Code of procedures for dealing with transactions with related parties. The parent company has adopted the Code of Practice with related parties in compliance with the provisions of Consob resolution no. 17221 of 12 March 2010 as amended. The version of the code for related-party transactions, approved by the Board of Directors on 11 November 2010, is available on the company's website:
http://www.centralelatte.torino.it/ita/finanza/documenti/Procedure%20operazioni%20parti%20correlate.pdf

Transactions with related parties.

The parent company has not undertaken transactions with related parties beyond those presented in the following tables:

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 01/01/2011	Purchased in 2011	Sold in 2011	Shares held at 31/12/2011
Luigi LUZZATI	Chairman	**166,062**	**-**	**-**	**166,062**
Riccardo POZZOLI	Vice Chairman and CEO	**59,125**	**-**	**-**	**59,125**
Adele ARTOM	Director	**3,593,864**	**-**	**-**	**3,593,864**
Benedetto DE BENEDETTI	Director	**516,825**	**234,704**	**-**	**751,529**
Antonella FORCHINO	Director	**137,306**	**-**	**-**	**137,306**
Ermanno RESTANO	Director	**25,000**	**-**	**25,000**	**-**

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 € 8 thousand.

The following table presents the situation of dealings with related parties at 31 December 2011:

(€/000)	Receivables	Payables	Costs	Revenue
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis	-	-	-	8
Centrale del Latte di Torino & C. S.p.A. - subsidiary	2	-	-	-
	2	**-**	**-**	**8**
Centrale del Latte di Torino & C. S.p.A. vis-à-vis:				
Finanziaria Centrale del Latte di Torino S.p.A. – ultimate parent company	-	2	8	-
Centro Latte Rapallo S.p.A. – subsidiary	2,017	268	625	7,804
Centrale del Latte di Vicenza S.p.A. - subsidiary	278	598	1,558	1,315
Frascheri S.p.A. – affiliate in joint venture	219	17	38	872
	2,514	**885**	**2,229**	**9,990**
Centro Latte Rapallo S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	268	2,017	7,804	625
Centrale del Latte di Vicenza S.p.A.	-	137	538	3
Frascheri S.p.A.	-	11	34	-
	268	**2,165**	**8,376**	**628**
Centrale del Latte di Vicenza S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	598	278	1,315	1,558
Centro Latte Rapallo S.p.A.	137	-	3	538
	735	**278**	**1,317**	**2,096**
Frascheri S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	17	219	872	38
Centro Latte Rapallo S.p.A.	11	-	-	34
	28	**219**	**872**	**72**

Offices of the Parent Company.

Registered, administrative and production office: Turin Via Filadelfia 220

Production plant: Casteggio (Pv) Via Rossini 10

Tax consolidation.

The parent 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. The option is valid for three financial years from the one that closed at 31 December 2011.

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 2011.

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.

No significant events occurred following the close of the FY.

BUSINESS OUTLOOK.

The first months of the new FY have confirmed the positive performance of sales, despite the persistent low levels of consumption. From February onwards the turnaround in raw material prices - which are expected to fall further in the second quarter – led to the expected recovery in profit margins..

Dear Shareholders,

The end of this financial year sees the expiry of the three-year appointment of the Board of Statutory Auditors. We would like to thank the Chairman and the Statutory Auditors for their work, and request that you see to the appointment of the new Board of Auditors.

Dear Shareholders,

We would like to thank those in charge of the KPMG S.p.A. Audit Company, the board of statutory auditors, managers, employees and workers for their cooperation, and we invite you to approve the financial statements at 31 December 2011, the relevant explanatory notes and this report on management allocating the profit for the year (€ 280,645) as follows:

- to the legal reserve Euro 14,032
- to the extraordinary reserve Euro 66,613
- a dividend of € 0.02 per share to the 10,000,000 common shares for a total of Euro 200,000
  payable from May 10, 2012, ex-dividend date: May 7 2012

Turin, 12 March 2012

The Chairman of the Board of Directors

Luigi Luzzati

Centrale del Latte di Torino & C. Group

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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 yearly financial report, 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.

Where necessary, the comparative figures from the 2010 financial statements have been restated to provide a consistent basis of comparison with the 2011 financial statements.

Reclassified consolidated statement of comprehensive income

		31/12/2011		31/12/2010	
1ec	Revenue from sales and services	103,352	98.4%	101,370	98.1%
3ec	Change in inventories	467	0.4%	194	0.2%
2ec	Other revenue and income	1,192	1.1%	2,057	1.8%
	Value of production	**105,011**	**100.0%**	**103,621**	**100.0%**
12ec+13ec	Services	(26,018)	-24.8%	(27,557)	-25.9%
4ec	Raw materials	(56,695)	-54.0%	(52,399)	-51.2%
15ec	Other operating costs	(1,096)	-1.0%	(761)	-0.7%
-	**Added value**	**21,202**	**20.2%**	**22,903**	**22.1%**
5ec+6ec+7ec +8ec	Personnel costs	(14,627)	-13.9%	(13,921)	-13.5%
	EBITDA	**6,575**	**6.3%**	**8,982**	**8.7%**
11ec	Provision for bad debts	(151)	-0.1%	(172)	-0.2%
10ec	Depreciation of tangible fixed assets	(4,029)	-3.8%	(4,056)	-3.9%
9ec	Amortisation of intangible fixed assets	(1,703)	-1.6%	(1,559)	-1.5%
14ec	Allocations for risks	(100)	-0.1%	(103)	-0.1%
	EBIT	**592**	**0.6%**	**3,092**	**3.0%**
16ec	Financial income	236	0.2%	94	0.1%
17ec	Financial charges	(1,254)	-1.2%	(1,205)	-1.2%
	Pre-tax result	**(427)**	**-0.4%**	**1,981**	**1.9%**
18ec	Income taxes from tax consolidation	(1,139)	-1.1%	(1,738)	-1.7%
19ec	(Deferred) prepaid taxes	544	0.5%	757	0.7%
	Net profit (loss) for the year	**(1,021)**	**-1.0%**	**1,001**	**1.0%**

Consolidated equity and financial position

		31/12/2011		31/12/2010	
	Fixed assets				
1	Technical fixed assets	58,485		61,100	
2	Current technical fixed assets	3		-	
3	Intangible fixed assets	13,612		14,596	
4	Equity investments and securities	74		73	
	Total fixed assets	**72,175**	**89.2%**	**75,769**	**92.2%**
	Working capital				
7+9	Trade receivables	23,515		23,196	
6	Inventories	3,867		3,737	
9+10	Other short-term assets	9,432		8,068	
11	**Receivables from affiliates**	285		285	
33+34+35	Trade payables	(22,730)		(23,181)	
37.38	Other payables	(5,030)		(5,263)	
36	Tax liabilities	(550)		(434)	
	Net working capital	**8,790**	**10.8%**	**6,407**	**7.8%**
	LIABILITIES AND EQUITY	**80,966**	**100.0%**	**82,176**	**100.0%**
	Long-term liabilities and provisions				
28	Employee severance indemnity	3,652		3,951	
29	Other provisions	373		423	
27	Provision for deferred taxes	4,379		5,042	
	Total long-term liabilities and provisions	**8,404**	**10.4%**	**9,417**	**11.5%**
	Financial position				
12+13	Cash, banks and securities	(5,510)		(4,703)	
30	Payables to banks	5,100		4,907	
31	Current share of medium/long-term loans	784		5,601	
32	Current share of payables to other lenders	5,189		786	
26	Medium/long-term payables to other lenders	5,578		6,280	
25	Medium/long-term loans	20,767		18,184	
	Net financial position	**31,908**	**39.4%**	**31,055**	**37.8%**
	Net equity				
15	Share capital	20,600		20,600	
16+17+18+19+ 20+21+22+23	Reserves	21,075		20,103	
24	Net profit (loss)	(1,021)		1,001	
	Total net equity	**40,654**	**50.2%**	**41,704**	**50.7%**
	LIABILITIES AND EQUITY	**80,966**	**100.0%**	**82,176**	**100.0%**

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 amounts shown are in €/000.

Where necessary, the comparative figures from the 2010 financial statements have been restated to provide a consistent basis of comparison with the 2011 financial statements.

Reclassified statement of comprehensive income

	(€/000)	31/12/2011		31/12/2010	
1ec	Revenue from sales and services	59,378	98.4%	59,380	98.5%
3ec	Change in inventories	382	0.6%	131	0.2%
2ec	Other revenue and income	573	1.0%	803	1.3%
	Value of production	**60,333**	**100.0%**	**60,314**	**100.0%**
13ec+14ec	Services	(13,888)	-23.0%	(14,901)	-24.7%
4ec	Raw materials	(33,330)	-55.2%	(31,327)	-51.9%
14ec	Other operating costs	(592)	-1.0%	(517)	-0.9%
	Added value	**12,523**	**20.8%**	**13,569**	**22.5%**
5ec+6ec +7ec+8ec	Personnel costs	(8,018)	-13.3%	(7,751)	-12.9%
	EBITDA	**4,506**	**7.5%**	**5,818**	**9.6%**
11ec	Provision for bad debts	(55)	-0.1%	(62)	-0.1%
10ec	Depreciation of tangible fixed assets	(1,940)	-3.2%	(1,868)	-3.1%
9ec	Amortisation of intangible fixed assets	(183)	-0.3%	(39)	-0.1%
	EBIT	**2,328**	**3.9%**	**3,849**	**6.4%**
15ec	Financial income	79	-0.1%	126	0.2%
16ec	Financial charges	(554)	-1.0%	(483)	-0.8%
17ec	Write-down of equity investments	(598)	-0.9%	(808)	-1.3%
	Pre-tax result	**1,255**	**2.1%**	**2,684**	**4.5%**
18ec	Income taxes for the year	(1,019)	-1.7%	(1,570)	-2.6%
19ec	(Deferred) prepaid taxes	45	0.0%	371	0.6%
	Total net profit (loss)	**281**	**0.5%**	**1,485**	**2.5%**

Reclassified equity and financial position

	(€/000)	31/12/2011		31/12/2010	
1c+2c	Technical fixed assets	14,254		15,488	
3c	Intangible fixed assets	853		316	
4c	Equity investments and securities	47,733		48,330	
	Total fixed assets	**62,840**	**93.5%**	**64,135**	**96.8%**
9c+10cc+11c	Trade receivables	12,778		14,061	
7c+8c	Inventories	1,603		1,519	
12c+13c+5c	Other short-term assets	6,282		5,036	
33c+34c+35c+36c	Trade payables	(13,050)		(15,224)	
38c+39c	Other payables	(3,031)		(3,089)	
37c	Tax liabilities	(184)		(175)	
	Net working capital	**4,398**	**6.5%**	**2,129**	**3.2%**
	LIABILITIES AND EQUITY	**67,237**	**100.0%**	**66,264**	**100.0%**
28c+29c	Employee severance indemnity	1,652		1,967	
27c	Provision for deferred taxes	522		522	
30c	**Provision for liabilities and charges**	-		120	
	Total long-term liabilities and ıs	**2,174**	**3.2%**	**2,609**	**3.9%**
14c+15c	Cash, banks and securities	(1,288)		(848)	
31c	Payables to banks	2,500		3,901	
30c	Current share of medium/long-term loans	4,366		4,781	
32c	Current share of payables to other lenders	72		105	
25c	Medium/long-term loans	11,091		7,685	
26c	Medium/long-term payables to other lenders	151		141	
	Net financial position	**16,892**	**25.2%**	**15,765**	**23.8%**
16c	Share capital	20,600		20,600	
17c+18c 19c+20c +21c+22c+23c	Reserves	27,290		25,805	
24c	Net profit (loss)	281		1,485	
	Total net equity	**48,170**	**71.6%**	**47,890**	**72.3%**
	LIABILITIES AND EQUITY	**67,237**	**100.0%**	**66,264**	**100.0%**

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 €/000

Where necessary, the comparative figures from the 2010 financial statements have been restated to provide a consistent basis of comparison with the 2011 financial statements.

Centro Latte Rapallo S.p.A. – subsidiary

Reclassified statement of comprehensive income

	31/12/2011		**31/12/2010**	
Revenue from sales and services	25,313	99.0%	24,338	99.3%
Change in inventories	46	0.2%	(28)	-0.1%
Other revenue and income	203	0.8%	210	0.9%
Value of production	**25,562**	**100.0%**	**24,520**	**100.0%**
Services	(5,790)	-22.7%	(5,336)	-21.8%
Raw materials	(15,946)	-62.4%	(15,182)	-61.9%
Other operating costs	(313)	-1.2%	(246)	-1.0%
Added value	**3,513**	**13.7%**	**3,757**	**15.3%**
Personnel costs	(2,618)	-10.2%	(2,554)	-10.4%
EBITDA	**895**	**3.5%**	**1,203**	**4.9%**
Provision for bad debts	(54)	-0.2%	(47)	-0.2%
Depreciation of tangible fixed assets	(716)	-2.8%	(807)	-3.3%
Allocation to the provision for risks	(100)	-0.4%	(100)	-0.4%
EBIT	**26**	**0.1%**	**249**	**1.0%**
Financial income	94	0.4%	62	0.3%
Financial charges	(58)	-0.2%	(55)	-0.2%
Pre-tax result	**61**	**0.2%**	**257**	**1.0%**
Income taxes for the year	(280)	-1.1%	(339)	-1.4%
(Deferred) prepaid taxes	84	0.3%	115	0.5%
Total net profit (loss)	**(135)**	**-0.5%**	**32**	**0.1%**

Reclassified equity and financial position

	31/12/2011		31/12/2010	
Fixed assets				
Technical fixed assets	4,124		4,347	
Equity investments and securities	70		70	
Total fixed assets	**4,194**	**93.3%**	**4,417**	**81.3%**
Working capital				
Trade receivables	4,497		4,714	
Inventories	480		479	
Other short-term assets	977		1,141	
Receivables from affiliates	285		285	
Suppliers	(4,682)		(4,597)	
Other payables	(734)		(911)	
Tax liabilities	(218)		(95)	
Net working capital	**605**	**6.7%**	**1,016**	**18.7%**
LIABILITIES AND EQUITY	**4,799**	**100.0%**	**5,433**	**100.0%**
Long-term liabilities and provisions				
Severance indemnity provision	975		898	
Other provisions	307		240	
Provision for deferred taxes	130		322	
Total long-term liabilities and provisions	**1,412**	**29.4%**	**1,460**	**26.9%**
Financial position				
Cash, banks and securities	(3,893)		(3,442)	
Net financial position	**(3,893)**	**-81.1%**	**(3,442)**	**-63.4%**
Net equity				
Share capital	2,600		2,600	
Reserves	4,815		4,783	
Net profit (loss)	**(135)**		32	
Total net equity	**7,280**	**151.7%**	**7,415**	**136.5%**
LIABILITIES AND EQUITY	**4,799**	**100.0%**	**5,433**	**100.0%**

Net financial position

	31-dic-11	31-dic-10
Cash and cash equivalents	3,893	3,442
Net financial position	**3,893**	**3,442**

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

The income (€ 207 thousand) deriving from the transfer of the loss to the consolidated tax position is presented under the opposite sign among “(Deferred) prepaid taxes”.

Where necessary, the comparative figures from the 2010 financial statements have been restated to provide a consistent basis of comparison with the 2011 financial statements.

Reclassified statement of comprehensive income

	31/12/2011		31/12/2010	
Revenue from sales and services	26,440	98.2%	25,174	95.9%
Change in inventories	14	0.1%	85	0.3%
Other revenue and income	470	1.7%	992	3.8%
Value of production	**26,924**	**100.0%**	**26,251**	**100.0%**
Services	(5,600)	-20.8%	(6,252)	-23.8%
Raw materials	(16,724)	-62.1%	(14,959)	-57.1%
Other operating costs	(179)	-0.7%	(137)	-0.5%
Added value	**4,420**	**16.4%**	**4,903**	**18.7%**
Personnel costs	(3,458)	-12.8%	(3,172)	-12.1%
EBITDA	**962**	**3.6%**	**1,731**	**6.6%**
Provision for bad debts	(39)	-0.1%	(56)	-0.2%
Amortisation of intangible fixed assets	(586)	-2.2%	(586)	-2.3%
Depreciation of tangible fixed assets	(1,211)	-4.5%	(1,224)	-4.6%
Allocations for risks	-	-	(3)	0.0%
EBIT	**(874)**	**-3.2%**	**(139)**	**-0.5%**
Financial income	54	0.2%	15	0.1%
Financial charges	(635)	-2.4%	(668)	-2.5%
Pre-tax result	**(1,455)**	**-5.4%**	**(792)**	**-3.0%**
Income taxes for the year	(85)	-0.3%	(109)	-0.4%
(Deferred) prepaid taxes	394	1.5%	303	1.2%
Total net profit (loss)	**(1,146)**	**-4.3%**	**(598)**	**-2.3%**

Reclassified financial and equity position

	31/12/2011		31/12/2010	
Fixed assets				
Technical fixed assets	39,185		40,355	
Intangible fixed assets	5,872		6,458	
Equity investments and securities	2		2	
Total fixed assets	**45,059**	**92.3%**	**46,815**	
Working capital				
Trade receivables	9,058		7,560	
Inventories	1,570		1,546	
Other short-term assets	2,051		1,813	
Suppliers	(7,572)		(6,356)	
Other payables	(1,188)		(1,161)	
Tax liabilities	(131)		(150)	
Net working capital	**3,788**	**7.7%**	**3,252**	**6.5%**
LIABILITIES AND EQUITY	**48,846**	**100.0%**	**50,067**	**100.0%**
Long-term liabilities and provisions				
Severance indemnity provision	803		884	
Other provisions	67		63	
Provision for deferred taxes	1,674		1,852	
Total long-term liabilities and provisions	**2,544**	**5.2%**	**2,799**	**5.6%**
Financial position				
Cash, banks and securities	(72)		(110)	
Short-term payables to banks	2,600		1,006	
Current share of payables to other lenders	711		680	
Medium/long-term payables to other lenders	5,427		6,139	
Current share of medium/long-term loans	771		771	
Medium/long-term loans	9,643		10,414	
Net financial position	**19,081**	**39.1%**	**18,901**	**37.8%**
Net equity				
Share capital	29,162		29,162	
Losses carried forward	(795)		(197)	
Net profit (loss)	(1,146)		(598)	
Total net equity	**27,222**	**55.7%**	**28,368**	**56.7%**
LIABILITIES AND EQUITY	**48,846**	**100.0%**	**50,067**	**100.0%**

Net financial position

	31/12/2011	31/12/2010
Cash and cash equivalents	**72**	**110**
Payables to banks	(2,600)	(1,006)
Current share of medium/long-term payables	(771)	(771)
Current share of payables to other lenders	(711)	(680)
Current financial liabilities	**(4,082)**	**(2,457)**
Medium/long-term payables to other lenders	(5,427)	(6,139)
Medium/long-term payables	(9,643)	(10,414)
Non-current financial liabilities	**(15,070)**	**(16,553)**
Total financial liabilities	**(19,152)**	**(19,010)**
Net financial position	**(19,081)**	**(18,901)**

Frascheri S.p.A. – joint venture

The following figures refer to the financial statements of Frascheri S.p.A., amended in accordance with IAS/IFRS standards in order to make them suitable for insertion in the Group's consolidated financial statements.

Reclassified statement of comprehensive income

	31/12/2011		31/12/2010	
Revenue from sales and services	10,840	98.4%	10,661	99.1%
Change in inventories	65	0.6%	14	0.1%
Other revenue and income	116	1.1%	80	0.7%
Value of production	**11,021**	**100.0%**	**10,755**	**100.0%**
Services	(1,851)	-16.8%	(1,796)	-16.7%
Raw materials	(7,276)	-66.0%	(6,909)	-64.2%
Other operating costs	(30)	-0.3%	(36)	-0.3%
Added value	**1,864**	**16.9%**	**2,013**	**18.7%**
Personnel costs	(1,334)	-12.1%	(1,411)	-13.1%
EBITDA	**530**	**4.8%**	**601**	**5.6%**
Provision for bad debts	(8)	-0.1%	(16)	-0.2%
Depreciation	(425)	-3.9%	(417)	-3.9%
EBIT	**98**	**0.9%**	**168**	**1.6%**
Financial income	22	0.2%	11	0.1%
Financial charges	(18)	-0.2%	(34)	-0.3%
Pre-tax result	**102**	**0.9%**	**145**	**1.3%**
Income taxes for the year	(59)	-0.5%	(108)	-1.0%
(Deferred) prepaid taxes	(8)	-0.1%	-	0.0%
Total net profit (loss)	**34**	**0.3%**	**36**	**0.3%**

Reclassified financial and equity position

	31/12/2011		31/12/2010	
Fixed assets				
Technical fixed assets	2,419		2,400	
Total fixed assets	**2,419**	**97.6%**	**2,400**	**99.0%**
Working capital				
Trade receivables	1,515		1,369	
Inventories	589		483	
Other short-term assets	171		182	
Suppliers	(1,979)		(1,715)	
Other payables	(195)		(256)	
Tax liabilities	(41)		(38)	
Net working capital	**60**	**2.4%**	**24**	**1.0%**
LIABILITIES AND EQUITY	**2,479**	**100.0%**	**2,424**	**100.0%**
Long-term liabilities and provisions				
Severance indemnity provision	555		509	
Total long-term liabilities and provisions	**555**	**23.0%**	**509**	**21.0%**
Financial position				
Cash, banks and securities	(642)		(759)	
Current share of medium/long-term loans	129		123	
Medium/long-term loans	82		211	
Net financial position	**(431)**	**-18.0%**	**(425)**	**-17.5%**
Net equity				
Share capital	600		600	
Reserves	1,722		1,704	
Net profit (loss)	34		36	
Total net equity	**2,355**	**95.0%**	**2,340**	**96.5%**
LIABILITIES AND EQUITY	**2,479**	**100.0%**	**2,424**	**100.0%**

Net financial position

	31/12/2011	31/12/2010
Cash and cash equivalents	**642**	**759**
Current share of medium/long-term payables	(129)	(123)
Current financial liabilities	**(129)**	**(123)**
Medium/long-term payables	(82)	(211)
Non-current financial liabilities	**(82)**	**(211)**
Total financial liabilities	**(211)**	**(334)**
Net financial position	**431**	**425**

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 2011

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 business purpose, including the acquisition of equity investments in companies that have similar business purpose, objects or that are instrumental to its business (including the issue of personal guarantees or collateral for third parties and the contracting of loans and mortgages), excluding trust and professional services reserved under the law, the solicitation of funds from the public and the provision to the public of all services that qualify as "financial activity".

The company is run by a Board of Directors composed of eleven 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 12 March 2012

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 € 20,600,000, fully subscribed and paid-up, and is divided into 10,000,000 common shares with a par value of € 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	**% on SC**	**Listed**	**Rights and obligations**
Common shares	10,000,000	100%	Borsa Italiana FTSE Italia STAR	Right to vote in ordinary and extraordinary meetings
Shares with limited voting rights	-	-		
Shares with no voting rights	-	-		

Other financial instruments

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

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 29 February 2012, 3,202 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.	15.03%	15.03%

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.

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 it does not have a structure able to control and/or direct decisions of an operational nature.

The information required by article 123-bis, first paragraph, letter i) is contained in section II of the report on the remuneration paid to directors and members of the audit bodies.

The information required by article 123-bis, first paragraph, letter l) is illustrated in the Report on corporate governance.

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.centralelatte.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

The Code is in the process of being updated, following the new elements introduced at the end of December 2011; this process will be completed within the set time.

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 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

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

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

Code of procedures for dealing with transactions with related parties. The Company adopted the code of procedures for dealing with transactions with related parties, pursuant to Consob resolution no. 17221 as amended. This code is available on the company's website:

http://www.centralelatte.torino.it/ita/finanza/documenti/Procedure%20operazioni%20parti%20correlate.pdf

4. BOARD OF DIRECTORS

Appointment and replacement of directors (as per article 123-bis, paragraph 1, letter l), 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. No shareholder may file, including 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 submitted must be filed at the headquarters of the company at least twenty five days before the date of the Meeting called upon to resolve upon the appointment of the members of the board of directors.

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 ineligible to 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.

How and by when lists must be submitted is indicated in the call notice.

The lists presented may be consulted by the public on the company's website and through other means provided for by law, at least 21 days before the date of the Shareholders' Meeting.

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. The remuneration due to the members of the Board of Directors shall be determined by the Shareholders' Meeting.

No plan for succession has been provided for in the event the Members of the Board of Directors are replaced before the natural expiry of their term.

Structure of the Board of Directors and Committees

At the closing date of FY2011 the Board of Directors was made up of 11 (eleven) 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 table 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 2011, 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 2010;
▪ the annual report on corporate governance for 2010;
▪ the call for the Shareholders' Meeting;
▪ verification of the independence requisites of the following independent directors: Luciano Roasio, Alberto Tazzetti, Germano Turinetto and Ermanno Restano;
▪ appointment of the Chairman, Executive Vice Chairman and CEO and Managing Directors and conferral of the pertinent powers;
▪ appointment of the Internal Audit Committee made up of the following Directors: Antonella Forchino, Luciano Roasio, Alberto Tazzetti and by the Mr. Giancarlo Moretto, appointed to the Internal Audit Committee ;
▪ appointment of the Committee for transactions with related parties made up of the following Directors: Antonella Forchino, Luciano Roasio and Alberto Tazzetti;
▪ appointment of the Directors' remuneration Committee, made up of the following Directors: Guido Artom, Alberto Tazzetti and Germano Turinetto;
▪ appointment of the Supervisory Body as per Legislative Decree 231/2001, made up of the following Directors: Antonella Forchino, Luciano Roasio and Alberto Tazzetti;
▪ in response to a proposal from the Committee regarding the remuneration of directors, it resolved upon the set and variable portions of the Executive Directors' remuneration and the indemnity to be paid out at the end of their term in office;
▪ appointment of the Executive in charge of drafting corporate accounts, Mr. Vittorio Vaudagnotti;
▪ Interim reports at 31 March 2011 and 30 September 2011 of Centrale del Latte di Torino & C. S.p.A.;
▪ Half-Yearly Report at 30 June 2011;
▪ Company's and Group's business plan for the 2012 – 2013 period;
▪ preliminary examination of a project for the purpose of land on which to build a new company facility;
▪ proposals for professional figures to be appointed to enhance the area of Via Filadelfia and Carmagnola (Turin).

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 relations 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., Centrale del Latte di Vicenza S.p.A. 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.

As of 1 January 2011, relations with related parties are regulated by the code of procedures for dealing with transactions with related parties, pursuant to Consob resolution no. 17221 as amended.

Chairman of the Board of Directors and Managing Directors.

The Chairman of the Board of Directors and the managing directors are invested with the powers provided for by the Civil Code and by the corporate by-laws.

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.

An indemnity is provided for at the end of the term of office of the Executive Directors, amounting to 1/12 of their gross yearly remuneration for each FY starting from FY2011.

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 by-laws, 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 carrying 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 the financial information is entrusted to.

6. COMMITTEES WITHIN THE BOARD.

Directors' Remuneration Committee

Within the Board of Directors, a remuneration committee has been set up. It is composed of 3 non-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 2011, the Committee met once to propose the following to the Board of Directors:

- to see to the remuneration of the executive Directors of the Company;
- the attendance fee for the non-executive directors who are members of the committees present in the Company;
- to remunerate on a variable basis the Company's and Group's executive directors;
- to institute the indemnity to be paid to the Company's Executive Directors at the end of their term of office

7. REMUNERATION OF EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS (INCLUDING THOSE BELONGING TO COMMITTEES) AND MANAGERS WITH STRATEGIC RESPONSIBILITIES.

For information regarding the remuneration paid to directors, see the Report on the remuneration of directors and audit bodies, published pursuant to article 123-ter of the Consolidated Finance Law.

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 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 offers 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 2011 the person in charge of the audit committee verified 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 greatest 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 consistent application of the accounting standards 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 checks conducted 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.

In a number of cases, the meetings of the Board of Statutory Auditors of Centrale del Latte di Torino & C. S.p.A. were attended by a representative of the Auditing Firm.

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

The members of the Board of Statutory Auditors accepted the invitation to attend the working sessions of the Committee.

During 2011 the Internal Audit Committee met 3 times.

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

Risk management and internal audit systems.

Centrale del Latte di Torino & C. S.p.A. (hereinafter referred to as CLT) believes 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 Model was drawn up with reference to the actual situation of the company, and may constitute a departure from – without affecting the validity of – the guidelines issued by Confindustria and approved by the Ministry of Justice.

By drafting the model, the company's intention is to:

- identify offences that may give rise to administrative liability;
- identify the areas vulnerable to the commission of offences provided for by 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 the set of documents that determine the responsibilities, activities and procedures adopted and implemented to carry out the activities typical of the company that are considered at risk of offences as per Legislative Decree no. 231/2001.

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 management system manual (MSM) and the procedures referred to therein, drafted in compliance with the voluntary technical standards CLT is certified for;
- 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 promptly made available to all the interested parties; they are published on the company intranet and sent directly to the relevant subjects outside the company.

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;
- identification of suppliers and dealings therewith
- handling of cash
- activities governed by the regulations regarding the prevention of accidents in the workplace and the safeguarding of workplace health and hygiene;
- breach of copyright.

The Company set up a Supervisory Body as per Legislative Decree 231/2001, made up of the following Directors: Antonella Forchino, Luciano Roasio and Alberto Tazzetti;

The organisational management and control model pursuant to former Legislative Decree no. 231/2001 is available on the Company's website

http://www.centralelatte.torino.it/ita/finanza/documenti/modello_dlgs_231_2001.pdf

10. TRANSACTIONS WITH RELATED PARTIES.

On 11 November 2010 the Board of Directors of the Company resolved upon the adoption of a procedure for transactions with related parties, in application of Consob resolution no. 17221 as amended. This procedure is an essential element in the internal control system of the group headed by Centrale del Latte di Torino & C. S.p.A. and the organisational model as per Legislative Decree no. 231 of 8 June 2001. The procedure is also valid as an instruction given by the Parent Company to its subsidiaries, pursuant to article 114, para. 2 of the Consolidated Finance Law..

The procedure provides for the set-up of a Committee for transactions with related parties, made up of the members of the Audit Committee , with a supplementary alternate member, who is the independent Director not part of the Audit Committee.

During 2011 the Committee's intervention was not required, because the conditions provided for under points 5.1 and 5.2 of the regulation governing transactions with related parties did not arise.

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. MAIN FEATURES 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 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 statements, 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. TRANSACTIONS WITH RELATED PARTIES.

On 11 November 2010 the Board of Directors of the Company resolved upon the adoption of a procedure for transactions with related parties, in application of Consob resolution no. 17221 as amended. This procedure is an essential element in the internal control system of the group headed by Centrale del Latte di Torino & C. S.p.A. and the organisational model as per Legislative Decree no. 231 of 8 June 2001. The procedure is also valid as an instruction given by the Parent Company to its subsidiaries, pursuant to article 114, para. 2 of the Consolidated Finance Law..

The procedure provides for the set-up of a Committee for transactions with related parties, made up of the members of the Audit Committee , with a supplementary alternate member, who is the independent Director not part of the Audit Committee.

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

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.

During 2011 the Committee's intervention was not required, because the conditions provided for under points 5.1 and 5.2 of the regulation governing transactions with related parties did not arise.

The code may be consulted on the company's website:

http://www.centralelatte.torino.it/ita/finanza/documenti/Procedureoperazioniparticorrelate.pdf

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. list 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. No shareholder may 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 submitted must be filed with the company's headquarters at least 25 days before the date of the Shareholders' Meeting called upon to resolve upon the appointment of the members of the board of statutory auditors. How and by when lists must be submitted is indicated in the call notice.

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 ineligible to 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 auditors takes place as follows:

1. 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.
2. the remaining statutory and the other alternate member shall be taken from the list obtaining the second 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, s/he 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 lists are made available to the public on the company's website and by the other means provided for by law at least 21 days before the date of the Shareholders' Meeting called upon to resolve upon the appointment of the members of the board of statutory auditors.

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:

a) 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 collective decision-making method.

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 term are indicated in table 3).

Their office expires with the approval of the 2011 financial statements. They were appointed 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 2011, the Board of Statutory Auditors met six times, with meetings lasting 2 hours 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 Chairmen 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 meeting may be called at the request of a number of shareholders sufficient to represent at least one twentieth of the capital of the company, who shall indicate the questions to be discussed. Requests for a meeting to be called or additions to the agenda may not be made with regard to issues the meeting resolves upon, in compliance with the law, in response to a proposal by the directors, or on the basis of a project or report drafted by them.

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 for the questions to be dealt with, on the company's website, in the Official Gazette of the Republic of Italy or in the daily newspaper "LA STAMPA", in accordance with the terms and the means provided for by the applicable regulations, specifying the day, time and place of the meeting and the matters to be dealt with.

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

Subjects entitled to vote may participate in the Shareholders' Meeting, or appoint a representative to do so on their behalf as provided for by law, provided their entitlement has been attested to by the relevant intermediary and notified to the company in compliance with the applicable regulations..

The right to intervene and to grant a power of attorney are governed by the applicable regulations.

Powers of attorney may be notified to the company by certified e-mail before the beginning of the Shareholders' Meeting, at the address indicated on the call notice.

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 provisions of article 11 apply, and for the appointment of the Board of Statutory Auditors, for which the provisions of article 20 apply.

For each Shareholders' Meeting, the company designates a subject the shareholders may grant a power of attorney, with voting instructions, for some or all of the proposals on the agenda.

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 must be able to determine the identity and entitlement of participants, control the proceedings and determine and announce the results of each vote;
- the Secretary must be 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 call notice 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 age, 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 (which are in any case evident) and announces the results thereof.

Turin, 12 March 2012

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**	**28/04/2011**	Approval of 2013 Financial Statements	**M**	YES				100%				**3**
Executive Vice Chairman and CEO	**POZZOLI Riccardo**	**28/04/2011**	Approval of 2013 Financial Statements	**M**	YES				100%				
CEO	**CODISPOTI Nicola**	**28/04/2011**	Approval of 2013 Financial Statements	**M**	YES				100%				
Director	**ARTOM Adele**	**28/04/2011**	Approval of 2013 Financial Statements	**M**		YES			90%				
Director	**ARTOM Guido**	**28/04/2011**	Approval of 2013 Financial Statements	**M**		YES			100%		YES		
Director	**DE BENEDETTI Benedetto**	**28/04/2011**	Approval of 2013 Financial Statements	**m**		YES			100% (***)				
Director	**FORCHINO Antonella**	**28/04/2011**	Approval of 2013 Financial Statements	**M**		YES			100%	YES		YES	
Director	**ROASIO Luciano**	**28/04/2011**	Approval of 2013 Financial Statements	**M**		YES	YES	YES	100%	YES		YES	
Director	**RESTANO Ermanno**	**28/04/2011**	Approval of 2013 Financial Statements	**M**		YES	YES	YES	90%				
Director	**TAZZETTI Alberto**	**28/04/2011**	Approval of 2013 Financial Statements	**M**		YES	YES	YES	100%	YES	YES	YES	
Director	**TURINETTO Germano**	**28/04/2011**	Approval of 2013 Financial Statements	**M**		YES	YES	YES	100%		YES		**3**

(*) M Majority list
(**) % of attendance to Boards and Committees
(***) percentage referring to the board meetings subsequent to appointment
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.

Office	Name	
Head of Internal Audit	Giancarlo MORETTO	Chartered Accountant in Turin
Investor Relator	Vittorio VAUDAGNOTTI	Head of Management and Control for the Company

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

TABLE 2: OTHER OFFICES OF THE DIRECTORS

Office	Members	Other office held	In LISTED COMPANIES (foreign too)	In BANKING OR INSURANCE COMPANIES	In COMPANIES OF SIGNIFICANT SIZE
Chairman	Luigi LUZZATI	Chairman	Acque Potabili S.p.A. - Torino		
		Director with power of attorney			Mediterranea delle acque S.p.A. - Genoa
		Director		Banco di San Giorgio S.p.A. - Genoa	
Director	Germano TURINETTO	Chairman		Terfinance S.p.A.	Vega Management Srl

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Office	Members	In office from	In office up to	List (*)	Indep. according to Code	% (**)	No. of other offices
Chairman	BALOSSO Marco Maria	24/04/2009	Approval of 2011 Financial Statements	**M**	YES	100%	6
Statutory auditor	RAYNERI Giovanni	24/04/2009	Approval of 2011 Financial Statements	**M**	YES	100%	32
Statutory auditor	ROSSOTTO Vittoria	24/04/2009	Approval of 2011 Financial Statements	**M**	YES	90%	9
Alternate auditor	GRISONI Paolo Pierangelo	24/04/2009	Approval of 2011 Financial Statements	**M**	YES		
Alternate auditor	RAYNERI Michela	24/04/2009	Approval of 2011 Financial Statements	**M**	YES		
Alternate auditor	SOLANO Alberto	28/04/2011	Approval of 2011 Financial Statements	**M**	YES		

(*) M Majority list
(**) % of attendance to Boards and Committees
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.

2011 Financial Statements
Centrale del Latte di Torino & C. S.p.A.

Report on the remuneration paid to the members of the management and audit bodies, general managers and other managers with strategic responsibilities

REPORT ON THE REMUNERATION PAID TO THE MEMBERS OF THE MANAGEMENT AND AUDIT BODIES, GENERAL MANAGERS AND OTHER MANAGERS WITH STRATEGIC RESPONSIBILITIES

SECTION I

The Company is managed by a Board of Director, which is made up of eleven directors. The Board of Directors will stay in office for three years, until the approval of 2013 financial statements, and was appointed by the ordinary Shareholders' Meeting of 28 April 2011. The Board of Directors is made up as follows:

Mr. Luigi LUZZATI	Chairman
Mr. Riccardo POZZOLI	Executive Vice Chairman and CEO
Mr. Nicola CODISPOTI	CEO
Ms Adele ARTOM	Director
Mr. Guido ARTOM	Director
Mr. Benedetto DE BENEDETTI	Director
Ms Antonella FORCHINO	Director
Mr. Ermanno RESTANO	Independent Director
Mr. Luciano ROASIO	Independent Director
Mr. Alberto TAZZETTI	Independent Director
Mr. Germano TURINETTO	Independent Director

No general managers or key management personnel were appointed by the company.

a) *Bodies or individuals involved in the preparation and approval of the remuneration policy, specifying their respective roles, and bodies or individuals responsible for the proper implementation of this policy.*

   The following boards/individuals were involved in the preparation and approval of the remuneration policy:

   - The ordinary shareholders' meeting with regard to the remuneration fixed proportion
   - The Directors Remuneration Committee for the fixed, variable and termination indemnity of Executive Directors and Managing Directors and the remuneration of the directors who are members the Company's internal Committees.

b) *Mention any role played by a Remuneration Committee or other committee responsible on this matters, describing their members, authority and mode of operation.*

   The Remuneration Committee of Directors is made up of the following members:

   a. Mr. Guido ARTOM non-executive Director
   b. Mr. Alberto TAZZETTI independent non-executive Director
   c. Mr. Germano TURINETTO independent non-executive Director

   The Directors Remuneration Committee proposes the remuneration of the Chairman and the Managing Directors, the Directors with special duties and the directors who are members of internal committees, monitoring the implementation of decisions taken by the Board; periodically, it reviews the criteria adopted to set the remuneration, overseeing the implementation thereof based on information provided by the Managing Directors and makes general recommendations on these matters to the Board of Directors .

c) *Mention any role played by independent experts.*

   No independent experts were involved in determining the remuneration policy.

d) *Aims of the remuneration policy, underlying principles and any changes in the remuneration policy compared to the previous financial year.*

   The remuneration policy is aimed at attracting people with skills and diversified professional experience who can positively contribute to the Company's growth and control of corporate activities. There were no changes in the methods of setting and calculating the variable remuneration compared to the previous financial year.

e) Description of policies on the remuneration fixed and variable components with particular regard to the indication of their respective proportion within the overall remuneration and distinction between the short term and medium-long term variable components.

The fixed component of executive directors remuneration accounts for 80% of the overall remuneration, while the variable remuneration accounts for 20% of the total. The base salary is paid monthly, while variable remuneration is calculated on earnings for the financial year and paid out in the next.

f) Policy applied with regard to non-monetary benefits.

There are no non-monetary benefits.

g) With reference to the variable components, a description of performance targets upon which they are assigned, distinguishing between the short term and medium-long term variable components, and information about the link between changes in performance and changes in remuneration.

Depending on the business sector in which the Company operates, while pursuing medium to long term objectives, it is not necessary that remuneration be based on results from subsequent years, as it can be granted taking into account EBITDA resulting from the financial statements for the relevant financial year.

h) Criteria used for assessing the performance targets underlying the allocation of shares, options, other financial instruments or other variable remuneration components.

The Directors' variable remuneration shall be calculated on the basis of a percentage grid applied to the Group EBITDA: for the Chairman and the Executive Vice Chairman and Managing Director the applicable percentage is 0.7% while a 0.4% shall apply for the Managing Director. The resulting remuneration shall not in any case exceed € 100.000,00 for each director.

i) *Information aimed at highlighting that the remuneration policy is consistent with the pursuit of the company's long-term interests and its risk management policy, where a formal policy in place.*

The use of EBITDA, in consideration of the company' size, is an appropriate performance indicator.

j) The vesting periods, any deferred payment systems specifying the respective deferment periods and the criteria used for determining these periods and, any ex-post adjustment mechanisms.

Not applicable.

k) *Information on any clause requiring that securities be held in portfolio after their acquisition, such holding periods and the criteria used for the determination of these periods.*

There are no provisions requiring that securities be held in portfolio as there are no incentive plans based on financial instruments.

l) *Policy on the remuneration provided in the event of cessation of office or termination of employment, specifying circumstances which determine the entitlement and any link between this remuneration and the Company's performance.*

At the end of their mandate the executive directors are entitled to a termination indemnity equal to 1/12th of their annual gross remuneration per each financial year, starting from the financial year during which they were appointed.

m) *Information on any insurance or social security or pension benefits, other than those provided for by law.*

The Company has in place a group accident insurance policy and a policy for the legal protection for all executive and non-executive directors.

n) *Remuneration policy, if any, applied with reference to: (i) independent directors, (ii) participation in committees and (iii) performance of specific offices (Chairman, Vice Chairman, etc..).*

Entitlement to remuneration accrues from the time of appointment. The remuneration fixed portion is paid monthly, while the variable component is paid during the year following the closure of the consolidated financial statements.

The remuneration of non-executive directors who are members of the Company's internal committees amounts to € 750.00 for each meeting.

o) *Specify whether the remuneration policy was defined with reference to the remuneration policies of other companies and, if so, the criteria used for choosing these companies.*

The Company's remuneration policy was defined without reference to the remuneration policies adopted by other companies.

SECTION II

PART ONE

1.1 ITEMS THAT MAKE UP THE REMUNERATION

Board of Directors:

a) **Executive Directors:**

- the fixed portion is determined by resolution of the Shareholders' Meeting and the Board of Directors upon the proposal of the Remuneration Committee;
- the Chairman, and the managing directors were granted use of a company car by the Company and/or its subsidiaries
- the Company has in place a group accident insurance policy in favour of the executive Directors and an insurance policy for the legal protection:
- the variable portion is determined by resolution of the Board of Directors upon the proposal of the Remuneration Committee;
- the termination indemnity is determined by resolution of the Board of Directors upon the proposal of the Remuneration Committee;
  - indemnity amounting to 1/12th of the gross annual remuneration for each financial year
  - there are no performance criteria underlying the allowance allocation;
  - there are no incentive plans based on financial instruments;
  - there are no agreements in place providing for the assignment or retention of non-monetary benefits or the engagement under consulting agreements after cessation of office;
  - there are no agreements in place providing for paid non-competition commitments.

b) **Non-executive directors:**

1. the fixed portion is determined by resolution of the Shareholders' Meeting;
2. the variable portion payable for participation in Committees is determined by resolution of the Board of Directors upon the proposal of the Remuneration Committee;
3. there is no termination of indemnity
4. the company has in place a group accident insurance policy in favour of non-executive directors.

The table below shows the remuneration payable to the Board of directors' members.

Luigi LUZZATI	Chairman	180,875
Riccardo POZZOLI	Vice Chairman and CEO	230,875
Nicola CODISPOTI	CEO	323,929
Adele ARTOM	Director	8,000
Guido ARTOM	Director	8,750
Benedetto DE BENEDETTI	Director	8,000
Antonella FORCHINO	Director	10,250
Ermanno RESTANO	Director	8,000
Luciano ROASIO	Director	10,250
Alberto TAZZETTI	Director	11,000
Germano TURINETTO	Director	8,750

The Company did not appoint any general manager.

Board of Auditors:

The remuneration is determined, on a fixed basis, by the Shareholders' meeting, at the time of appointment and for the full term of office. The remuneration varies between the Chairman and the statutory auditors.

The table below shows the remuneration payable to the Board of auditors' members.

		Fixed remuneration	Total
Marco Maria BALOSSO	Chairman of the Board of Auditors	29,125	29,125
Giovanni RAYNERI	Statutory Auditor	20,191	20,191
Vittoria ROSSOTTO	Statutory Auditor	20,408	20,408

Executives with strategic responsibilities:

Remuneration paid to any other managers with strategic responsibilities.

There are no managers whom are assigned strategic responsibilities having the authority and responsibility for planning, directing and auditing the Company, either directly or indirectly.

1.2 *With specific reference to arrangements providing for compensation in case of early termination of office, the following information is provided:*

1.2.1 *Whether any such agreement is in place.*

Executive Directors:

the termination indemnity is determined by resolution of the Board of Directors, upon the proposal of the Remuneration Committee, amounting to 1/12th of the gross annual remuneration for each financial year

Non-executive directors:

There are no agreements in place providing for compensation in the event of early termination of office.

1.2.2 *Criteria for determining the indemnity payable to each person.*

See paragraph 1.2.1. above.

1.2.3 *Specification of any performance criteria underlying the granting of the indemnity.*

Granting of the indemnity is not based on any performance targets.

1.2.4 *Potential effects of office termination upon the rights granted under incentive plans based on financial instruments or to be paid in cash*

Not applicable.

1.2.5 *Cases when the directors become entitled to the indemnity*

Not applicable.

1.2.6 *Specify whether there are any agreements in place providing for the assignment or retention of non-monetary benefits or the engagement under consulting agreements after cessation of office;*

No agreements have been entered into.

1.2.7 *Specify whether there are any agreements in place providing for paid non-competition commitments.*

No agreements have been entered into.

1.2.8 *With reference to the directors who cease office during the financial year, any differences in the determined indemnity compared to that established in the reference agreement.*

Not applicable.

1.2.9 *If no specific agreements are in place, explain the criteria used in determining the accrued termination indemnities.*

No termination indemnity was paid during 2011.

SECTION TWO

Attached Table 1 as provided for by schedule 7-bis of the Issuers' Regulations

SECTION THREE

Pursuant to art. 84-quater, paragraph four, of Issuers' Regulation, table 1 attached hereto shows the investments held in the Company or its subsidiaries by the Directors and the Statutory Auditors, and by the non legally separated spouses and minor children, either directly or through subsidiaries, trust companies or nominees, resulting from the shareholders' register, the communications or other disclosures received from the Directors and Auditors (Table 2 provided for by the schedule 7-ter of the Issuers' Regulation).

Turin, 12 March 2012

The Chairman of the Board of Directors

Luigi Luzzati

Table 1)

EMOLUMENTS PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration: Variable remuneration	Non-equity variable remuneration: Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
Luigi LUZZATI	**Chairman**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				118,000	-	-	62,875	-	-	-	180,875	-	6,1
Remuneration from subsidiaries				50,000	134,448	-	-	-	-	-	184,448	-	
Total				**168,000**	**134,448**	-	**62,875**	**-**	**-**	**-**	**365,323**	-	**6,1**

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration: Variable remuneration	Non-equity variable remuneration: Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
Riccardo POZZOLI	**VC and CEO**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				168,000	143,758	-	62,875	-	-	-	374,633	-	8,8
Remuneration from subsidiaries				80,000	-	-	-	-	-	-	80,000	-	
Total				**248,000**	**143,758**	**-**	**62,875**	**-**	**-**	**-**	**427,633**	-	**8,8**

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration: Variable remuneration	Non-equity variable remuneration: Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
Nicola CODISPOTI	**CEO**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				288,000	-	-	35,929	-	-	-	323,929	-	15,5
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-	
Total				**288,000**	**-**	**-**	**35,929**	**-**	**-**	**-**	**323,929**	-	**15,5**

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration: Variable remuneration	Non-equity variable remuneration: Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan

Adele ARTOM	**Director**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				8,000	-	-	-	-	-	-	8,000	-	
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-	
Total				**8,000**	**-**	**-**	**-**	**-**	**-**	**-**	**8,000**	**-**	

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
							Variable remuneration	Profit sharing					
Guido ARTOM	**Director**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				8,000	-	750	-	-	-	-	8,750	-	
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-	
Total				**8,000**	**-**	**750**	**-**	**-**	**-**	**-**	**8,750**	**-**	
							-	-	-	-			

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
							Variable remuneration	Profit sharing					
Benedetto DE BENEDETTI	**Chairman**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				8,000	-	-	-	-	-	-	8,000	-	
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-	
Total				**8,000**	-	-	-	-	-	-	**8,000**	**-**	

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
							Variable remuneration	Profit sharing					
Antonella FORCHINO	**Director**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				8,000	-	2,250	-	-	-	-	10,250	-	
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-	
Total				**8,000**	**-**	**2,250**	**-**	**-**	**-**	**-**	**10,250**	**-**	

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
							Variable remuneration	Profit sharing					
Ermanno RESTANO	**Director**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				8,000	-	-	-	-	-	-	8,000	-	
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-	
Total				**8,000**	**-**	**-**	**-**	**-**	**-**	**-**	**8,000**	**-**	

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
							Variable remuneration	Profit sharing					
Luciano ROASIO	**Chairman**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				8,000	-	2,250	-	-	-	-	10,250	-	
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-	
Total				**8,000**	**-**	**2,250**	**-**	**-**	**-**	**-**	**10,250**	**-**	

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
							Variable remuneration	Profit sharing					
Alberto TAZZETTI	**Chairman**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				8,000	-	3,000	-	-	-	-	11,000	-	
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-	
Total				**8,000**	**-**	**3,000**	**-**	**-**	**-**	**-**	**11,000**	**-**	

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
							Variable remuneration	Profit sharing					
Germano TURINETTO	**Chairman**	**1 year**	**31/12/2013**										
Remuneration from CLTO & C. S.p.A.				8,000	-	750	-	-	-	-	8,750	-	
Remuneration from				-	-	-	-	-	-	-	-	-	

subsidiaries **Total**				**8,000**	**-**	**750**	**-**	**-**	**-**	**-**	**8,750**	**-**	

TOTAL	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severan allowan
							Variable remuneration	Profit sharing					
TOTAL REMUNERATION FROM CLTO & C. S.P.A.				638,000	143,758	9,000	161,679	-	-	-	952,437	-	30,5
TOTAL REMUNERATION FROM SUBSIDIARIES				130,000	134,448	-	-	-	-	-	264,448	-	
TOTAL REMUNERATION				**768,000**	**278,206**	**9,000**	**161,679**	**-**	**-**	**-**	**1,216,885**	**-**	**30,5**

Table 2)

EMOLUMENTS PAID TO THE MEMBERS OF THE BOARD OF AUDITORS

Director	Office	Period in which	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance	Non-equity variable remuneration	Non-monetary	Other remuneration	Total	Fair value of equity

		office was held				to committees	Variable remuneration	Profit sharing	benefits			remuneration
Marco Maria BALOSSO	**Chairman**	**1 year**	**31/12/2011**									
Remuneration from CLTO & C. S.p.A.	**Chairman**			29,125							29,125	-
Remuneration from subsidiaries	**Auditor**			2,169							2,169	
				31,294							**31,294**	

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration
							Variable remuneration	Profit sharing				
Giovanni RAYNERI	**Auditor**	**1 year**	**31/12/2011**									
Remuneration from CLTO & C. S.p.A.				20,191							20,191	-
				20,191							**20,191**	

Director	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration
							Variable remuneration	Profit sharing				
Vittoria ROSSOTTO	**Auditor**	**1 year**	**31/12/2011**									
Remuneration from CLTO & C. S.p.A.				20,408							20,408	-
				20,408							**20,408**	

TOTAL	Office	Period in which office was held	Expiration of office	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration
							Variable remuneration	Profit sharing				
TOTAL REMUNERATION FROM CLTO & C. S.P.A.				69,724				-	-	-	69,724	-
TOTAL REMUNERATION FROM SUBSIDIARIES				2,169							2,169	
TOTAL REMUNERATION				**71,893**							**71,893**	

EQUITY INVESTMENTS HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE BOARD OF AUDITORS

	Office	Company shares held	Shares held at 01/01/2011	Purchased in 2011	Sold in 2011	Shares held at 31/12/2011
Luigi LUZZATI	Chairman	Centrale del Latte di Torino & C. S.p.A.	**166,062**	**-**	**-**	**166,062**
Riccardo POZZOLI	Executive Vice Chairman and CEO	**Centrale del Latte di Torino & C. S.p.A.**	**59,125**	**-**	**-**	**59,125**
Adele ARTOM	Director	Centrale del Latte di Torino & C. S.p.A.	**3,593,864**	**-**	**-**	**3,593,864**
Benedetto DE BENEDETTI	Director	**Centrale del Latte di Torino & C. S.p.A.**	**516,825**	**234,704**	**-**	**751,529**
Antonella FORCHINO	Director	**Centrale del Latte di Torino & C. S.p.A.**	**137,306**	**-**	**-**	**137,306**
Ermanno RESTANO	Director	**Centrale del Latte di Torino & C. S.p.A.**	**25,000**	**-**	**25,000**	**-**

No other member of the Board of Directors or the Board of Statutory Auditors holds shares in the company Centrale del Latte di Torino & C. S.p.A.

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

2011 Financial Statements

Accounting schedules

Statement of comprehensive income **(amounts shown in Euros)**

			31/12/2011	31/12/2010
1ec	**1ene**	**Revenue from sales and services**	**59,377,631**	**59,379,743**
		Of which from subsidiaries	*9,046,928*	*8,498,012*
		Of which from joint ventures	*344,893*	*877,964*
2ec	2ene	Other revenue	573,254	803,368
		Of which from subsidiaries	*71,797*	*142,905*
		Of which from joint ventures	-	-
3ec	3ene	Change in inventories of semi-finished and finished goods	382,145	131,120
		Total revenue from sales and services	**60,333,030**	**60,314,231**
4ec	**4ene**	**Raw and ancillary materials, consumables and goods**	**(33,329,890)**	**(31,327,109)**
		Of which to subsidiaries	*(2,299,606)*	*(2,409,584)*
		Of which to joint ventures	*(38,078)*	*(78,999)*
		Personnel costs	**(8,017,679)**	**(7,750,853)**
5ec	5ene	Wages and salaries	(5,728,342)	(5,517,405)
6ec	6ene	Social security contributions	(1,823,011)	(1,821,167)
7ec	7ene	Employee severance indemnity	(379,640)	(355,913)
8ec	8ene	Other costs	(86,686)	(56,368)
		Depreciation, amortisation and write-downs	**(2,178,185)**	**(1,968,949)**
9ec	9ene	Amortisation of intangible fixed assets	(183,463)	(39,375)
10ec	10ene	Depreciation of tangible fixed assets	(1,939,950)	(1,867,589)
11ec	11ene	Write-downs of current receivables	(54,772)	(61,985)
		Other operating costs	**(14,479,708)**	**(15,418,498)**
12ec	12ene	Services	(13,579,647)	(14,585,382)
13ec	13ene	Lease and rental costs	(308,095)	(315,722)
		Of which to ultimate parent company	*(9,931)*	*(8,091)*
14ec	14ene	Sundry operating expenses	(591,965)	(517,394)
		EBIT	**2,327,568**	**3,848,822**
15ec	15ene	Financial income	79,040	126,456
		Of which from subsidiaries	-	*14,767*
16ec	16ene	Financial charges	(553,924)	(482,689)
17ec	17ene	**Write-down of equity investments**	(597,954)	(808,452)
		Pre-tax profit (loss)	**1,254,730**	**2,684,137**
18ec	18ene	Income taxes	(1,018,802)	(1,374,363)
19ec	19ene	(Deferred) prepaid taxes	44,717	174,875
		NET PROFIT (LOSS) (A)	**280,645**	**1,484,524**
		Total other profits (losses) net of tax effects (B)	-	-
		TOTAL OVERALL PROFIT (LOSS) (A+B)	**280,645**	**1,484,524**

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)

		ASSETS	31/12/2011	31/12/2010
		NON-CURRENT ASSETS		
	1ne	**Tangible fixed assets**	**14,253,705**	**15,488,369**
1c		Land	2,115,180	2,115,180
1c		Buildings	5,672,003	5,927,519
1c		Plants and machinery	5,729,254	6,803,168
1c		Industrial and commercial equipment	734,085	642,502
2c		Fixed assets under development and advances	3,182	-
	2ne	**Intangible fixed assets**	**853,226**	**316,252**
3c		Trademarks, licences and similar	**276,877**	**316,252**
3c		Software	576,350	-
		Financial fixed assets	**47,839,294**	**48,392,028**
4c	3ne	Equity investments in subsidiaries	46,769,982	47,367,936
4c	4ne	Equity investments in joint ventures	961,293	961,293
4c	5ne	Other financial assets	1,639	1,139
5c	6ne	**Deferred tax assets**	106,379	61,660
		TOTAL NON-CURRENT ASSETS	**62,946,225**	**64,196,650**
		CURRENT ASSETS		
	8ne	**Inventories**	**1,602,905**	**1,519,190**
7c		Raw and ancillary materials and consumables	878,516	1,022,410
8c		Finished products and goods	724,389	496,780
		Trade and other receivables	**18,953,692**	**19,035,477**
9c	9ne	Trade receivables	10,263,691	11,568,131
10c	10ne	Receivables from joint ventures	218,981	164,156
11c	11ne	Receivables from subsidiaries	2,295,243	2,328,834
12c	12ne	Tax assets	4,536,986	3,160,481
13c	13ne	Other receivables	1,638,791	1,813,875
		Cash and cash equivalents	**1,288,414**	**847,766**
14c	14ne	Bank and postal accounts	1,103,440	716,565
15c	15ne	Cash and valuables on hand	184,974	131,201
		TOTAL CURRENT ASSETS	**21,845,011**	**21,402,433**
		TOTAL ASSETS	**84,791,236**	**85,599,083**

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)**

		LIABILITIES AND NET EQUITY	31/12/2011	31/12/2010
16c	**16ne**	**Share capital**	**20,600,000**	**20,600,000**
		Reserves	**27,570,316**	**27,289,672**
17c		Share premium account	14,324,577	14,324,577
18c		Revaluation reserve	196,523	196,523
19c		Legal reserve	1,005,079	930,853
20c		Other reserves	10,331,509	10,279,773
21c		Non-distributable IFRS first-time adoption reserve	1,265,968	1,265,968
22c		Losses carried forward	-	(1,358,562)
23c		Merger surplus (deficit)	166,015	166,015
24c		Profit (loss) for the period	280,645	1,484,524
	17ne	**TOTAL EQUITY**	**48,170,316**	**47,889,672**
		NON-CURRENT LIABILITIES		
25c	18ne	Long-term loans	11,091,634	7,685,702
26c	19ne	Long-term payables to other lenders	151,288	141,064
27c	20ne	Deferred taxes	522,183	522,183
		Long-term provisions	**1,651,732**	**2,086,581**
28c	21ne	Employee severance indemnity	1,621,176	1,966,581
29c	22ne	Provision for Directors' indemnity at the end of their term in office	30,556	-
30c	23ne	Provision for liabilities and charges	-	120,000
		TOTAL NON-CURRENT LIABILITIES	**13,416,837**	**10,435,530**
		CURRENT LIABILITIES		
		Financial payables	**6,938,020**	**8,786,866**
30c	23ne	Current share of long-term loans	4,365,647	4,780,702
31c	24ne	Payables to banks	2,500,000	3,900,871
32c	25ne	Current share of payables to other lenders	72,373	105,293
		Trade and other payables	**16,266,064**	**18,487,014**
33c	26ne	Trade payables	12,166,235	14,059,797
34c	27ne	Payables to subsidiaries	866,113	1,145,199
35c	28ne	Payables to joint ventures	17,047	17,686
36c	29ne	Payables to ultimate parent company	1,661	1,625
37c	30ne	Tax liabilities	184,068	174,632
38c	31ne	Payables to social security authorities	531,083	541,709
39c	31ne	Other payables	2,499,857	2,546,366
		TOTAL CURRENT LIABILITIES	**23,204,084**	**27,273,880**
		TOTAL EQUITY AND LIABILITIES	**84,791,236**	**85,599,083**

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.

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

	31/12/2011	31/12/2010
Initial cash availability	(3,053,105)	2,582,145
A. Cash flow from operating activities		
Profit (loss) for the year	280,645	1,484,524
Amortisation of intangible fixed assets	183,463	39,375
Depreciation of tangible fixed assets	1,939,950	1,867,589
Write-down of Centrale del Latte di Vicenza S.p.A.'s equity investment	597,954	**808,452**
Total depreciation, amortisation and write-downs	**2,721,366**	**2,715,416**
Employee severance indemnity accrued in the FY, net of indemnities already paid	(345,406)	(43,974)
Provision for Directors' indemnity at the end of their term in office	30,556	
Deferred taxes	-	(157,976)
Accrual to (Use of) provision for liabilities and charges	(120,000)	-
Total net accruals	**(434,850)**	**(201,950)**
Change in net working capital		
Net trade receivables and other receivables (intra-group included)	1,283,206	(1,575,197)
Inventories	(83,715)	(188,420)
Other receivables	(1,246,138)	(1,571,350)
Suppliers (parent company and intra-group included)	(2,173,252)	2,324,094
Sundry payables	(57,135)	88,166
Tax liabilities	9,436	(653,875)
Total change in net working capital	**(2,267,597)**	**(1,576,582)**
Operating cash flow	**299,564**	**1,612,956**
B. Cash flow from (for) investing activities		
Net acquisitions of technical fixed assets	(705,286)	(1,391,558)
Net acquisitions of intangible assets	(720,438)	-
Financial (investments) divestments	(500)	(5,720,768)
Acquisition of Centrale del Latte di Vicenza S.p.A.'s minority interest	-	**(1,050,000)**
Total cash flow from (for) investing activities	**(1,426,224)**	**(8,162,326)**
Free cash flow	**(1,126,660)**	**(5,740,918)**
C. Cash flow from change in net equity		
Dividends paid	-	-
Total cash flow from change in net equity	**-**	**-**
D. Cash flow from financing activities		
Change in medium/long-term financial payables	2,967,179	105,668
Total cash flow from financing activities	**2,967,179**	**105,668**
Total cash flows for the period	**1,841,519**	**(5,635,250)**
CASH AND BANKS AT YEAR-END (net of payables to banks)	**(1,211,586)**	**(3,053,105)**
of which bank accounts and cash on hand	1,288,414	847,766
of which payables to banks	(2,500,000)	(3,900,871)
Financial charges paid	445,562	**293,115**
Taxes paid	606,725	**1,930,201**

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

	At 1 Jan 10	Result allocation	Dividend payment	Changes for the period	At 31 Dec 10
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	930,853		-	-	930,853
Other reserves	10,279,774		-	-	10,279,774
Non-distributable IFRS first-time adoption reserve	1,265,967	-	-	-	1,265,967
Losses carried forward	-	(1,358,562)	-	-	(1,358,562)
Merger surplus	166,015	-	-	-	166,015
Profit (loss) for the period	(1,358,562)	1,358,562	-	1,484,524	1,484,524
	46,405,147	**-**	-	**1,484,524**	**47,889,672**

	At 1 Jan 10	Result allocation	Dividend payment	Changes for the period	At 31 Dec 10
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	930,853	74,226	-	-	1,005,079
Other reserves	10,279,774	51,736	-	-	10,331,510
Non-distributable IFRS first-time adoption reserve	1,265,967	-	-	-	1,265,967
Losses carried forward	(1,358,562)	1,358,562	-	-	-
Merger surplus	166,015	-	-	-	166,015
Profit (loss) for the period	1,484,524	(1,484,524)	-	280,645	280,645
	47,889,672	-	-	**280,645**	**48,170,316**

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

2011 Financial Statements

Notes to the 2011 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.

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 2011 financial statements was authorised by the Board of Directors on 12 March 2012.

The Company has also prepared, in its capacity as Parent Company, the consolidated financial statements at 31 December 2011.

Structure and content of the accounting schedules.

The financial statements at 31 December 2011 are composed of the equity and financial position, the statement of comprehensive income, the cash-flow statement, the statement of changes in Net Equity and the Notes. The statement of the equity and financial position consists of assets and liabilities analysed by maturity date, separating the current and non-current entries with maturity date, respectively, within and beyond a 12-month period.

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.

Where necessary, the comparative figures from the 2010 financial statements have been restated to provide a consistent basis of comparison with the 2011 financial statements.

The financial statements for FY 2011 were drafted in Euros.

Audit

The 2011 financial statements are subject to audit by KPMG S.p.A..

Accounting and assessment standards

The financial statements of Centrale del Latte di Torino & C. S.p.A. at 31 December 2011 were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards 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, except for the "other financial assets" carried at fair value.

Accounting standards, amendments and interpretations effective from 1 January 2011 applied to the company:

- IAS 24 (revised) – *Related party disclosures,* which simplifies the type of information requested in the event of transactions with related parties controlled by the State, and clarifies the definition of related parties. The adoption of this amendment has had no effect from the point of view of the assessment of the items in the financial statements, and has had limited effects on the disclosures provided on dealings with related parties in these financial statements.

Accounting standards, amendments and interpretations effective from 1 January 2011 and not relevant to the company:

- *Amendments to IAS 32 – Classification of rights issues;*
- *Amendments to IFRIC 14 – Prepayments of a minimum funding requirement;*
- Amendments to IFRS 1 and IFRS 7 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters;
- Improvement to IAS/IFRS (2010).

The following accounting standards, amendments and interpretations are yet to become applicable, and have not been adopted in advance by the company:

- Amendments to IFRS 7 – *Financial instruments*: *Supplementary disclosures regarding transfers of financial assets*

In drafting the financial statements for FY 2010 at 31 December 2011, 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 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 (5% per year).

The "software" category includes the new SAP group operating system, used to manage all company activities, amortised at a rate of 20% per year.

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 depreciation.

The depreciation charges recognised in the statement of comprehensive income 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 plants	10%
• Specific plants	5% - 16%
• Equipment	20%
• Office furniture and ordinary equipment	12%
• Electronic equipment	20%
• Motor vehicles and internal means of transport	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 statement of comprehensive income. Maintenance and repair costs are charged to the statement of comprehensive income 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 initially 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 and subsequently depreciated in relation to the relative useful life. 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 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 companies 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, with variations in fair value recorded in the statement of comprehensive income if held for trading.

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.

Cash and cash equivalents

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

Inventories

They are entered at whichever is lower between the purchase cost and the market value. For finished products, cost is determined on the basis of the direct production cost, plus overheads 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 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 statement of comprehensive income 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 substantially transferred 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 expenses incurred 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. Financial income and other expenses are shown and entered in the financial statements on an accrual accounting principle.

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 2011.

Segment reporting

The organisation of the Company is based on a single business segment for the production and sale of food products.

BREAKDOWN OF ASSETS

NON-CURRENT ASSETS

Tangible fixed assets (1ne)

Changes in tangible fixed assets and the pertinent provisions are broken down in the tables below:

TANGIBLE FIXED ASSETS	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other	Total	Fixed assets in progress	Totals
Historical cost	2,115,180	12,481,645	22,857,689	3,274,699	4,157	40,733,371	-	40,733,371
Accumulated depreciation		(6,554,127)	(16,054,522)	(2,632,197)	(4,157)	(25,245,003)	-	(25,245,003)
Initial amount	**2,115,180**	**5,927,518**	**6,803,167**	**642,502**	**-**	**15,488,367**	**-**	**15,488,367**
Acquisitions	-	93,050	294,065	313,388	-	700,503	3,182	703,685
Disposals and eliminations	-	-	(33,234)	(120,205)	-	(153,439)	-	(153,439)
Use of provisions	-	-	33,913	121,125	-	155,038	-	155,038
Depreciation	-	(348,566)	(1,368,658)	(222,726)	-	(1,939,950)	-	(1,939,950)
Final amount	**2,115,180**	**5,672,003**	**5,729,254**	**734,084**	**-**	**14,250,520**	**3,182**	**14,253,705**

Changes in accumulated depreciation of tangible fixed assets:

TANGIBLE FIXED ASSETS	Buildings	Plant and machinery	Industrial and commercial equipment	Other	Total
Initial amount	**6,554,127**	**16,054,522**	**2,632,197**	**4,157**	**25,245,003**
Use of provisions	-	(33,913)	(121,125)	-	(155,038)
Depreciation	348,566	1,368,658	222,726	-	1,939,950
Final amount	**6,902,692**	**17,389,267**	**2,733,798**	**4,157**	**27,029,915**

Tangible fixed assets include the net book value of machinery under finance lease contracts for € 151,045.

Intangible fixed assets (2ne)

Changes in intangible fixed assets and the pertinent provisions are broken down in the tables below:

INTANGIBLE FIXED ASSETS	Trademarks	Software
Historical cost	787,783	-
Initial amount	**787,783**	**-**
Acquisitions	-	720,438
Final amount	**787,783**	**720,438**
Accumulated amortisation	471,531	-
Initial amount	**316,252**	**-**
Amortisation for the period	39,375	144,088
Final amount	**276,877**	**576,350**

The increase in software relates to the new SAP operating system.

Financial fixed assets

In 2011 the company wrote down the equity investment in Centrale del Latte di Vicenza S.p.A. for € 597,954.

	Equity investments in subsidiaries	Equity investments in joint ventures	Equity investments in other companies	Totals
Initial amount	**47,367,936**	**961,293**	**1,139**	**48,330,368**
Increases	-	-	500	-
Decreases	(597,954)	-	-	(597,954)
Final amount	**46,769,982**	**961,293**	**1,639**	**47,732,914**

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 that ended on 31 December 2011:

	Share capital	Net equity	Profit (loss) for the year	Share held	Amount of equity investment entered
Centro Latte Rapallo S.p.A. Via S. Maria del campo 157 – Rapallo (Ge)	2,600,000	7,279,752	(135,387)	**100%**	**17,337,826**
Centrale del Latte di Vicenza S.p.A. Via Faedo 60 - Vicenza	29,162,303	27,221,685	(1,145,844)	**100%**	**29,432,156**

The differential between the book value of the equity investment in Centrale del Latte di Vicenza S.p.A. and the pertinent net equity is 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 2011, adjusted in accordance with international accounting standards:

	Share capital	Net equity	Profit (loss) for the year	Share held	Amount of equity investment entered
FRASCHERI S.p.A. Via C.Battisti 29 – Bardineto (Sv)	599,500	2,355,250	34,060	40%	961,293

List of other financial equity investments (5ne)

Equity investments in other companies not exceeding € 1,000 on an individual basis come to a collective total of € 1,639 and consist of interests held in credit guarantee and power supply consortia.

Deferred tax assets (6ne)

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

	Initial amount	Increases	Decreases	Final amount
Amortisation recovered further to tax audit	-	165,482	-	165,482
Tax recovery of depreciation of buildings	109,381	-	-	109,381
Remuneration of directors	34,740	73,000	(34,740)	73,000
Adjustment of employee severance indemnity to present value	61,512	-	(61,512)	-
Entertainment expenses	2,699	-	(2,699)	-
	208,332	**238,482**	**(98,951)**	**347,863**

Deferred tax assets were calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2011, 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 amount	Increases	Decreases	Final amount
Amortisation recovered further to tax audit	-	51,961	**-**	51,961
Tax recovery of depreciation of buildings	34,347	-	**-**	34,347
Remuneration of directors	9,554	20,076	(9,554)	20,075
Adjustment of employee severance indemnity to present value	16,916	-	(16,916)	-
Entertainment expenses	843	-	(843)	-
	61,660	**72,037**	**(27,318)**	**106,379**

CURRENT ASSETS

Inventories (8ne)

Inventories at 31 December 2011 amounted to € 1,602,905. They were broken down as follows:

	Initial amount	Final amount	Change
Raw and ancillary materials and consumables	1,022,410	878,516	(143,894)
Finished products and goods	496,780	724,389	227,609
	1,519,190	**1,602,905**	**83,715**

Trade receivables (9ne)

Trade receivables, all of which were due within one year, came to € 10,263,691 at 31 December 2011, 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 2011:

	Initial amount	Increases	Decreases	Final amount
Taxed provision for impaired receivables	87,651	-	(37,160)	50,491
0.5% provision for bad debts	500,731	54,772	(12,218)	543,285
Provision for impaired default interest	**18,027**	**-**	**(18,027)**	**-**
	606,409	**54,772**	**(67,405)**	**593,776**

Receivables from joint ventures (10ne)

Receivables from joint ventures came to € 218,981 at the end of 2011 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 € 2,295,243 at the end of 2011 and were associated with normal commercial sales transactions undertaken between the Company and its subsidiaries during the year.

Tax assets (12ne)

	31/12/2011	31/12/2010
VAT receivable	3,555,941	2,875,028
Direct taxes	959,258	264,365
Employee severance indemnity withholdings	19,671	21,088
Withholding taxes on interest receivable	**2,116**	**-**
Total tax assets	**4,536,986**	**3,160,481**

Other receivables (13ne)

Other receivables include:

	31/12/2011	31/12/2010
Receivables for performance guarantees received securing the payment of the surtax in accordance with Law 486/92 (milk quotas)	1,224,139	1,224,139
Accrued income and prepaid expenses	113,038	239,964
Credits to be received	105,133	112,498
Advances to suppliers	84,124	3,061
Miscellaneous	37,631	169,423
Deposits	32,079	48,968
Receivables from distributors	26,211	-
Receivables from social security institutions	10,959	8,340
Loans to employees	5,480	7,486
Total other receivables	**1,638,791**	**1,813,875**

Accrued income and prepaid expenses

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

	31-dic-11	31-dic-10
PREPAID EXPENSES		
Insurance	-	158,732
Lieu tax	29,568	21,747
Maintenance fees	20,719	21,334
VAT guarantee policies	20,048	12,182
Loan fees	20,534	10,508
Other costs	3,881	8,852
Advertising costs	-	3,619
Software leases	-	2,990
Leases	18,288	-
TOTAL PREPAID EXPENSES	**113,038**	**239,964**
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	**113,038**	**239,964**

The change to prepaid expenses for insurance is due to the fact that in 2010 the policies were paid in advance compared to the period they referred to.

Cash and cash equivalents (14ne+15ne).

Cash and cash equivalents, all of which are freely available, came to € 1,288,414 and are presented in the schedule that illustrates financial position in the analysis of financial payables.

BREAKDOWN OF LIABILITIES

NET EQUITY

Share capital (17ne)

Share capital, fully subscribed and paid-up, came to € 20,600,000, divided into 10,000,000 shares with a par value of € 2.06.

Changes in equity are illustrated in a specific schedule of the financial statements at 31 December 2011.

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	NO
Revaluation reserve	196,523	Profits/capital	-	YES	YES
Legal reserve	1,005,079	Profits/capital	-	YES	YES
Other reserves	10,331,510	Profits/capital	-	YES	YES
Non-distributable IFRS first-time adoption reserve	1,265,967	Profits/capital	-	NO	NO
Merger surplus	166,015	Merger	-	NO	NO
Profit (loss) for the period	280,645	Profits/capital	-	YES	YES

NON-CURRENT LIABILITIES

Financial payables (18ne+19ne+20ne+23ne+24ne+25ne)

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

Financial payables to banks and other lenders amounted to € 15,680,941, broken down as follows:

	Less than 12 months	Over one year, within 5 years	Over 5 years	Total payables over 1 year	Total payables
Payables to banks for loans	**4,365,647**	**10,572,058**	**519,575**	11,091,633	15,457,280
Payables to other lenders	72,373	151,288	**-**	**151,288**	**223,661**
Totals	**4,438,020**	**10,723,346**	**519,575**	**11,242,921**	**15,680,941**

The item "payables to other lenders" refers to finance lease contracts.

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

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees
Credito Emiliano CREDEM S.p.A. Euribor rate 6 months + 0.65	3,000,000	3,000,000	500,000	23 Apr 2012	---
Banca del Piemonte S.p.A. Euribor rate 3 months + 0.80	500,000	500,000	83,994	21 Feb 2012	---
Banca Popolare di Novara – Banco Popolare Group Euribor 6 months + 0.90	500,000	500,000	74,187	30 Jun 2012	---
Mediocredito Italiano S.p.A. Euribor rate 3 months + 0.90	2,500,000	2,500,000	1,250,000	31 Mar 2013	---

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees
Unicredit S.p.A. Euribor rate 3 months + 1.75	300,000	300,000	98,669	30 Jun 2013	Second mortgage on industrial property located in Casteggio (PV) for € 600,000
Centrobanca S.p.A. Euribor rate 3 months + 1.10	2,000,000	2,000,000	1,060,955	31 Oct 2013	---
Banca Popolare Commercio e Industria Euribor rate 6 months + 0.50	500,000	500,000	215,636	31 Dec 2013	---
Banca Passadore & C. S.p.A. Euribor rate 6 months + 1.35	2,500,000	2,500,000	2,500,000	01 Jul 2014	---
Deutsche Bank S.p.A. Euribor rate 3 months + 0.80	2,500,000	2,500,000	2,187,500	14 Mar 2015	---
Credito Emiliano CREDEM S.p.A. Euribor rate 6 months + 1.60	1,000,000	1,000,000	1,000,000	19 Apr 2015	---
Unicredit S.p.A. Euribor rate 6 months + 1.40	1,300,000	1,300,000	568,750	31 May 2015	First mortgage on industrial property located in Casteggio (PV) for € 2,600,000
Monte dei Paschi di Siena S.p.A. Euribor rate 6 months + 0.70	2,000,000	2,000,000	1,417,589	30 Jun 2015	---
Unicredit S.p.A. Euribor rate 3 months + 1.85	2,000,000	2,000,000	2,000,000	30 Sep 2016	---
Banca Regionale Europea S.p.A. Euribor rate 6 months + 0.80	2,500,000	2,500,000	2,500,000	08 Sep 2017	---

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

	within 12 months	over one year, within 5 years	over 5 years	Totals
Unicredit S.p.A.	344,496	2,322,923	-	2,667,419
Banca Regionale Europea S.p.A.	-	1,980,425	519,575	2,500,000
Banca Passadore & C. S.p.A.	555,556	1,944,444	-	2,500,000
Deutsche Bank S.p.A.	625,000	1,562,500	-	2,187,500
Credito Emiliano CREDEM S.p.A.	666,667	833,333	-	1,500,000
Monte dei Paschi di Siena S.p.A.	396,532	1,021,058	-	1,417,589
Mediocredito Italiano S.p.A.	1,000,000	250,000	-	1,250,000
Centrobanca S.p.A.	514,295	546,660	-	1,060,955
Banca Popolare Commercio e Industria	105,029	110,607	-	215,636
Banca del Piemonte S.p.A.	83,994	-	-	83,994
Banca Popolare di Novara	74,187	-	-	74,004
	4,365,647	**10,572,058**	**519,575**	**15,457,280**

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	72,373	151,288	-	**223,661**
	72,373	**151,288**	**-**	**223,661**

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 2011 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:

	31/12/2011	31/12/2010
Cash and cash equivalents (15ne+16ne)	1,288,414	847,766
Total current financial assets	**1,288,414**	**847,766**
Payables to banks	(2,500,000)	(3,900,871)
Current share of medium/long-term loans (24ne)	(4,365,647)	(4,780,702)
Current share of payables to other lenders (25ne)	(72,373)	(105,293)
Total current financial liabilities	**(6,938,020)**	**(8,786,866)**
Payables for medium/long-term loans (19ne)	(11,091,634)	(7,685,702)
Payables to other lenders for medium/long-term loans (20ne)	(151,288)	(141,064)
Total non-current financial liabilities	**(11,242,923)**	**(7,826,766)**
Total financial liabilities	**(18,180,943)**	**(16,613,632)**
Net financial position	**(16,892,528)**	**(15,765,866)**

Loan covenants

No covenants apply to the loans issued to the Company.

Deferred taxes (21ne)

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

	Initial amount	Increases	Decreases	Final amount
Measurement of land	1,663,000	-	-	1,663,000
	1,663,000	**-**	**-**	**1,663,000**

Deferred tax liabilities have been calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2011, 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 liabilities:

	Initial amount	Increases	Decreases	Final amount
Measurement of land	522,183	-	-	522,183
	522,183	**-**	**-**	**522,183**

Long-term provisions

Employee severance indemnity (22ne)

At 31 December 2011 the severance indemnity amounted to € 1,621,176.

Initial amount	**1,966,581**
Interest cost	80,306
Decreases and uses	(363,993)
Actuarial loss (income)	(61,718)
Final amount	**1,621,176**

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 4,60%
- annual inflation rate 2,00%
- annual rate of severance indemnity increase 3,00%

The Iboxx Eurozone Corporates AA 10 + index was used as the discount rate.

Provision for indemnities for Directors at the end of their term in office (22ne).

The provision for indemnities for Directors at the end of their term in office amounted to € 30,556. The methods of calculation used are set out in the Report on Corporate Governance.

Provision for liabilities and charges (23ne)

The provision for liabilities and charges (€ 120,000 at the beginning of the FY) was used in full to cover the payment of taxes and penalties relating to the tax inspection for the fiscal years 2007 and 2008.

As regards the tax inspection relating to FY 2004, the hearing held on 25 October 2011 partially upheld the appeal filed by the company regarding the most significant findings.

CURRENT LIABILITIES

Short-term payables to banks (23ne- 24ne) totalled € 6,865,647 and are broken down as follows:

- payables to banks for uses € 2,500,000
- current shares for loans € 4,365,647.

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

Trade payables (26ne) amounted to € 12,166,235, all payable within year-end.

Payables to subsidiaries (27ne) associated with normal commercial sales transactions between the Company and its subsidiaries during the year came to € 866,113.

Payables to joint ventures (28ne) associated with normal commercial sales transactions between the company and Frascheri S.p.A. during the year came to € 17,047.

Payables to parent company (29ne) relating to the rent of an area used for parking amounted to € 1,661.

Tax liabilities (30ne) came to € 184,068 and comprise the following line items:

	31/12/2011	31/12/2010
Payables for employees' withholding taxes	164,525	145,663
Withholdings payable on independent contractors' fees	19,543	27,345
Other	**-**	**1,624**
Total tax liabilities	**184,068**	**174,632**

Payables to social security authorities (31ne) consist of social-security contributions payable on wages and salaries and the contributions associated with the separate management of coordinated ongoing independent contractors in the total amount of € 531,083.

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

	31/12/2011	31/12/2010
Surtaxes payable under Law 486/92 (milk quotas)	1,276,085	1,276,798
Payables for wages and salaries	547,928	582,373
Accrued liabilities and deferred income	441,956	482,829
Payables for remuneration of directors and auditors	144,382	105,630
Withholdings from milk producers payable under Law 88/88	77,697	77,696
Security deposits received	6,578	12,578
Other payables	2,738	5,780
Employee trade union withholdings	2,494	2,685
Total other payables	**2,499,857**	**2,546,369**

Accrued expenses and deferred income are broken down as follows:

	31/12/2011	31/12/2010
DEFERRED INCOME		
Grants for current expenses	353,753	159,912
Other	22,398	289,279
Total deferred income	**375,971**	**449,191**
ACCRUED EXPENSES		
Interest on bank loans	65,985	27,086
Other	-	6,552
Total accrued expenses	**65,985**	**33,638**
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	**441,956**	**482,829**

COMMITMENTS AND OTHER CONTINGENT LIABILITIES

There were no off-balance sheet commitments or other contingent liabilities at 31 December 2011.

BREAKDOWN OF INCOME STATEMENT ITEMS

REVENUE

Revenue from sales and services (1ene)

Breakdown of sales by turnover segment (1ene):

	31/12/2011		31/12/2010		Change	
Fresh milk	24,741,243	42%	25,137,862	42%	(396,619)	-2%
Intra-group	3,776,546	6%	3,235,931	5%	540,615	17%
Total fresh milk	**28,517,788**	**48%**	**28,373,793**	**48%**	**143,996**	**0.5%**
UHT milk	13,005,528	22%	12,988,948	22%	16,579	0%
Intra-group	1,212,730	2%	1,136,230	2%	76,500	7%
Total UHT milk	**14,218,258**	**24%**	**14,125,178**	**24%**	**93,080**	**1%**
Yogurt	1,991,585	3%	1,932,026	3%	59,559	3%
Total yogurt	**1,991,585**	**3%**	**1,932,026**	**3%**	**59,559**	**3%**
Fresh vegetables	2,927,360	5%	3,165,382	5%	(238,022)	-8%
Intra-group	1,706,928	3%	1,847,503	3%	(140,575)	-8%
Total fresh vegetables	**4,634,288**	**8%**	**5,012,885**	**8%**	**(378,596)**	**-8%**
Bulk milk and cream	2,430,948	4%	2,632,243	4%	(201,295)	-8%
Intra-group	1,899,488	3%	1,933,790	3%	(34,302)	-2%
Total bulk milk and cream	**4,330,436**	**7%**	**4,566,033**	**8%**	**(235,596)**	**-5%**
Other packaged products	4,889,148	8%	4,673,637	8%	215,511	5%
Intra-group	796,126	1%	696,192	1%	99,935	14%
Total other packaged products	**5,685,275**	**10%**	**5,369,829**	**9%**	**315,446**	**6%**
Total sales	**59,377,631**	**100%**	**59,379,743**	**100%**	**(2,112)**	**0%**
of which intra-group (*)	**9,391,819**	**15,8%**	**8,849,645**	**14,9%**	**542,174**	**6%**

(*) 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)

	31/12/2011		31/12/2010		Change	
Extraordinary income	180,144	31%	353,622	44%	(173,478)	-49%
Recoveries	75,453	13%	15,532	2%	59,921	386%
Recoveries from subsidiaries	71,797	13%	132,778	17%	(60,981)	-46%
Grants for current expenses	65,755	12%	59,383	7%	6,372	11%
Other	62,234	11%	35,980	4%	26,254	73%
Contributions from suppliers	43,121	8%	48,835	6%	(5,714)	-12%
Sales of salvaged materials	40,120	7%	65,416	8%	(25,296)	-39%
Capital gains on asset disposal	17,158	3%	22,691	3%	(5,533)	-24%
Indemnities	13,908	2%	32,838	4%	(18,930)	-58%
Rental income	3,564	1%	36,293	5%	(32,729)	-90%
Total	**573,254**	**100%**	**803,368**	**100%**	**(230,114)**	**-29%**

Use of raw materials and consumables (4ene)

"Ancillary materials and consumables" for FY 2010 has been reclassified under costs for services for a total of around € 800 thousand, in order to facilitate comparison with FY 2011. The costs for raw materials and consumables amounted to € 33,329,890 and include:

	31/12/2011		31/12/2010		Change	
Purchases of raw materials – sundry foodstuffs	22,779,178	68%	20,653,643	64%	2,125,535	10%
Packaging materials	4,719,350	14%	4,512,183	14%	207,167	5%
Goods for resale	2,737,361	8%	2,650,670	8%	86,691	3%
Intra-group products	1,545,800	5%	1,558,544	5%	(12,744)	-1%
Consumables and ancillary material	1,002,026	3%	1,008,834	3%	(6,808)	-1%
Intra-group purchases of raw materials	634,992	2%	889,007	3%	(254,015)	-29%
Intra-group ancillary material	27,628	0%	54,228	0%	(26,600)	-49%
	33,329,890	**100%**	**31,327,109**	**98%**	**2,002,783**	**6%**

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

Personnel costs totalled € 8,017,679, broken down as follows:

	31/12/2011		31/12/2010		Change	
Wages and salaries	5,728,342	71%	5,517,405	71%	210,937	4%
Social security charges	1,823,011	23%	1,821,167	23%	1,844	0%
Employee severance indemnity	379,640	5%	355,913	5%	23,727	7%
Other costs	86,686	1%	56,368	1%	30,318	54%
	8,017,679	**100%**	**7,750,853**	**100%**	**266,826**	**3%**

The employee severance indemnity accrued in 2011 may be considered a defined-contribution plan in the amount of € 151,045.

The average workforce came to 153 at 31 December 2011 (157 at 31 December 2010).

	Engagements	Dismissals	Transfers	In service	Average workforce
Managers	-	-	-	8	**8**
Middle management	-	-	-	6	**6**
White-collar personnel	5	9	-	53	**54**
Blue-collar personnel	8	12	-	83	**84**
TOTAL	**13**	**21**	**-**	**150**	**153**

Amortisation and depreciation (9ene + 10ene)

Amortisation of intangible assets was calculated and recognised in the total amount of € 183,463. Depreciation of tangible assets was calculated and recognised in the total amount of € 1,939,950.

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

	31/12/2011		31/12/2010		Change	
Licenses and trademarks	39,375	22%	39,375	100%	-	-
Software	144,088	78%	-		144,088	100%
Total	**183,463**	**100%**	**39,375**	**100%**	**144,088**	**100%**

	31/12/2011		31/12/2010		Change	
Plant and machinery	1,351,911	70%	1,297,692	70%	54,219	4%
Buildings	348,566	18%	340,193	18%	8,373	2%
Industrial and commercial equipment	239,473	12%	229,704	12%	9,769	4%
Total	**1,939,950**	**100%**	**1,867,589**	**100%**	**72,361**	**4%**

Costs for services (12ene)

"Commercial and advertising services" for FY 2010 has been moved from costs for ancillary materials consumption for a total of about € 800 thousand, in order to facilitate comparison with FY 2011. The costs for services amounted to € 13,579,647.

The reduction in costs for promotional contributions to large-scale retailers depended on the changes to contracts, which regards them as discounts that directly reduce turnover.

	31/12/2011		31/12/2010		Change	
Transport for product distribution	4,671,776	34%	4,632,730	33%	39,046	1%
Large-scale retailers' promotion contributions	1,406,422	10%	2,624,867	19%	(1,218,445)	-46%
Administrative services	1,729,029	13%	1,458,385	10%	270,644	19%
Motive power and natural gas	1,281,848	9%	1,274,814	9%	7,034	1%
Industrial services	1,237,640	9%	1,036,889	7%	200,751	19%
Commercial and advertising services	1,099,973	8%	1,609,126	11%	(509,153)	-32%
Purchase services	943,861	7%	752,979	5%	190,882	25%
Maintenance services	597,835	4%	614,320	4%	(16,485)	-3%
Free gifts with products	394,954	3%	384,525	3%	10,429	3%
Insurance services	216,309	2%	195,318	1%	20,991	11%
Other intra-group costs	-	0%	1,429	0%	(1,429)	-100%
Total	**13,579,647**	**100%**	**14,585,382**	**100%**	**(1,005,735)**	**-7%**

Lease and rental costs (13ene)

Lease and rental costs amounted to € 308,095. Industrial leases refer to leased plant.

	31/12/2011		31/12/2010		Change	
Industrial leases	289,252	94%	293,844	93%	(4,592)	-2%
Leases of premises and buildings	18,843	6%	21,878	7%	(3,035)	-14%
Total	**308,095**	**100%**	**315,722**	**100%**	**(7,627)**	**-2%**

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

- € 306,436 for 2012;

Sundry operating expenses (14ene)

Sundry operating expenses amounted to € 591,965 Euro and include:

	31/12/2011		31/12/2010		Change	
Taxes other than income taxes	315,461	53%	296,460	57%	19,001	6%
Contingent liabilities	202,334	34%	106,153	21%	96,181	91%
Membership fees	43,670	7%	39,214	8%	4,456	11%
Entertainment expenses	16,683	3%	60,406	12%	(43,723)	-72%
Fines and penalties	7,564	1%	1,471	0%	6,093	414%
Subscriptions to magazines and books	5,300	1%	4,557	1%	743	16%
Capital losses	953	0%	6,712	1%	(5,759)	-86%
Other	-	0%	2,421	0%	(2,421)	-100%

Total	**591,965**	**100%**	**517,394**	**100%**	**74,571**	**13%**

Financial income and charges (15ene + 16ene)

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

	31/12/2011		31/12/2010		Change	
Financial income						
Actuarial income	61,718	78%	-	-	61,718	+100%
Interest from banking institutions	6,927	9%	9,917	8%	(2,990)	-30%
Interest on VAT refunds	5,815	7%	1,663	1%	4,152	+249%
Other	4,580	6%	352	0%	4,228	+120%
Income from equity investments in affiliates	-	-	99,757	79%	(99,757)	-100%
Interest from subsidiaries	-	-	14,767	12%	(14,767)	-100%
Total	**79,040**	**100%**	**126,456**	**100%**	**(47,416)**	**-37%**

	31/12/2011		31/12/2010		Change	
Financial charges						
Interest on mortgages and loans	396,978	84%	272,951	57%	(124,026)	-45%
Employee severance indemnity discounting charges	80,306	14%	138,820	29%	(58,514)	-42%
Other	35	0%	26,921	6%	26,886	100%
Interest on current accounts	37,157	8%	20,164	4%	(16,994)	-84%
Performance bond expenses	28,022	6%	13,342	3%	(14,680)	-110%
Finance lease interest	11,426	2%	10,491	2%	(935)	-9%
Total	**553,924**	**100%**	**482,689**	**100%**	**(71,235)**	**-15%**

Adjustments to financial assets (17ene)

Adjustments to financial assets refer to the impairment loss on the investment in Centrale del Latte di Vicenza S.p.A. of € 597,954.

Taxes (18ene + 19ene).

Income taxes, not including deferred tax assets and liabilities, came to € 974,085 compared to € 1,199,488 in 2010.

	31/12/2011		31/12/2010		Change	
IRES for the year 27.5%	609,375	64%	1,159,278	74%	(549,903)	-47%
IRAP for the year 3.90%	348,444	36%	411,104	26%	(62,660)	-15%
TOTAL TAXES	**957,819**	**100%**	**1,570,382**	**100 %**	**(612,563)**	**-39%**
Taxes for previous years	60,983		(196,019)			
TOTAL TAXES	**1,018,802**		**1,374,363**		**(355,561)**	**-26%**
Prepaid taxes	(44,717)		(174,875)			
TOTAL PREPAID AND DEFERRED TAXES	**(44,717)**		**(174,875)**		**(130,158)**	**-74%**
NET TOTAL TAXES	**974,085**		**1,199,488**		**(225,403)**	**-19%**

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

	Taxable base for IRES purposes		IRES tax 27.5%
Net result	**280,645**	**Theoretical IRES**	**77,177**
Increases	2,123,069		
of which write-downs of equity investments	*597,954*		
Decreases	187,802		
Taxable base	**2,215,912**	**Actual IRES**	**609,375**

	Taxable base for IRAP purposes	Theoretical IRAP	IRAP tax 3.90%
EBIT	**2,382,340**		**90,775**
Increases in personnel costs	8,017,679		
Increases	1,354,511		
Decreases	9,530		
Decreases in personnel costs	2,810,538		
Taxable base	**8,934,462**	**Actual IRAP**	**348,444**

Transactions with related parties.

The Company has not undertaken transactions with related parties beyond those presented in the following tables:

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 01/01/2011	Purchased in 2011	Sold in 2011	Shares held at 31/12/2011
Luigi LUZZATI	Chairman	166,062	-	-	166,062
Riccardo POZZOLI	Vice Chairman and CEO	59,125	-	-	59,125
Adele ARTOM	Director	3,593,864	-	-	3,593,864
Benedetto DE BENEDETTI	Director	516,825	234,704	-	751,529
Antonella FORCHINO	Director	137,306	-	-	137,306
Ermanno RESTANO	Director	25,000	-	25,000	-

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 € 8,091.

The following table presents the situation of dealings with related parties at 31 December 2011:

	Receivables	Payables	Costs	Revenue
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis	-	-	-	8,091
Centrale del Latte di Torino & C. S.p.A. - subsidiary	1,661	-	-	-
	1,661	-	-	**8,091**
Centrale del Latte di Torino & C. S.p.A. vis-à-vis:				
Finanziaria Centrale del Latte di Torino S.p.A. – ultimate parent company	-	1,661	8,091	-
Centro Latte Rapallo S.p.A. – subsidiary	2,017,443	267,774	625,342	7,803,874
Centrale del Latte di Vicenza S.p.A. - subsidiary	277,800	598,342	1,557,821	1,314,852
Frascheri S.p.A. – affiliate in joint venture	218,981	17,047	38,078	871,743
	2,514,224	**884,824**	**2,229,332**	**9,990,469**
Centro Latte Rapallo S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	267,774	2,017,443	7,803,874	625,342
Centrale del Latte di Vicenza S.p.A.	-	136,177	538,162	2,604
Frascheri S.p.A.	317	10,652	33,533	2,292
	268,091	**2,164,272**	**8,375,569**	**630,238**

Centrale del Latte di Vicenza S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	598,342	277,800	1,314,852	1,557,821
Centro Latte Rapallo S.p.A.	136,177	-	2,604	538,162
	734,519	**277,800**	**1,317,455**	**2,095,983**
Frascheri S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	17,047	218,981	871,743	38,078
Centro Latte Rapallo S.p.A.	10,652	417	2,292	33,533
	27,699	**219,298**	**874,035**	**71,611**

Remuneration of Directors and Auditors.

For information regarding the remuneration paid to Directors and Auditors, see the report on the remuneration paid to members of the management and audit bodies, general managers and other managers with strategic responsibilities.

FINANCIAL AND OPERATIONAL RISKS

Risks associated with 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.

Other risks. The dispute regarding the labelling of a number of packs came to a positive conclusion, with the Court of Chiavari acquitting the Group because the matter may not be considered an offence. The case was subsequently dismissed in Turin and Vicenza.

In 2010 Centro Latte Rapallo S.p.A. underwent an inspection on the part of the local ENASARCO Foundation office, from which emerged a number of controversies regarding the interpretation of the legal framework governing the contracts of staff dealing with transport and product delivery.

Specifically, ENASARCO held that the transport activities contracted out by Centro Latte Rapallo S.p.A to 42 self-employed drivers for the delivery of its products to customers should be governed by the social welfare provisions that apply to sales agents.

On the basis of this assumption, the ENASARCO Foundation obtained, on 3 November 2011, an injunction from the Court of Rome for € 811,185.93. The Company rapidly presented an appeal against the injunction, asking the Employment Tribunal of the Court of Rome to suspend the provisional payment injunction, presenting a bank guarantee pending the issue of the sentence of the court of first instance.
The appeal presented an exhaustive series of arguments to support and defend the genuine nature of the transport contracts entered into by the Company, and, also in accordance with the advice received by the Company's lawyers, the quantification of the risk of losing the case appears premature; it is difficult to predict how long the case will take, since the two positions appear irreconcilable. .
Similarly, following an inspection on the part of the Enasarco Foundation, the parent group received a tax demand for a total of € 244 thousand. The company, firmly convinced that its stance is correct, has taken all the measures necessary to combat the actions of the Foundation and to present an appeal within the deadline and in accordance with the procedures established.
The tax inspection carried out on Centrale del Latte di Torino & C. S.p.A by the Guardia di Finanza (Italian financial police) resulted in a tax demand for FYs 2007 and 2008, for which a total payment of € 180,000 was made, partially covered by the provision set aside, amounting to € 120,000.

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

Article 149 duodecies of the Issuers' Regulations

Audit of yearly report and consolidated financial statements: Euro 59,822

Audit of half-yearly report: Euro 10,130

CORPORATE EVENTS

On 28 April 2011, the ordinary shareholders' meeting of Centrale del Latte di Torino & C. S.p.A. approved the 2010 financial statements, using the profits for the year, amounting to € 1484 million, as follows:

- € 74 thousand to the legal reserve
- € 1.358 million to cover the 2009 carried-forward loss
- € 52 thousand to the extraordinary reserve

The meeting also appointed the new Board of Directors for the 2011 – 2012 – 2013 three-year period.

MATERIAL NON-RECURRING EVENTS AND TRANSACTIONS

No significant non-recurring events or transactions took place during the year.

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.

No significant events occurred following the close of the FY.

BUSINESS OUTLOOK.

The first months of the new FY have confirmed the positive performance of sales, despite the persistent low levels of consumption. From February onwards the turnaround in raw material prices - which are expected to fall further in the second quarter – led to the expected recovery in profit margins..

Centrale del Latte di Torino Group
2011 Consolidated Financial Statements

Accounting schedules

Consolidated statement of comprehensive income (amounts shown in Euros)

			31/12/2011	31/12/2010
1ec	**1ene**	**Revenue from sales**	**103,351,592**	**101,370,103**
2ec	**2ene**	Other revenue	1,192,314	2,057,875
3ec	3ene	Change in inventories of semi-finished and finished goods	467,172	193,614
		Total revenue from sales and services	**105,011,078**	**103,621,592**
4ec	4ene	**Raw and ancillary materials, consumables and goods**	**(56,694,623)**	**(52,399,795)**
		Personnel costs	**(14,627,497)**	**(13,920,744)**
5ec	5ene	Wages and salaries	(10,389,880)	(9,898,840)
6ec	6ene	Social security contributions	(3,390,629)	(3,287,768)
7ec	7ene	Employee severance indemnity	(670,018)	(597,521)
8ec	8ene	Other costs	(176,970)	(136,615)
		Depreciation, amortisation and write-downs	**(5,882,693)**	**(5,786,677)**
9ec	9ene	Amortisation of intangible fixed assets	(1,703,470)	(1,559,383)
10ec	**10ene**	Depreciation of tangible fixed assets	(4,028,533)	(4,055,719)
11ec	11ene	Write-downs of current receivables	(150,690)	(171,575)
		Other operating costs	**(27,213,975)**	**(28,422,385)**
12ec	**12ene**	Services	(25,339,316)	(26,870,966)
13ec	13ene	Lease and rental costs	(679,012)	(686,701)
14ec	14ene	Allocations for risks	(100,000)	(103,478)
15ec	**15ene**	Sundry operating expenses	(1,095,647)	(761,240)
		EBIT	**592,290**	**3,091,991**
16ec	**16ene**	Financial income	235,515	94,117
17ec	17ene	Financial charges	(1,254,364)	(1,204,996)
		Pre-tax profit (loss)	**(426,559)**	**1,981,112**
18ec	18ene	Income taxes from tax consolidation	(1,138,788)	(1,737,875)
19ec	19ene	(Deferred) prepaid taxes	544,145	757,600
		NET PROFIT (LOSS) (A)	**(1,021,202)**	**1,000,837**
21ec	21ene	Total other profits (losses) net of tax effects (B)	-	-
		TOTAL OVERALL PROFIT (LOSS) (A+B)	**(1,021,202)**	**1,000,837**
		TOTAL OVERALL PROFIT (LOSS) ATTRIBUTABLE TO:		
		Ultimate Parent Company's shareholders	**(1,021,202)**	**1,000,837**
		Number of shares with voting rights	10,000,000	10,000,000
		Net earnings (loss) per share	(0.10)	0.10

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)**

		ASSETS	31/12/2011	31/12/2010
		NON-CURRENT ASSETS		
	1ne	**Tangible fixed assets**	**58,488,262**	**61,099,825**
1		Land	11,881,248	11,881,248
1		Buildings	23,525,811	24,097,722
1		Plant and machinery	20,744,931	22,803,209
1		Industrial and commercial equipment	1,866,154	1,853,993
1		Other	466,936	463,653
2		Fixed assets under development and advances	3,182	-
	2ne	**Intangible fixed assets**	**13,612,481**	**14,595,513**
3		Trademarks	12,686,053	14,245,435
3		Goodwill	350,078	350,078
3		Software	576,350	-
		Financial fixed assets	**227,713**	**173,514**
4	3ne	Equity investments carried at equity	45,000	45,000
4	4ne	Other financial assets	29,066	28,366
5	**5ne**	Deferred tax assets	153,646	100,148
		TOTAL NON-CURRENT ASSETS	**72,328,456**	**75,868,852**
		CURRENT ASSETS		
	6ne	**Inventories**	**3,867,292**	**3,736,579**
6		Raw and ancillary materials and consumables	2,403,465	2,324,513
6		Finished products and goods	1,463,827	1,412,065
		Trade and other receivables	**33,078,797**	**31,448,863**
7	7ne	Trade receivables	23,383,603	23,097,177
8	8ne	Receivables from shareholders in joint ventures	131,664	98,657
9	9ne	Tax assets	6,424,635	4,780,285
10	10ne	Other receivables	2,853,805	3,187,655
11	11ne	Financial receivables from affiliates	285,089	285,089
		Cash and cash equivalents	**5,509,702**	**4,703,423**
12	12ne	Bank and postal accounts	5,240,151	4,504,955
13	13ne	Cash and valuables on hand	269,551	198,468
		TOTAL CURRENT ASSETS	**42,455,790**	**39,888,865**
		TOTAL ASSETS	**114,784,246**	**115,757,717**

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)

		LIABILITIES AND NET EQUITY	31/12/2011	31/12/2010
15	**15ne**	**Share capital**	**20,600,000**	**20,600,000**
		Reserves	**20,054,057**	**21,103,942**
16		Share premium account	14,324,578	14,324,578
17		Revaluation reserve	196,523	196,523
18		Legal reserve	1,005,079	930,853
19		Other reserves	2,648,689	2,648,689
20		Consolidation reserve	1,679,365	1,679,365
21		Non-distributable IFRS first-time adoption reserve	134,886	134,886
22		Profits (losses) carried forward	920,124	22,196
23		Merger surplus	166,015	166,015
24		Profit (loss) for the period	(1,021,202)	1,000,837
	15ne	**GROUP NET EQUITY**	**40,654,057**	**41,703,942**
		NON-CURRENT LIABILITIES		
25	16ne	Long-term loans	20,767,393	18,184,369
26	17ne	Long-term payables to other lenders	5,578,436	6,279,607
27	18ne	Deferred taxes	4,379,117	5,042,425
		Provisions	**4,025,073**	**4,374,426**
28	19ne	Employee severance indemnity	3,621,157	3,951,469
28	19ne	Provision for Directors' indemnity at the end of their term in office	30,556	-
29	20ne	Provision for liabilities and charges	373,360	422,957
		TOTAL NON-CURRENT LIABILITIES	**34,750,019**	**33,880,827**
		CURRENT LIABILITIES		
		Financial payables	**11,071,831**	**11,294,116**
30	21ne	Payables to banks	5,099,507	4,907,004
31	22ne	Current share of long-term loans	5,188,556	5,601,485
32	23ne	Current share of payables to other lenders	783,768	785,627
		Trade and other payables	**28,308,339**	**28,878,832**
33	24ne	Trade payables	22,710,323	23,163,614
34	25ne	Payables to ultimate parent company	1,661	1,625
35	26ne	Payables to shareholders in joint ventures	16,534	16,762
36	27ne	Tax liabilities	549,715	434,067
37	28ne	Payables to social security authorities	871,312	901,636
38	29ne	Other payables	4,158,794	4,361,128
		TOTAL CURRENT LIABILITIES	**39,380,170**	**40,172,948**
		TOTAL EQUITY AND LIABILITIES	**114,784,246**	**115,757,717**

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)

	31/12/2011	31/12/2010
Initial cash availability	(203,581)	(886,060)
A. Cash flow from operating activities		
Profit (loss) for the year – gross of minority losses	(1,021,203)	1,000,837
Amortisation of intangible fixed assets	1,703,470	1,559,383
Depreciation of tangible fixed assets	4,028,533	4,055,719
Total amortisation and depreciation	**5,732,003**	**5,615,101**
Employee severance indemnity accrued in the FY, net of indemnities already paid	(299,756)	38,497
Deferred taxes	(663,308)	(634,568)
Accrual to (Use of) provision for liabilities and charges	(49,597)	(508,138)
Total net accruals	**(1,012,661)**	**(1,104,209)**
Change in net working capital		
Net trade receivables and other receivables (affiliates included)	(319,433)	(3,475,428)
Inventories	(130,713)	(543,517)
Other receivables	(1,363,999)	(1,185,167)
Suppliers (parent company included)	(453,480)	2,490,262
Sundry payables	(232,658)	53,815
Tax liabilities	115,649	(792,498)
Total change in net working capital	**(2,384,635)**	**(3,452,352)**
Operating cash flow	**1,313,504**	**2,059,198**
B. Cash flow from (for) investing activities		
Net acquisitions of technical fixed assets	(1,416,970)	(2,042,303)
(Increases) decreases in intangible fixed assets	(700)	
Financial (investments) divestments	(720,438)	-
Total cash flow from (for) investing activities	**(2,138,108)**	**(2,042,303)**
Free cash flow	**(824,604)**	**16,895**
C. Cash flow from change in net equity		
Dividends paid	-	-
Acquisition of Centrale del Latte di Vicenza S.p.A.'s minority interest (*)	-	(1,050,000)
Total cash flow from change in net equity	**-**	**(1,050,000)**
D. Cash flow from financing activities		
Change in medium/long-term financial payables	1,438,379	1,715,584
Total cash flow from financing activities	**1,438,379**	**1,715,584**
Total cash flows for the period	**613,776**	**682,479**
CASH AND BANKS AT YEAR-END	**410,195**	**(203,581)**
of which bank accounts and cash on hand	**5,509,702**	**4,703,423**
of which payables to banks	**(5,099,507)**	**(4,907,004)**
Financial charges paid	**1,037,160**	**726,757**
Taxes paid	**715,596**	**2,146,386**

Change in consolidated net equity (amounts shown in Euros)

	At 1 Jan 10	Result allocation	Dividend payment	Other	Profit (loss) for the period	At 31 Dec 10
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	930,853	-	-	-	-	930,853
Other reserves	2,648,689	-	-	-	-	2,648,689
Consolidation reserve	1,679,365	-	-	-	-	1,679,365
Non-distributable IFRS first-time adoption reserve	134,886	-	-	-	-	134,886
Profits (losses) carried forward	(1,301,194)	800,114	-	(*) 523,278	-	22,196
Merger surplus	166,015	-	-	-	-	166,015
Profit (loss) for the period	800,114	(800,114)	-	-	1,000,837	1,000,837
Group net equity	**40,179,827**	**-**	-	**523,278**	**1,000,837**	**41,703,942**
Minority share	1,589,902	-	-	(1,589,902)	-	**-**
	41,769,729	-	-	**(1,066,624)**	**1,000,837**	**41,703,942**

	At 1 Jan 10	Result allocation	Dividend payment	Other	Profit (loss) for the period	At 31 Dec 10
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	930,853	74,226	-	-	-	1,005,079
Other reserves	2,648,689		-	-	-	2,648,689
Consolidation reserve	1,679,365		-	-	-	1,679,365
Non-distributable IFRS first-time adoption reserve	134,886		-	-	-	134,886
Profits (losses) carried forward	22,196	926,611	-	(28,683)	-	920,124
Merger surplus	166,015		-	-	-	166,015
Profit (loss) for the period	1,000,837	(1,000,837)	-	-	(1,021,202)	(1,021,202)
Group net equity	**41,703,942**	**-**	-	**(28,683)**	**(1,021,202)**	**40,654,057**

(*) The item "Other" in 2010 report contains the effect of the difference between the price paid for the acquisition of the minority interest in Centrale del Latte di Vicenza S.p.A. and the pertinent share of net equity.

Centrale del Latte di Torino Group

2011 Consolidated Financial Statements

Notes to the Consolidated Financial Statements

The Group.

The Parent Company, Centrale del Latte di Torino & C. S.p.A., incorporated and domiciled 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.

The publication of the 2011 consolidated financial statements was authorised by the Board of Directors on 12 March 2012.

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 become consolidated as of 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.

Affiliates are carried at 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 2011:

	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.	100%
Via Faedo 60 - Vicenza	
Consolidated proportionally:	
Frascheri S.p.A.	40%
Via C.Battisti 29 – Bardineto (Sv)	

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 not changed since 31 December 2010. 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 2011 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 statement of comprehensive income. 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 among the consolidated entities in the form of payables and receivables and costs and revenues are derecognised;
- 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 2011 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. The statement of the equity and financial position consists of assets and liabilities analysed by maturity date, separating the current and non-current entries with maturity date, respectively, within and beyond a 12-month period.

Where necessary, the comparative figures from the 2010 consolidated financial statements have been restated to provide a consistent basis of comparison with the 2011 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 consolidated financial statements for FY 2011 were drafted in Euros.

Audit

The 2011 consolidated financial statements are subject to audit by KPMG S.p.A..

Accounting and assessment standards

The financial statements of Centrale del Latte di Torino & C. S.p.A. at 31 December 2011 were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards 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, except for the "other financial assets" carried at fair value.

Accounting standards, amendments and interpretations effective from 1 January 2011 applied to the company:

- IAS 24 (revised) – *Related party disclosures,* which simplifies the type of information requested in the event of transactions with related parties controlled by the State, and clarifies the definition of related parties. The adoption of this amendment has had no effect from the point of view of the assessment of the items in the financial statements, and has had limited effects on the disclosures provided on dealings with related parties in these financial statements.

Accounting standards, amendments and interpretations effective from 1 January 2011 and not relevant to the company:

- *Amendments to IAS 32 – Classification of rights issues;*
- *Amendments to IFRIC 14 – Prepayments of a minimum funding requirement;*
- Amendments to IFRS 1 and IFRS 7 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters;
- Improvement to IAS/IFRS (2010).

The following accounting standards, amendments and interpretations are yet to become applicable, and have not been adopted in advance by the company:

- Amendments to IFRS 7 – *Financial instruments*: *Supplementary disclosures regarding transfers of financial assets*

In drafting the consolidated financial statements for FY 2009 at 31 December 2011, 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.

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 fair value of the payment transferred, plus the amount recognised of any equity investments held by third parties in the company purchased, less the net amount recognised (usually the fair value), of the identifiable assets purchased. Goodwill is tested for impairment on an annual basis or more frequently if events that may result in impairment losses have occurred.

The “software” category” includes the new group operating system, used to manage all company activities.

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 depreciation.

The depreciation charges recognised in the statement of comprehensive income 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 plants	3.4% - 10%
• Specific plants	16% - 18.4%
• Equipment	3.8% - 20%
• Office furniture and ordinary equipment	5% - 12%
• Electronic equipment	20% - 25%
• Motor vehicles and internal means of transport	6% - 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 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 statement of comprehensive income. Maintenance and repair costs are charged to the statement of comprehensive income 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 initially 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 and subsequently depreciated in relation to the relative useful life. 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.

Other financial assets

Equity investments in other companies 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, with variations in fair value recorded in the statement of comprehensive income if held for trading.

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 2011.

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.

Cash and cash equivalents

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

Inventories

They are entered at whichever is lower between the purchase cost and the market value. For finished products, cost is determined on the basis of the direct production cost, plus overheads 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 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 statement of comprehensive income 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 substantially transferred 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 expenses incurred 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. Financial income and other expenses are shown and entered in the financial statements on an accrual accounting principle.

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 2011.

Segment reporting

The organisation of the Group is based on a single business segment for the production and sale of food products.

EPS

Earnings per share are 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)

Changes in tangible fixed assets and the pertinent provisions are broken down in the tables below:

TANGIBLE FIXED ASSETS	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other	Total	Fixed assets in progress	Totals
Historical cost	**11,981,248**	**33,502,786**	**46,750,388**	**7,595,622**	**2,299,596**	**102,129,640**	**-**	**102,129,640**
Accumulated depreciation		9,405,066	23,947,179	5,741,629	1,835,943	40,929,817	-	40,929,817
Provision for future capital losses	(100,000)	-	-	-	-	(100,000)	-	(100,000)
Initial amount	**11,881,248**	**24,097,722**	**22,803,209**	**1,853,993**	**463,653**	**61,099,823**	**-**	**61,099,827**
Acquisitions	-	266,705	477,251	505,250	204,122	1,453,327	3,182	1,456,509
Disposals and eliminations	-	-	(40,234)	(242,054)	(104,917)	(387,205)	-	(387,205)
Use of provisions	-	-	40,073	205,700	101,590	347,363	-	347,363
Depreciation	-	(838,616)	(2,535,367)	(456,735)	(197,512)	(4,028,530)	-	(4,028,533)
Final amount	**11,881,248**	**23,525,811**	**20,744,932**	**1,866,154**	**466,936**	**58,485,080**	**3,182**	**58,488,262**

The provision is associated with capital losses likely to be sustained by Centrale del Latte di Vicenza S.p.A. in connection with the part of land expropriated to build the access road for the new facility.

Changes in accumulated depreciation of tangible fixed assets:

TANGIBLE FIXED ASSETS	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other	Total
Initial amount	**100,000**	**9,405,066**	**23,947,179**	**5,741,629**	**1,835,943**	**41,029,818**
Use of provisions	-	-	(40,073)	(205,700)	(101,590)	(347,363)
Depreciation	-	838,616	2,535,367	456,735	197,812	4,028,533
Final amount	**100,000**	**10,243,682**	**26,442,473**	**5,992,664**	**1,932,165**	**44,710,988**

Provisions for tangible fixed assets include the net carrying amount of equipment under finance lease (€ 7,812,392) and refer to the Parent Company (€ 151,045) and to Centrale del Latte di Vicenza S.p.A. (€ 7,661,347).

Intangible fixed assets (2ne)

INTANGIBLE FIXED ASSETS	Trademarks	Software
Historical cost	32,733,814	-
Initial amount	**32,733,814**	**-**
Acquisitions	-	720,438
Final amount	**32,733,814**	**720,438**
Accumulated amortisation	18,488,379	-
Initial amount	**18,488,379**	**-**
Amortisation for the period	1,559,382	144,088
Final amount of the provision	**20,047,761**	**144,088**
Final amount of intangible fixed assets	**12,686,053**	**576,350**

The increase in software relates to the new SAP operating system.

Equity investments in companies carried at equity (3ne)

Equity investments in affiliates refer to the interest held by the subsidiary Centro Latte Rapallo S.p.A. in GPP S.r.l., and came to € 45,000 thousand. This amount remains unchanged from 2010.

Other financial assets (4ne)

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

	31/12/2011	**31/12/2010**
Capitalimpresa S.p.A.	25,150	25,150
Consorzio CFV	1,700	1,000
Other equity investments individually worth less than one thousand euro	2,216	2,216
Total equity investments in other companies	**29,066**	**28,366**

Deferred tax assets (5ne)

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

	Initial amount	**Increases**	**Decreases**	**Final amount**
Amortisation recovered further to audit	-	165,482	-	165,482
Tax recovery of depreciation of buildings	**109,382**	**-**	**-**	**109,382**
Remuneration of directors	34,740	100,500	(34,740)	100,500
Allocation to taxed provisions for risks	100,000	-	-	100,000
Supplementary customer indemnity	7,025	3,771	-	10,796
Membership fees	-	3,823	-	3,823
Entertainment expenses	2,007	-	(2,007)	-
Adjustment of employee severance indemnity to present value	61,512	-	(61,512)	-
	314,666	**273,576**	**(98,259)**	**489,983**

Deferred tax assets were calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2011, 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 amount	**Increases**	**Decreases**	**Final amount**
Amortisation recovered further to audit	-	51,961	**-**	51,961
Allocation to taxed provisions for risks	37,126	-	-	37,126
Tax recovery of depreciation of buildings	34,347	-	**-**	34,347
Remuneration of directors	8,924	27,636	(10,938)	25,622
Supplementary customer indemnity	2,205	1,184	-	3,389
Membership fees	-	1,200	-	1,200
Entertainment expenses	630	-	(630)	-
Adjustment of employee severance indemnity to present value	16,916	-	(16,916)	-
	100,148	**81,981**	**(28,483)**	**153,646**

CURRENT ASSETS

Inventories (6ne)

Inventories came to € 3,867,292 at 31 December 2011 and may be broken down as follows:

	Initial amount	**Final amount**	**Change**
Raw and ancillary materials and consumables	2,324,513	2,403,465	78,952
Finished products and goods	1,412,065	1,463,827	51,762

	3,736,579	**3,867,292**	**130,714**

Trade receivables (7ne)

Trade receivables, all of which were due within one year, came to € 23,383,603 at 31 December 2011. They 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 2011:

	Initial amount	Increases	Decreases	Final amount
Provision for bad debts	552,238	119,083	86,186	585,135
Taxed provision for impaired receivables	316,629	-	42,667	273,962
Provision for impaired default interest	28,965	31,606	28,965	31,606
	897,832	**150,689**	**157,818**	**890,704**

Receivables from shareholders in joint ventures (8ne).

These came to € 131,664 and are associated with the unconsolidated share (60%) of the normal commercial transactions undertaken with Frascheri S.p.A. during the year.

Tax assets (9ne)

	31/12/2011	31/12/2010
VAT receivable	5,255,199	4,326,392
Direct taxes	1,136,199	431,135
Withholding taxes on interest receivable	11,157	-
Employee severance indemnity withholdings	22,081	22,748
Total tax assets	**6,424,635**	**4,780,285**

Other receivables (10ne)

Other receivables include:

	31/12/2011	31/12/2010
Receivables for performance guarantees received securing the payment of the surtax in accordance with Law 486/92 (milk quotas)	1,997,470	1,968,250
Credits to be received	262,816	114,241
Accrued income and prepaid expenses	237,487	398,624
Miscellaneous	127,796	410,817
Advances to suppliers	95,243	15,986
Deposits	58,676	53,208
Receivables from distributors	43,311	196,811
Receivables from social security institutions	21,072	15,456
Loans to employees	7,637	9,186
Advances on salaries	2,297	5,074
Total other receivables	**2,853,805**	**3,187,655**

Accrued income and prepaid expenses

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

	31/12/2011	31/12/2010
PREPAID EXPENSES		
Maintenance fees	50,697	49,078
Loan fees	48,012	40,021
Leases	31,532	13,826
Lieu tax	29,568	21,747
VAT guarantee policies	25,812	19,977
Other costs	17,524	73,746
Insurance	**13,868**	**159,756**
Advertising costs	6,833	17,483
Software leases	-	2,990
TOTAL PREPAID EXPENSES	**223,845**	**398,624**
ACCRUED INCOME		
Interest on bank accounts	13,642	-
TOTAL ACCRUED INCOME	**13,642**	**-**
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	**237,487**	**398,624**

The change to prepaid expenses for insurance is due to the fact that in 2010 the policies were paid in advance compared to the period they referred to.

Cash and cash equivalents (12ne+13ne).

Cash and cash equivalents, all of which are freely available, came to € 5,509,702 and are presented in the schedule that illustrates the financial position in the analysis of financial payables.

BREAKDOWN OF LIABILITIES

GROUP NET EQUITY

Share capital (15ne)

Share capital, fully subscribed and paid-up, came to € 20,600,000, divided into 10,000,000 shares with 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 2011.

Availability and eligibility for distribution of equity reserves

	Nature	Use	Available	Eligible for distribution
Share capital		-	-	-
Share premium account	Profits/capital	-	YES	YES
Revaluation reserve	Profits/capital	-	YES	YES
Legal reserve	Profits/capital	-	YES	YES
Other reserves	Profits/capital	-	YES	YES
Consolidation reserve	Profits/capital	-	YES	NO
Non-distributable IFRS first-time adoption reserve	Profits/capital	-	NO	NO
Profits (losses) carried forward	Profits (losses)	-	NO	NO
Merger surplus	Merger	-	NO	NO
Profit (loss) for the period	Profits (losses)	-	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 2011	280,645	48,170,316
Result for the year of Centro Latte Rapallo S.p.A.	(135,386)	7,279,753
Result for the year of Centrale del Latte di Vicenza S.p.A.	(1,145,837)	27,221,692
Result of Frascheri	13,624	942,100
Centro Latte Rapallo S.p.A. trademark, after taxes	(640,665)	4,484,654
Goodwill	-	350,078
Derecognition of equity investments in companies within the scope of consolidation	597,954	(47,732,776)
Other consolidation adjustments	8,463	(61,762)
Balances as consolidated accounting schedules at 31 December 2011	**(1,021,202)**	**40,654,055**

NON-CURRENT LIABILITIES

Financial payables (16ne+17ne+21ne+22ne+23ne)

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

Payables to financial institutions and other lenders amounted to € 32,318,154. They are broken down as follows:

	Less than 12 months	Over one year, within 5 years	Over 5 years	Total payables over 1 year	Total payables
Payables to banks for loans	**5,188,556**	**12,919,247**	**7,848,146**	20,767,393	25,955,950
Payables to other lenders	**783,768**	**2,521,399**	**3,057,037**	**5,578,436**	**6,362,204**
Totals	**5,972,324**	**15,440,646**	**10,905,183**	**26,345,828**	**32,318,154**

The item "payables to other lenders" refers to finance lease contracts.

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

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees
Credito Emiliano CREDEM S.p.A. Euribor rate 6 months + 0.65	3,000,000	3,000,000	500,000	23 Apr 2012	---
Banca Popolare di Novara – Banco Popolare Group Euribor rate 6 months + 0.90	500,000	500,000	74,187	30 Jun 2012	----
Banca del Piemonte S.p.A. Euribor rate 3 months + 0.80	500,000	500,000	83,994	21 Feb 2012	---
Mediocredito Italiano S.p.A. Euribor rate 3 months + 0.90	2,500,000	2,500,000	1,250,000	31 Mar 2013	---
Unicredit Banca d'Impresa S.p.A. Euribor rate 3 months + 1.75	300,000	300,000	98,669	30 Jun 2013	Second mortgage on industrial property located in Casteggio (PV) for € 600 thousand
Cassa Risparmio di Savona Rate 0.475% + half Euribor 6 months	332,000	332,000	59,686	30 Jun 2013	Mortgage on industrial property located in Borghetto S.S. (Sv) for € 1,391,450
Centrobanca S.p.A. Euribor rate 3 months + 1.10	2,000,000	2,000,000	1,060,955	31 Oct 2013	---
Banca Popolare Commercio e Industria Euribor rate 6 months + 0.50	500,000	500,000	215,636	31 Dec 2013	---
Cassa Risparmio di Savona Rate 0.50% + half Euribor 6 months	108,000	108,000	24,697	31 Dec 2013	Mortgage on industrial property located in Borghetto S.S. (Sv) for € 1,391,450
Banca Passadore & C. S.p.A. Euribor rate 6 months + 1.35	2,500,000	2,500,000	2,500,000	01 Jul 2014	---
Deutsche Bank S.p.A. Euribor rate 3 months + 0.80	2,500,000	2,500,000	2,187,500	14 Mar 2015	---

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees
Credito Emiliano CREDEM S.p.A. Euribor rate 6 months + 1.60	1,000,000	1,000,000	1,000,000	19 Apr 2015	---
Unicredit Banca d'Impresa Euribor rate 6 months + 1.40	1,300,000	1,300,000	568,750	31 May 2015	Second mortgage on industrial property located in Casteggio (PV) for € 2.6 million
Monte dei Paschi di Siena S.p.A. Euribor 6 months + 0.70	2,000,000	2,000,000	1,417,589	30 Jun 2015	---
Unicredit Banca d'Impresa **Euribor rate 3 months + 1.85**	2,000,000	2,000,000	2,000,000	30 Sep 2016	---
Banca Regionale Europea S.p.A. Euribor rate 6 months + 0.80	2,500,000	2,500,000	2,500,000	08 Sep 2017	---
Unicredit Banca d'Impresa S.p.A. Euribor rate 6 months + 1.80	10,000,000	10,000,000	7,714,286	30 Jun 2025	Ipoteca su immobile di proprietà in Vicenza per 20 milioni di Euro
Unicredit Banca d'Impresa S.p.A. Euribor rate 6 months + 2.80	3,000,000	3,000,000	2,700,000	30 Jun 2025	Mortgage on an owned property in Vicenza for € 20 million

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

	within 12 months	over one year, within 5 years	over 5 years	Totals
Unicredit Banca d'Impresa	1,115,815	4,637,209	7,328,571	13,081,705
Banca Passadore & C. S.p.A.	555,556	1,944,444	-	2,500,000
Banca Regionale Europea S.p.A.	-	1,980,425	519,575	2,500,000
Deutsche Bank S.p.A.	625,000	1,562,500	-	2,187,500
Credito Emiliano CREDEM S.p.A.	666,667	833,333	-	1,500,000
Monte dei Paschi di Siena S.p.A.	396,534	1,021,057	-	1,417,591
Mediocredito Italiano S.p.A.	1,000,000	250,000	-	1,250,000
Centrobanca	514,295	546,660	-	1,060,955
Banca Popolare Commercio e Industria	105,029	110,607	-	215,636
Cassa di Risparmio di Savona	51,480	32,902	-	84,382
Banca del Piemonte S.p.A.	83,994	-	-	83,994
Banca Popolare di Novara – Banco Popolare Group	74,187	-	-	74,187
	5,188,556	**12,919,247**	**7,848,146**	**25,955,950**

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	783,768	2,521,399	3,057,037	6,362,204
	783,768	**2,521,399**	**3,057,037**	**6,362,204**

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 2011 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:

	31/12/2011	31/12/2010
Cash and cash equivalents (12ne+13ne)	5,509,702	4,703,423
Total current financial assets	**5,509,702**	**4,703,423**
Payables to banks (21ne)	(5,099,507)	(4,907,004)
Current share of medium/long-term loans (22ne)	(5,188,556)	(5,601,485)
Current share of payables to other lenders (23ne)	(783,768)	(785,627)
Total current financial liabilities	**(11,071,831)**	**(11,294,116)**
Payables for medium/long-term loans (16ne)	(20,767,393)	(18,184,369)
Payables to other lenders for medium/long-term loans (17ne)	(5,578,436)	(6,279,607)
Total non-current financial liabilities	**(26,345,829)**	**(24,463,976)**
Total financial liabilities	**(37,417,661)**	**(35,758,092)**
Net financial position	**(31,907,959)**	**(31,054,669)**

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 € 10,414,286 at 31 December 2011:

- ratio of the borrower's net financial indebtedness to its net equity is not to exceed 1.5. These covenants were satisfied at 31 December 2011.

Deferred taxes (18ne)

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

	Initial amount	Increases	Decreases	Final amount
Trademarks	13,037,466	-	(997,193)	12,040,273
Measurement of land	1,663,000	-	-	1,663,000
Elimination of tax interference – accelerated amortisation	823,980	-	(603,060)	220,920
Adjustment of employee severance indemnity to present value	87,858	12,169	-	100,027
Capital gains	15,778	3,154	(12,854)	6,078
	15,628,082	**15,323**	**(1,613,107)**	**14,030,298**

Deferred taxes have been calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2011, 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 liabilities:

	Initial amount	Increases	Decreases	Final amount
Trademarks	4,175,171	-	(568,095)	3,607,076
Measurement of land	522,182	-	-	522,182
Elimination of tax interference – accelerated amortisation	310,360	-	(95,730)	214,630
Adjustment of employee severance indemnity to present value	28,074	4,214	-	32,288
Capital gains	6,638	-	(3,697)	2,941
	5,042,425	**4,214**	**(667,522)**	**4,379,117**

Long-term provisions

Employee severance indemnity (19ne)

At 31 December 2011 the severance indemnity amounted to € 3,621,157.

Initial amount	**3,951,469**
Service cost	84,068
Interest cost	167,036
Decreases and uses	(479,135)
Actuarial loss (income)	(102,281)
Final amount	**3,621,157**

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 regard 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 4.60%
- 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 10 + index was used as the discount rate.

Provision for indemnities for Directors at the end of their term in office (19ne).

The provision for indemnities for Directors at the end of their term in office amounted to € 30,556. The methods of calculation used are set out in the Report on Corporate Governance.

Provision for liabilities and charges (20ne)

	Initial amount	Increases	Decreases	Final amount
Provision for future capital losses	360,089	166,632	220,000	306,721
Provision for risks – milk quotas	25,631	-	-	25,631
Provision for customer indemnities	37,237	3,770	-	41,007
	422,957	**170,402**	**220,000**	**373,360**

The provision for future capital losses was used for € 120,000 further to the audit for 2007 – 2008 tax years, totalling € 180,000, settled by the Parent Company with the Revenue Office. The remainder refers to prudential allocation in connection with the affiliate GPP Srl to account for any additional losses that the company may sustain. During FY2011 the provision was used in the amount of € 100,000 for the writing-down of the receivables and increased by € 100,000.

CURRENT LIABILITIES

Short-term payables to banks (21ne- 22ne) totalled € 10,288,063 and are broken down as follows:

- payables to banks for uses € 5,099,507
- current shares for loans € 5,188,556

-

Current share of payables to other lenders (23ne) amounted € 783,768.

Trade payables (24ne) amounted to € 22,710,323, all payable by year-end.

Payables to ultimate parent company (25ne) amounted to € 1,661.

Payables to shareholders of joint ventures (25ne) came to € 16,534 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:

	31/12/2011	31/12/2010
Payables for employees' withholding taxes	378,767	342,974
Withholdings payable on independent contractors' fees	61,144	47,255
Payables for income taxes	108,472	38,499
Payables for other taxes	1,331	5,339
Total tax liabilities	**549,715**	**434,067**

Payables to social security authorities (28ne) 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 € 871,312.

The item "Other payables" (29ne) includes**:**

	31/12/2011	31/12/2010
Surtaxes payable under Law 486/92 (milk quotas)	2,049,692	2,020,913
Payables for wages and salaries	1,133,295	1,146,765
Accrued liabilities and deferred income	674,135	813,344
Payables for remuneration of directors and auditors	161,106	105,630
Withholdings from milk producers payable under Law 88/88	77,697	107,188
Other payables	52,600	151,422
Security deposits received	6,579	12,578
Employee trade union withholdings	3,690	3,291
Total other payables	**4,158,794**	**4,361,131**

Accrued expenses and deferred income are broken down as follows:

	31-dic-11	31-dic-10
DEFERRED INCOME		
Grants for current expenses	268,713	396,405
Other	238,579	289,279
Total deferred income	**507,292**	**685,684**
ACCRUED EXPENSES		
Accrued personnel costs and associated charges	63,564	58,928
Interest on bank loans	65,985	33,638
Other charges	37,294	35,095
Total accrued expenses	**166,843**	**127,661**
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	**674,135**	**813,344**

COMMITMENTS AND OTHER CONTINGENT LIABILITIES

There were no off-balance sheet commitments or other contingent liabilities at 31 December 2011.

BREAKDOWN OF INCOME STATEMENT ITEMS

REVENUE

Revenue from sales and services (1ene)

Breakdown of sales by turnover segment (1ene):

	31/12/2011		31/12/2010		Change	
Fresh milk	46,189,568	45%	46,569,590	46%	(380,022)	-1%
UHT milk	20,322,655	20%	19,729,958	19%	592,697	3%
Yogurt	7,958,142	8%	6,937,726	7%	1,020,416	15%
Fresh vegetables	5,800,428	6%	6,299,321	6%	(498,893)	-8%
Bulk milk and cream	3,364,796	3%	3,371,056	3%	(6,260)	0%
Other packaged products	19,716,004	19%	18,462,451	18%	1,253,553	7%
Total	**103,351,592**	**100%**	**101,370,103**	**100%**	**1,981,490**	**2%**

Breakdown of other revenue (2ene)

	31/12/2011		31/12/2010		Change	
Extraordinary income	301,114	25%	868,325	47%	(567,211)	-65%
Capital gains on asset disposal	27,773	2%	417,489	20%	(389,716)	-93%
Other	163,836	14%	151,467	8%	12,370	8%
Sales of salvaged materials	44,359	4%	70,018	4%	(25,659)	-37%
Contributions from suppliers	83,599	7%	269,828	13%	(186,229)	-69%
Insurance refunds	20,658	2%	34,315	2%	(13,657)	-40%
Rental income	3,564	0%	36,293	2%	(32,729)	-90%
Recoveries	376,483	32%	21,897	1%	354,586	16%
Grants for current expenses	170,927	14%	188,243	10%	(17,316)	-9%
Total	**1,192,314**	**100%**	**2,057,875**	**100%**	**(865,562)**	**-42%**

Use of raw materials and consumables (4ene)

"Ancillary materials and consumables" for FY 2010 has been reclassified under costs for services for a total of around € 800 thousand, in order to facilitate comparison with FY 2011.

The costs for raw materials and consumables amounted to € 56,694,623 and include:

	31/12/2011		31/12/2010		Change	
Purchases of raw materials – sundry foodstuffs	35,125,970	62%	32,132,896	61%	2,993,074	9%
Goods for resale	11,736,732	21%	10,378,476	20%	1,358,256	13%
Packaging materials	8,396,060	15%	8,326,154	16%	69,906	1%
Consumables and ancillary material	1,435,858	3%	1,562,269	3%	(126,410)	-8%
Total	**56,694,623**	**100%**	**52,399,796**	**100%**	**4,294,825**	**8%**

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

Personnel costs, an analysis of which is provided in the report on operations, came to € 14,627,497 and may be broken down as follows:

	31/12/2011		31/12/2010		Change	
Wages and salaries	10,389,880	71%	9,898,840	71%	491,040	5%
Social security charges	3,390,629	23%	3,287,768	24%	102,859	3%
Employee severance indemnity	670,018	5%	597,521	4%	72,498	12%
Other costs	176,970	1%	136,615	1%	40,356	30%
Total	**14,627,497**	**100%**	**13,920,744**	**100%**	**706,753**	**5%**

The employee severance indemnity accrued in 2011 may be considered a defined-contribution plan in the amount of € 670,018. The average workforce came to 284 at 31 December 2011 (285 at 31 December 2010).

	Engagements	Dismissals	Transfers	In service	Average workforce
Managers	-	-	-	15	15
Middle management	-	-	-	9	9
White-collar personnel	9	8	2	111	111
Blue-collar personnel	12	12	(2)	149	148
TOTAL	**22**	**20**	**-**	**283**	**284**

Amortisation and depreciation (9ene + 10ene)

Amortisation of intangible assets was calculated and recognised in the total amount of € 1,703,470. Depreciation of tangible assets was calculated and recognised in the total amount of € 4,028,533.

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

	31/12/2011	31/12/2010	Change	
Licenses and trademarks	1,559,382	1,559,383	(1)	-
Software	144,088	-	144,088	100%
Total	**1,703,470**	**1,559,383**	**144,087**	**9%**

	31/12/2011		31/12/2010		Change	
Plant and machinery	2,518,621	63%	2,520,743	62%	(2,122)	-
Buildings	838,616	21%	830,452	20%	8,164	1%
Industrial and commercial equipment	473,484	12%	492,766	12%	(18,282)	-4%
Other	197,812	5%	211,758	5%	(13,946)	-6%
Total	**4,028,533**	**100%**	**4,055,719**	**100%**	**(27,186)**	**-1%**

Costs for services (12ene)

"Commercial and advertising services" for FY 2010 has been moved from costs for ancillary materials consumption for a total of about € 800 thousand, in order to facilitate comparison with FY 2011. The costs for services amounted to € 25,339,316.

The reduction in costs for promotional contributions to large-scale retailers depended on the changes to contracts, which regards them as discounts that directly reduce turnover.

	31/12/2011		31/12/2010		Change	
Transport for product distribution	8,741,874	35%	8,506,899	32%	234,975	3%
Administrative services	3,118,949	12%	2,574,127	10%	544,822	21%
Commercial and advertising services	2,672,104	11%	3,729,242	14%	(1,057,138)	-28%
Motive power and natural gas	2,653,268	10%	2,601,601	10%	51,666	2%
Industrial services	2,104,160	8%	1,950,352	7%	153,808	8%
Large-scale retailers' promotion contributions	2,001,872	8%	3,506,962	13%	(1,505,091)	-43%
Purchase services	1,751,056	7%	1,569,064	6%	181,992	12%
Maintenance services	1,482,149	6%	1,709,715	6%	(227,566)	-13%
Free gifts with products	433,552	2%	426,071	2%	7,481	2%
Insurance services	380,332	2%	296,933	1%	83,400	28%
Total	**25,339,316**	**100%**	**26,870,968**	**100%**	**(1,531,652)**	**-6%**

Lease and rental costs (13ene)

Lease and rental costs amounted to € 679,012. Leases refer to the industrial buildings and warehouses in Rapallo and Bardineto and the rent of a parking area in Turin for employees.

	31/12/2011		31/12/2010		Change	
Industrial leases	549,963	81%	557,355	81%	(7,393)	-1%
Leases of premises and buildings	129,049	19%	129,346	19%	(297)	0%
Total	**679,012**	**100%**	**686,701**	**100%**	**(7,689)**	**-1%**

Provision for risks (14ene)

Allocations for risks amounted to € 100,000, and mainly regarded the risks associated with the equity investment in GPP Srl held by Centro Latte Rapallo.

Sundry operating expenses (15ene)

Sundry operating expenses amounted to € 1,095,647 Euro and include:

	31/12/2011		31/12/2010		Change	
Taxes other than income taxes	421,599	38%	405,075	53%	16,524	4%
Contingent liabilities	345,237	32%	161,087	21%	184,150	114%
Other	161,879	15%	13,238	2%	148,641	1123%
Membership fees	104,387	10%	95,694	13%	8,693	9%
Entertainment expenses	41,905	4%	60,406	8%	(18,501)	-31%
Subscriptions to magazines and books	10,283	1%	7,808	1%	2,475	32%
Fines and penalties	9,345	1%	7,554	1%	1,792	24%
Capital losses	1,013	0%	10,378	1%	(9,365)	-90%
Total	**1,095,647**	**100%**	**761,240**	**100%**	**334,407**	**44%**

Financial income and charges (16ene + 17ene)

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

	31/12/2011		31/12/2010		Change	
Financial income						
Interest from banking institutions	70,992	30%	42,975	46%	28,017	65%
Other	49,606	21%	32,942	35%	16,664	51%
Interest on VAT refunds	6,949	3%	16,140	17%	(9,191)	-57%
Actuarial income	107,969	46%	2,060	2%	105,910	5142%
Total financial income	**235,516**	**100%**	**94,117**	**100%**	**141,399**	**150%**
Financial charges						
Interest on mortgages and loans	817,935	65%	658,012	55%	159,923	24%
Employee severance indemnity discounting charges	160,501	13%	186,221	15%	(25,720)	-14%
Finance lease interest	172,527	14%	146,287	12%	26,240	18%
Other	23,780	2%	78,291	6%	(54,511)	-70%
Interest on current accounts	46,698	4%	68,746	6%	(22,048)	-32%
Collection charges	-	-	43,471	4%	(43,471)	-100%
Performance bond expenses	32,923	3%	22,721	2%	10,203	45%
Interest on suppliers	-	-	1,249	0%	(1,249)	-100%
Total	**(1,254,364)**	**100%**	**(1,204,996)**	**100%**	**49,368**	**4%**
Financial income and expenses	**(1,018,848)**		**(1,110,879)**		**(92,031)**	**-9%**

Adjustments to equity investments

No adjustments to equity investments were made in FY 2011.

Taxes (18ene + 19ene).

Income taxes deriving from the tax consolidation program, not including deferred tax assets and liabilities, came to € 594,643 compared to € 980,275 in 2010.

	31/12/2011		31/12/2010		Change	
IRES for the year 27.5%	**573,516**	58%	**1,090,605**	63%	(517,089)	-47%
IRAP for the year 3.90%	565,272	42%	647,270	33%	(81,998)	-13%
TOTAL TAXES	**1,138,788**	**100%**	**1,737,875**	**100%**	**(599,087)**	**-34%**
Deferred/prepaid taxes	(544,145)		(757,600)		(213,455)	-28%
NET TOTAL TAXES	**594,643**		**980,275**		**(385,632)**	**-40%**

Transactions with related parties.

The Group has not undertaken transactions with related parties beyond those presented in the following tables:

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 01/01/2011	Purchased in 2011	Sold in 2011	Shares held at 31/12/2011
Luigi LUZZATI	Chairman	166,062	-	-	166,062
Riccardo POZZOLI	Vice Chairman and CEO	59,125	-	-	59,125
Adele ARTOM	Director	3,593,864	-	-	3,593,864
Benedetto DE BENEDETTI	Director	516,825	234,704	-	751,529
Antonella FORCHINO	Director	137,306	-	-	137,306
Ermanno RESTANO	Director	25,000	-	25,000	-

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 € 8,091.

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 2011:

	Receivables	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	1,661	-	-	8,091
	1,661	**-**	**-**	**8,091**
Centrale del Latte di Torino & C. S.p.A. vis-à-vis:				
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis	-	1,661	8,091	-
	-	**1,661**	**8,091**	**-**
Centro Latte Rapallo S.p.A. vis-à-vis:				
GPP	285,089	**-**	**-**	**-**
	285,089	**-**	**-**	**-**
GPP Genova pasta e pesto S.p.A. vis-à-vis:				
Centro Latte Rapallo S.p.A.	-	285,089	-	-
	-	**285,089**	**-**	**-**

Remuneration of Directors and Auditors.

For information regarding the remuneration paid to Directors and Auditors, see the report on the remuneration paid to members of the management and audit bodies, general managers and other managers with strategic responsibilities.

FINANCIAL AND OPERATIONAL RISKS

Risks associated with 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 and 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 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. The dispute regarding the labelling of a number of packs came to a positive conclusion, with the Court of Chiavari acquitting the Group because the matter may not be considered an offence. The case was subsequently dismissed in Turin and Vicenza.

In 2010 Centro Latte Rapallo S.p.A. underwent an inspection on the part of the local ENASARCO Foundation office, from which emerged a number of controversies regarding the interpretation of the legal framework governing the contracts of staff dealing with transport and product delivery.

Specifically, ENASARCO held that the transport activities contracted out by Centro Latte Rapallo S.p.A to 42 self-employed drivers for the delivery of its products to customers should be governed by the social welfare provisions that apply to sales agents.

On the basis of this assumption, the ENASARCO Foundation obtained, on 3 November 2011, an injunction from the Court of Rome for € 811,185.93. The Company rapidly presented an appeal against the injunction, asking the Employment Tribunal of the Court of Rome to suspend the provisional payment injunction, presenting a bank guarantee pending the issue of the sentence of the court of first instance.

The appeal presented an exhaustive series of arguments to support and defend the genuine nature of the transport contracts entered into by the Company, and, also in accordance with the advice received by the Company's lawyers, the quantification of the risk of losing the case appears premature; it is difficult to predict how long the case will take, since the two positions appear irreconcilable. .

Similarly, following an inspection on the part of the Enasarco Foundation, the parent group received a tax demand for a total of € 244 thousand. The company, firmly convinced that its stance is correct, has taken all the measures necessary to combat the actions of the Foundation and to present an appeal within the deadline and in accordance with the procedures established.

The tax inspection carried out on Centrale del Latte di Torino & C. S.p.A by the Guardia di Finanza (Italian financial police) resulted in a tax demand for FYs 2007 and 2008, for which a total payment of € 180,000 was made, partially covered by the provision set aside, amounting to € 120,000.

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 Euro 101,847

Audit of half-yearly report Euro 19,830

CORPORATE EVENTS

On 28 April 2011, the ordinary shareholders' meeting of Centrale del Latte di Torino & C. S.p.A. approved the 2010 financial statements, using the profits for the year, amounting to € 1484 million, as follows:

- € 74 thousand to the legal reserve
- € 1.358 million to cover the 2009 carried-forward loss
- € 52 thousand to the extraordinary reserve

The meeting also appointed the new Board of Directors for the 2011 – 2012 – 2013 three-year period.

MATERIAL NON-RECURRING EVENTS AND TRANSACTIONS

No significant non-recurring events or transactions took place during the year.

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.

No significant events occurred following the close of the FY.

BUSINESS OUTLOOK.

The first months of the new FY have confirmed the positive performance of sales, despite the persistent low levels of consumption. From February onwards the turnaround in raw material prices - which are expected to fall further in the second quarter – led to the expected recovery in profit margins..