



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

2012 Draft Financial Statements



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BOARD OF DIRECTORS

E.D.	N-E.D.	I.D.		I.A.C.	R.C.	R-P.C.
●			Luigi LUZZATI Chairman			
●			Riccardo POZZOLI Executive Vice Chairman and CEO			
●			Nicola CODISPOTI CEO			
	●		Adele ARTOM Director			
	●		Guido ARTOM Director		●	
	●		Benedetto DE BENEDETTI Director			
	●		Antonella FORCHINO Director	●		●
	●		Maurizio MACCHIAVELLO Director			
	●	●	Luciano ROASIO Director	●		●
	●	●	Alberto TAZZETTI Director	●	●	●
	●	●	Germano TURINETTO Director		●	

E.D. = Executive Director

N-E.D. = Non-executive Director

I.D. = Independent Director

I.A.C. = Internal Audit Committee

R.C. = Directors' Remuneration Committee

R-P.C. = Committee for dealings with related parties

BOARD OF STATUTORY AUDITORS**Francesco FINO**

Chairman

Giovanni RAYNERI

Statutory Auditor

Vittoria ROSSOTTO

Statutory Auditor

AUDITING AND CERTIFYING FIRM

KPMG S.p.A.

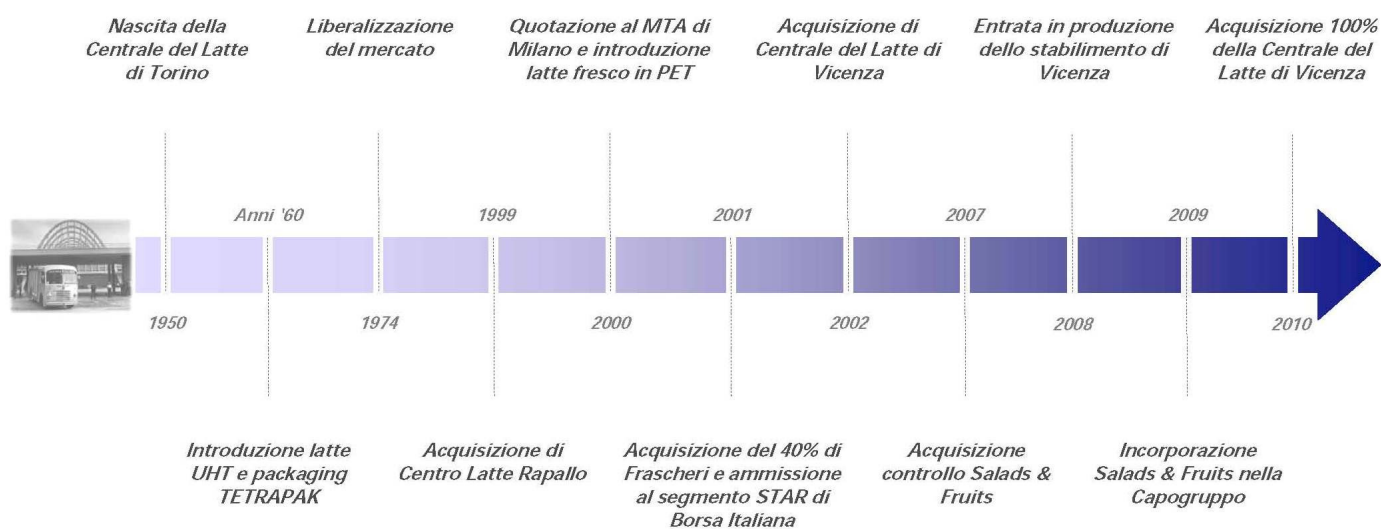
Introducing the Company and the Group

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.



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 joint venture 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), Bardinetto (Savona), Casteggio (Pavia) and Vicenza.

At 31 December 2012, 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 31 December 2012, Centrale del Latte di Torino & C. S.p.A. has 2,394 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%
Free float	27.29%

Centrale del Latte di Torino Group

2012 Separate and Consolidated Financial Statements

Directors' Report



Dear Shareholders,

The complex, difficult economic scenario that characterised 2011 remained unchanged during 2012. The full application of the harsh taxation measures decided upon during the previous year, the lack of confidence in a solution to the crisis in the short term, the fear of a further squeeze on credit and the concern regarding rises in local taxes and charges have further eroded the spending power of consumers, who are being forced into making drastic cuts in consumption in many areas, including in primary sectors such as food products.

In such a serious situation, the Group was able to keep sales largely stable (-0.1%), thanks to the strength of its own brands, which consumers recognise as a guarantee of quality products even in these difficult circumstances.

The Group closed with EBITDA of € 6,697 thousand, compared to € 6,575 thousand in 2011 and EBIT of € 418 thousand compared to € 592 thousand for the FY closed at 31 December 2011, both influenced by some "extraordinary" items: specifically, contingent liabilities for € 411 thousand, allowances for future risks for € 429 thousand and interest payable for € 12 thousand related to the dispute with ENASARCO (detailed in the paragraph "Other risks" here below). Without these "extraordinary" items, EBITDA and EBIT are still up compared to 2011, € 7,108 thousand and € 1,258 thousand respectively.

With regard to operations as such, milk raw material prices, following the significant rises recorded in 2011, came down to levels compatible with the changes in the circumstances of the market and the crisis situation. The rationalisation and control of company costs that began a few years ago and continued throughout 2012 made it possible to contain the negative effects of the increase in charges for utilities, which have risen by 19% since 2011.

The 2012 financial statements were also characterised by a capital loss of € 160 thousand, further to the portion of land owned by Centrale del Latte di Vicenza given over free of charge to the Municipality of Vicenza for the completion of the urban traffic system near the factory. Among financial charges, the consolidated income statement included the charges to discount severance indemnity for a total of € 658 thousand and lower taxes for IRES refunds on IRAP applied to personnel costs from 2007 to 2011, for € 548 thousand.

The consolidated financial statements at the end of FY2012 closed with a net loss of € 1,099 thousand, after tax-consolidation income taxes for € 1,086 thousand, and amortisation, depreciation and write-downs and risk allowances for € 6,279 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)	31/12/2012	31/12/2011	
Revenue from sales and services	103,227	103,352	-0.1%
Value of production	104,076	105,011	-0.1%
EBITDA	6,697	6,575	+2%
EBIT	418	592	-29%
Income before tax	(1,171)	(427)	+175%
Net result after taxes	(1,099)	(1,021)	+8%

The Group's net revenue amounted to € 103,227 thousand, compared to € 103,352 thousand of the previous FY. It is broken down in the following chart:

(€/000)	31/12/2012		31/12/2011		Change	
Fresh milk	45,806	44%	46,191	46%	(383)	-1%
UHT milk	19,587	19%	20,324	19%	(736)	-4%
Yogurt	8,421	8%	7,958	7%	463	6%
Fresh vegetables	5,271	5%	5,800	6%	(529)	-9%
Bulk milk and cream	3,780	4%	3,365	3%	415	12%
Other packaged products	20,362	20%	19,714	19%	646	3%
Total	103,227	100%	103,352	100%	(125)	-0.1%

Compared to FY 2011, revenue from sales reflected the negative effects of the changes to contract conditions, which resulted in large-scale retailers' promotion contributions becoming discounts.

The fresh milk segment **decreased by 1% compared to FY2011**.

In the long-life (UHT) segment, a decrease of € 736 thousand (-4%) was recorded.

The yogurt segment recorded a rise in sales of € 463 thousand compared to 2011 (+6%), thanks to the third-party brand products of the subsidiary Centrale del Latte di Vicenza S.p.A. and to the product quality, an aspect much appreciated by consumers;

The fresh vegetable segment has been the most severely affected by the relative fall in consumption, going from € 5,800 thousand in 2011 to € 5,271 thousand in 2012 (-9%).

The bulk milk and cream segment registered a 12% increase compared to 2011, due to the surplus in raw milk collected following the drop in sales of finished products and sold on the "free" market.

The segment comprising other packaged products showed a rise in value of € 646 thousand, i.e. 3%.

Geographical breakdown

The table below shows turnover at 31 December 2012, divided up into geographical areas:

(€/000)	Fresh milk	UHT milk	Yogurt	Fresh vegetables	Bulk milk and cream	Other packaged products	Total
Piedmont							
31/12/2012	23,885	12,481	1,936	2,630	1,085	5,404	47,420
31/12/2011	24,492	13,006	1,992	2,703	1,231	4,887	48,311
% change	-2%	-4%	-3%	-3%	-12%	11%	-2%
Liguria							
31/12/2012	14,262	1,967	998	2,163	392	10,714	30,496
31/12/2011	13,431	2,153	892	2,601	270	10,272	29,618
% change	6%	-9%	12%	-17%	45%	4%	3%
Veneto							
31/12/2012	7,658	5,137	5,487	478	1,228	4,245	24,234
31/12/2011	8,265	5,163	5,075	496	799	4,557	24,355
% change	-7%	0%	8%	-4%	54%	-7%	0,5%
Other							
31/12/2012	-	-	-	-	1,075	-	1,075
31/12/2011	-	-	-	-	1,065	-	1,065
% change	-	-	-	-	1%	-	1%
Total							
31/12/2012	45,806	19,586	8,421	5,271	3,780	20,364	103,227
31/12/2011	46,190	20,323	7,958	5,800	3,365	19,716	103,352
% change	-1%	-4%	6%	-9%	12%	3%	-0.1%

Other revenue amounted to € 964 thousand compared to € 1,192 thousand in FY2011. It is broken down in a pertinent table of the notes.

Operating costs. As mentioned earlier, milk prices throughout the whole year were lower than those in 2011. Consumption of raw materials and packaging products went from € 56,695 thousand in 2011 to € 56,695 thousand in 2012. Service and lease and rental costs rose by 3%, from € 26,018 thousand in 2011 to € 26,800 thousand in 2012.

Personnel costs reached € 14,577 thousand in 2012, compared to € 14,627 thousand in 2011. The average number of employees at 31 December 2012 was 278, compared to an average of 284 in 2011. This figure can be broken down into categories as follows:

Managers	15
Middle management	7
White-collar personnel	109
Blue-collar personnel	147

Depreciation of tangible fixed assets went from € 4,029 thousand in 2011 to € 3,830 thousand in 2012, while amortisation of intangible fixed assets totalled € 1,707 thousand, € 148 thousand of which for the new information system.

Allocations for risks amounted to € 529 thousand, and regarded the risks associated with the equity investment in GPP Srl held by Centro Latte Rapallo SpA for € 100 thousand and the dispute with ENASARCO for € 429 thousand.

Financial income and expenses. Financial expenses registered at the end of FY2012 amounted to a total of € 1,711 thousand, a rise compared to the € 1,254 thousand of the previous FY, and are mainly attributable to interest on loans and financing (€ 897 thousand) and to charges to discount severance indemnity (€ 658 thousand). Financial income reached € 122 thousand, compared to € 236 thousand of the FY closed on 31 December 2011.

For each of the paragraphs considered hitherto, regarding revenue and costs for FY2012, 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 FY2012 are illustrated in the 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".

Financial position.

The group's net financial position at 31 December 2012, after paying out dividends for € 200 thousand and taxes (advances and balance) for € 1,170 thousand, was negative for € 25,387 thousand, significantly up (- € 6,521 thousand) compared to € 31,908 thousand at the end of 2011. The improvement in the net financial position was due to the reduction in investments and the reduction in VAT rebates to be paid out, which went from € 5,201 thousand in 2011 to € 3,701 thousand in 2012.

(€/000)	31/12/2012	31/12/2011
Cash and cash equivalents (12ne+13ne)	6,558	5,510
Total current financial assets	6,558	5,510
Payables to banks (21ne)	(3,093)	(5,100)
Current share of medium/long-term loans (22ne)	(6,774)	(5,189)
Current share of payables to other lenders (23ne)	(820)	(784)
Total current financial liabilities	(10,687)	(11,072)
Payables for medium/long-term loans (16ne)	(16,499)	(20,767)
Payables to other lenders for medium/long-term loans (17ne)	(4,759)	(5,578)
Total non-current financial liabilities	(21,257)	(26,346)
Total financial liabilities	(31,944)	(37,418)
Net financial position	(25,387)	(31,908)

At the end of FY2012 the operating cash flow was € 7,324 thousand, compared to € 1,314 thousand at the end of 2011, whereas the cash flow absorbed by investments in technical and financial fixed assets was € 615 thousand (€ 2,138 thousand in 2011); the cash flow from investing activities and changes in net equity brought about a cash generation of € 3,055 thousand. It is important to note the decrease in VAT rebates still to be paid out, which went from € 5,201 thousand in 2011 to € 3,701 thousand at the end of FY2012.

Changes to the equity and financial structure of the Group compared to 31 December 2011 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.

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. On 29 January 2013, the Court of Rome ruled that the findings of the ENASARCO Foundation were valid, thus rejecting the appeal presented by Centro Latte Rapallo S.p.A.. In the 2011 financial statements, the subsidiary posted costs amounting to € 477,980, comprising the contributions, penalties and interest charged to it (the remainder was charged to the counterparty, the self-employed drivers) and an allocation of € 100,000 for future risks, and obtained permission to spread payment over 12 monthly instalments. Centrale del Latte di Rapallo S.p.A. intends to appeal against this sentence of the court of first instance, since it is convinced of having applied the correct legal framework and that this interpretation will be confirmed in appeal.

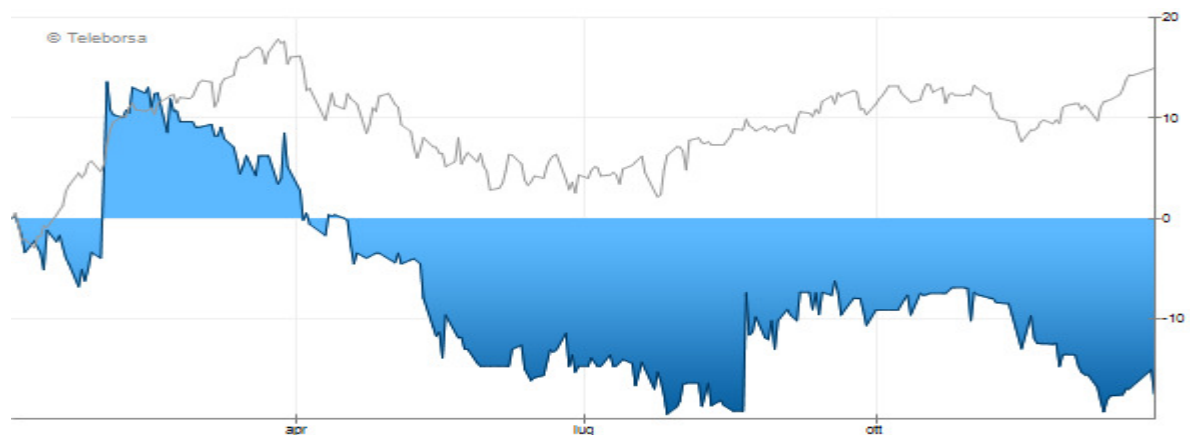
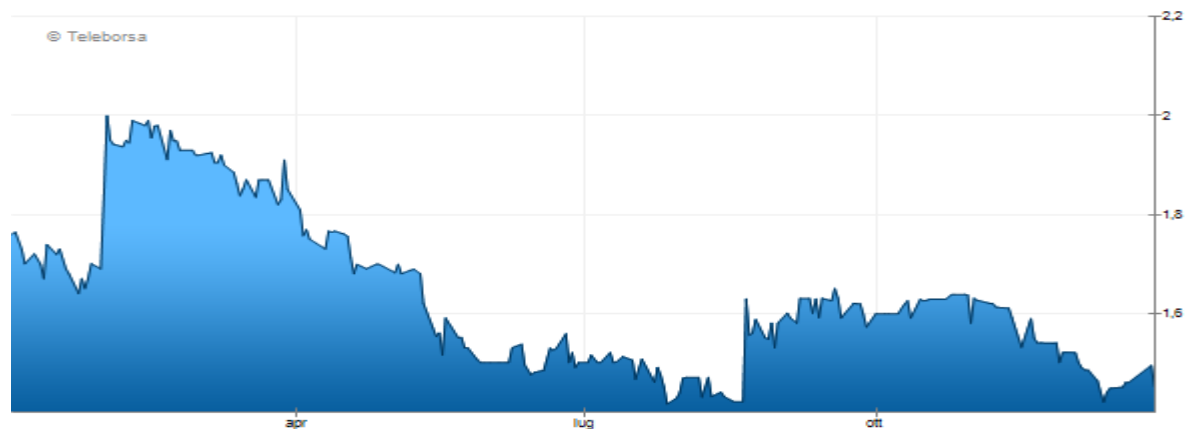
Similarly, the parent company, following an inspection on the part of the ENASARCO Foundation, received an injunction for € 658,648.28 inclusive of penalties and interest, against which it rapidly presented an appeal, asking the Employment Tribunal of the Court of Rome to suspend the injunction. At the time these notes were drafted, the Court of Rome had not yet set a date for the first hearing. Centrale del Latte di Torino & C. S.p.A. is firmly convinced of its position, in the light of the sentence from the court of first instance indicated above. It has nevertheless set aside an amount of € 329,324, corresponding to 50% of the payment request presented by the ENASARCO Foundation and representing the proportion pertaining to the Company.

Regarding the tax inspection concerning FY 2004, please note that, following the sentence of the Regional Taxation Commission, which partially admitted the appeal presented by the company regarding the most significant findings, and the rebate of € 97,779.44 paid out by Agenzia delle Entrate, the latter presented an appeal to the Supreme Court of Appeal against the sentence of the Regional Taxation Commission.

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 € 2.00 per share against a minimum of € 1.41. On 28 December 2012, the last trading day of the year, the company shares closed at € 1.49. The stock is characterised by very low volumes of daily trading, and a float of 27.5%, which make it illiquid; consequently, the share price does not reflect the actual value of the Company.

The graphs below illustrate share prices from 1 January to 31 December 2012 and prices as compared to the FTSE Italia STAR index, with the colour blue referring to share prices and grey referring to the index (source Borsa Italiana).



_____ CLTO _____ FTSE Italia STAR

INFORMATION ON THE PARENT COMPANY'S MANAGEMENT**Economic management**

The FY2012 of Centrale del Latte di Torino & C. S.p.A. closed with net revenue reaching € 57,407 thousand, down 3% compared to € 59,378 thousand in FY2011. The net result after taxes showed a loss of € 129 thousand, against a net profit of € 281 thousand in FY2011. This was particularly influenced both by the write-down of the equity investment in Centrale del Latte di Vicenza S.p.A., for € 1,145 thousand, and by the € 329 thousand allowance for the risks related to the dispute with ENASARCO, mentioned in the paragraph "Other risks" here above. Without these "extraordinary" items, EBITDA and EBIT are still up compared to 2011, € 4,881 thousand and € 2,702 thousand respectively. It is important to note that following the IRES refunds on IRAP applied to personnel costs from 2007 to 2011, the company registered € 326 thousand lower taxation relating to previous years.

From a strictly management point of view, the company managed to contain the rises in costs, in some cases even obtaining reductions, especially as regards the cost of raw material, which decreased to levels more in line with the crisis the country is going through, thus making it possible to maintain fair remuneration on the one hand and a sustainable cost on the other. A carefully designed policy to control spending and consumption has made it possible to cut costs and recover profit margins in spite of the drop in sales. As mentioned above, a considerable allocation relating to the dispute with Enasarco had an impact on EBIT, which nonetheless is 2% higher than in 2011.

At the end of FY2012, the main indicators in the income statement are summarised and compared with those of FY2011 in the following table:

(€/000)	31/12/2012	31/12/2011	Change
Net sales	57,407	59,378	-3%
Value of production	57,760	60,333	-4%
EBITDA	4,881	4,506	+8%
EBIT	2,373	2,328	+2%
Income before tax	455	1,255	-64%
Net profit (loss)	(129)	281	N.A.

Revenue from sales

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

(€/000)	31/12/2012		31/12/2011		Change	
	2		11			
Fresh milk	24,116	42.0%	24,741	41.7%	(625)	-2.5%
Intra-group	3,876	6.8%	3,777	6.4%	99	2.6%
Total fresh milk	27,992	48.8%	28,518	48.0%	(526)	-1.8%
UHT milk	12,481	21.7%	13,006	21.9%	(525)	-4.0%
Intra-group	914	1.6%	1,213	2.0%	(299)	-24.6%
Total UHT milk	13,395	23.3%	14,218	23.9%	(823)	-5.8%
Yogurt	1,936	3.4%	1,992	3.4%	(56)	-2.8%
Total yogurt	1,936	3.4%	1,992	3.4%	(56)	-2.8%
Fresh vegetables	2,710	4.7%	2,927	4.9%	(217)	-7.4%
Intra-group	1,462	2.5%	1,707	2.9%	(245)	-14.4%
Total fresh vegetables	4,172	7.3%	4,634	7.8%	(462)	-10.0%
Bulk milk and cream	2,240	3.9%	2,431	4.1%	(191)	-7.8%
Intra-group	1,467	2.6%	1,899	3.2%	(433)	-22.8%
Total bulk milk and cream	3,707	6.5%	4,330	7.3%	(623)	-14.4%
Other packaged products	5,405	9.4%	4,889	8.2%	516	10.5%
Intra-group	801	1.4%	796	1.3%	5	0.6%
Total other packaged products	6,206	10.8%	5,685	9.6%	520	9.2%
Total	57,407	100.0%	59,378	100.0%	(1,971)	-3.3%
of which intra-group	8,520	14.8%	9,392	15.8%	(872)	-9.3%

Compared to 20211, revenue from sales reflected the negative effects of the changes to contract conditions, which resulted in large-scale retailers' promotion contributions becoming discounts on invoices.

In the fresh milk segment, the parent company registered, net of intra-group sales, a turnover of € 24,116 thousand, a drop of 2.5% compared to FY 2011.

For long-life milk, sales net of intra-group sales amounted to € 12,482 thousand, down 4% compared to € 13,006 in 2011.

The yogurt segment was down 2.8%, with an absolute value change of € 56 thousand compared to 2011.

The fresh vegetable segment has been the most severely affected by the relative fall in consumption, going from € 2,927 thousand in 2011 to € 2,710 thousand in 2012 (-7.4%).

Sales of **other packaged products** increased by 10.5% compared to FY2011.

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 € 454 thousand compared to € 573 thousand in FY2011. It is broken down in a pertinent table of the notes.

Operating costs.

With the end of the tension regarding milk prices at source, prices always remained below the levels recorded in 2011. Consumption of raw materials and packaging products went from € 33,330 thousand in 2011 to € 30,547 at the end of 2012 (-8%). Costs for services, including lease and rental costs, went from € 13,888 thousand in 2011 to € 14,092 thousand, up 1%. In this case, the ability to contain and reduce costs made it possible to soften the effect of the 19% rise in charges for utilities. Sundry operating expenses amounted to € 576 thousand (€ 592 thousand in 2011). Depreciation on tangible fixed assets amounted to € 1,947 thousand, compared to € 1,949 thousand in FY2011. Amortisation of intangible fixed assets amounted to € 187 thousand (€ 183 thousand in 2011), € 148 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 FY2012 totalled € 794 thousand, up on the € 554 thousand of the previous financial year, and were for the most part (€ 478 thousand) imputable to interest payable deriving from loans and financing and to charges to discount severance indemnity (€ 282 thousand).

Financial income reached € 22 thousand, compared to € 79 thousand in FY2011, which included € 62 thousand as actuarial income (not present in 2012).

Write-downs of equity investments.

The equity investment in Centrale del Latte di Vicenza S.p.A. was written down for € 1,145 thousand, reaching € 28,286,319.

The economic management and the equity position of the Parent Company in FY2012 are illustrated in the 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 FY2012, after payment of dividends for € 200 thousand, of the balance of taxes for 2011 and advance on taxes for FY2012 for € 977 thousand, was negative for € 11,063 thousand, considerably up compared to the figure at the end of 2011, i.e. € 16,892 thousand (a € 5,829 thousand difference). The improvement in the net financial position was due to the reduction in investments and the reduction in VAT rebates to be paid out, which went from € 3,556 thousand in 2011 to € 2,327 thousand in 2012.

(€/000)	31/12/2012	31/12/2011
Cash and cash equivalents (15ne+16ne)	2,685	1,288
Total current financial assets	2,685	1,288
Payables to banks	-	(2,500)
Current share of medium/long-term loans (24ne)	(5,970)	(4,366)
Current share of payables to other lenders (25ne)	(75)	(72)
Total current financial liabilities	(6,045)	(6,938)
Payables for medium/long-term loans (18ne)	(7,627)	(11,092)
Payables to other lenders for medium/long-term loans (19ne)	(76)	(151)
Total non-current financial liabilities	(7,704)	(11,243)
Total financial liabilities	(13,748)	(18,181)
Net financial position	(11,063)	(16,892)

The changes to the equity and financial structure of the Parent Company from 31 December 2011 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 S.p.A. closed FY 2012 with a net loss after tax of € 451 thousand (as compared to a net loss of € 135 thousand in 2011), following the registration of taxes for previous years from IRES refunds on IRAP applied to personnel costs for € 116 thousand, contingent liabilities, interest payable, allocations for future risks totalling € 523 thousand for the dispute with ENASARCO and as provision for risks related to the equity investment in the subsidiary GPP S.r.l. The overall turnover, gross of intra-group sales, amounted to € 25,607 thousand, compared to € 25,313 thousand in FY2011.

Centrale del Latte di Vicenza S.p.A.

The wholly owned subsidiary Centrale del Latte di Vicenza S.p.A. closed 2012 with a net loss of € 1,088 thousand (compared to a net loss of € 1,146 thousand in 2011), following the registration of taxes for previous years from IRES refunds on IRAP applied to personnel costs for € 106 thousand and a capital loss of € 159 thousand, further to the portion of land owned by Centrale del Latte di Vicenza given over free of charge to the Municipality of Vicenza for the completion of the urban traffic system near the factory. The net revenue, gross of intra-group sales, amounted to € 26,229 thousand, compared to € 26,440 thousand in FY2011.

Frascheri S.p.A.

The Company closed FY2012 with a net profit of € 137 thousand, compared to the net profit of € 34 thousand in FY2011. The overall turnover, gross of intra-group sales, amounted to € 12,556 thousand, compared to € 10,840 thousand in FY2011. The financial statements of Frascheri S.p.A. were 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 3 August 2012, and the annual report on Corporate Governance are available on the company's website:

http://www.centralelatte.torino.it/ita/finanza/documenti/codice_autodisciplina_2007.pdf

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

http://www.centralelatte.torino.it/ita/finanza/documenti/codice_internal_dealing_2007.pdf

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>

Dealings 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 01/01/2012	Purchased in 2012	Sold in 2012	Shares held at 31/12/2012
Luigi LUZZATI	Chairman	166,062	-	-	166,062
Riccardo POZZOLI	Vice Chairman and CEO	59,125	-	-	59,125
Nicola CODISPOTI	CEO	-	50,000	-	50,000
Adele ARTOM	Director	3,593,864	-	-	3,593,864
Benedetto DE BENEDETTI	Director	751,529	-	-	751,529
Antonella FORCHINO	Director	137,306	-	-	137,306
Maurizio MACCHIAVELLO	Director	10,000	-	-	10,000

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 € 10 thousand.

The following table presents the situation of dealings with related parties at 31 December 2012:

(€/000)	Receivables	Payables	Costs	Revenue
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis	2	-	-	10
Centrale del Latte di Torino & C. S.p.A. - subsidiary	-	-	-	-
	2	-	-	10
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	10	-
Centro Latte Rapallo S.p.A. – subsidiary	1,258	249	506	7,436
Centrale del Latte di Vicenza S.p.A. - subsidiary	135	484	1,465	911
Frascheri S.p.A. – joint venture	-	-	23	652
	1,393	734	2,006	8,999
Centro Latte Rapallo S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	249	1,258	7,436	507
Centrale del Latte di Vicenza S.p.A.	-	84	595	-
Frascheri S.p.A. – joint venture	-	3	29	5
	249	1,369	8,060	512
Centrale del Latte di Vicenza S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	484	135	911	1,465
Centro Latte Rapallo S.p.A.	84	-	-	595
	568	135	911	2,060
Frascheri S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	-	-	652	23
Centro Latte Rapallo S.p.A.	3	-	5	29
	3	-	657	52

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 2012.

CORPORATE EVENTS

During FY2012 the respective Boards of Directors approved the merger by incorporation of Centro Latte Rapallo S.p.A. into Centrale del Latte di Torino & C. S.p.A.. The financial reasons for the operation are linked to a plan to streamline organisation, with the twin aim of allowing the Incorporating party to directly carry out the activities conducted by the Incorporated party, and of increasing efficiency and cutting decision-making and operating costs thanks to a leaner Group structure.

Taking account of the time required for filing and registering the various deeds, the statutory effects of the Merger will be valid as of 1 April 2013, while the fiscal events will be backdated to 1 January 2013.

BUSINESS OUTLOOK.

The first months of the year were characterised by the deep recession, which led to a further drop in consumption even in the food sector.

Although sales were negatively affected by the general crisis, the Group companies were able to confirm that quality of their products, the efficiency of the distribution network and the positive reputation of their brands, thus allowing them to consolidate their market share.

In the coming months, the Group will make its debut in the world of organic products—a constantly growing segment with a high added value—with a 1-litre bottle of full-cream organic milk, and will be expanding its product portfolio with a 1-litre bottle of fermented milk and an exclusive new range of low-sugar full-cream fruit yogurts.

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.

Regarding events following the close of the financial year, see the chapter “Other risks”.

Dear Shareholders,

The approval of these financial statements coincides with the expiry of the appointment of the Director Maurizio Macchiavello, co-opted on 6 November 2012 to replace Ermanno Restano, following the latter’s resignation for professional reasons.

We therefore ask you to appoint the Director Maurizio Macchiavello.

Dear Shareholders,

We would like to thank those in charge of the KPMG S.p.A. Audit Company, the Board of Statutory Auditors, the managers, employees and workers for their cooperation, and we invite you to approve the financial statements at 31 December 2012, the relevant explanatory notes and this report on management carrying forward the loss for the year for € 129,016.

Turin, 8 March 2013

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 Amortisation, 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 2011 financial statements have been restated to provide a consistent basis of comparison with the 2012 financial statements.

Reclassified consolidated statement of comprehensive income

		31/12/2012		31/12/2011	
1ec	Revenue from sales and services	103,227	98.6%	103,352	98.4%
3ec	Change in inventories	(115)	-0.1%	467	0.4%
2ec	Other revenue and income	964	0.9%	1,192	1.1%
	Value of production	104,076	100.0%	105,011	100.0%
12ec+13ec	Services	(26,800)	-25.6%	(26,018)	-24.8%
4ec	Raw materials	(54,516)	-52.1%	(56,695)	-54.0%
15ec	Other operating costs	(1,486)	-1.4%	(1,096)	-1.0%
-	Added value	21,274	20.4%	21,202	20.2%
5ec+6ec+7ec	Personnel costs	(14,577)	-14.0%	(14,627)	-13.9%
+8ec	EBITDA	6,697	6.4%	6,575	6.3%
11ec	Allocation to provision for bad debts	(212)	-0.2%	(151)	-0.1%
10ec	Depreciation of tangible fixed assets	(3,830)	-3.7%	(4,029)	-3.8%
9ec	Amortisation of intangible fixed assets	(1,707)	-1.6%	(1,703)	-1.6%
14ec	Allocations for risks	(529)	-0.5%	(100)	-0.1%
	EBIT	418	0.4%	592	0.6%
16ec	Financial income	122	0.1%	236	0.2%
	<i>of which discounting income</i>	-	-	108	0.1%
17ec	Financial charges	(1,711)	-1.6%	(1,254)	-1.2%
	<i>of which discounting charges</i>	(658)	-0.6%	(161)	-0.2%
	Pre-tax result	(1,171)	-1.1%	(427)	-0.4%
18ec	Income taxes from tax consolidation	(1,086)	-1.0%	(1,139)	-1.1%
19ec	(Deferred) prepaid taxes	587	0.5%	544	0.5%
20ec	Taxes for previous years	571	0.5%	-	-
	Net profit (loss) for the year	(1,099)	-1.1%	(1,021)	-1.0%

Consolidated equity and financial position

		31/12/2012		31/12/2011	
	Fixed assets				
1	Technical fixed assets	55,244		58,485	
2	Current technical fixed assets	11		3	
3	Intangible fixed assets	11,925		13,612	
4	Equity investments and securities	72		74	
	Total fixed assets	67,252	91.2%	72,175	89.2%
	Working capital				
7+9	Trade receivables	18,549		23,515	
6	Inventories	3,834		3,867	
9+10	Other short-term assets	8,390		9,432	
11	Receivables from affiliates	385		285	
33+34+35	Trade payables	(18,158)		(22,730)	
37.38	Other payables	(5,919)		(5,030)	
36	Tax liabilities	(626)		(550)	
	Net working capital	6,454	8.8%	8,790	10.8%
	LIABILITIES AND EQUITY	73,708	100.0%	80,966	100.0%
	Long-term liabilities and provisions				
28	Employee severance indemnity	4,040		3,652	
29	Other provisions	1,061		373	
27	Provision for deferred taxes	3,853		4,379	
	Total long-term liabilities and provisions	8,954	12.1%	8,404	10.4%
	Financial position				
12+13	Cash, banks and securities	(6,558)		(5,510)	
30	Payables to banks	3,093		5,100	
31	Current share of medium/long-term loans	820		784	
32	Current share of payables to other lenders	6,774		5,189	
26	Medium/long-term payables to other lenders	4,759		5,578	
25	Medium/long-term loans	16,499		20,767	
	Net financial position	25,387	34.4%	31,908	39.4%
	Net equity				
15	Share capital	20,600		20,600	
16+17+18+19+	Reserves	19,866		21,075	
20+21+22+23	Net profit (loss)	(1,099)		(1,021)	
24					
	Total net equity	39,367	53.4%	40,654	50.2%
	LIABILITIES AND EQUITY	73,708	100.0%	80,966	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 2011 financial statements have been restated to provide a consistent basis of comparison with the 2012 financial statements.

Reclassified statement of comprehensive income

	(€/000)	31/12/2012		31/12/2011	
1ec	Revenue from sales and services	57,407	98.8%	59,378	98.4%
3ec	Change in inventories	(101)	-0.2%	382	0.6%
2ec	Other revenue and income	454	0.8%	573	1.0%
	Value of production	57,760	100.0%	60,333	100.0%
13ec+14ec	Services	(14,092)	-24.3%	(13,888)	-23.0%
4ec	Raw materials	(30,547)	-52.6%	(33,330)	-55.2%
14ec	Other operating costs	(576)	-1.0%	(592)	-1.0%
	Added value	12,545	21.7%	12,523	20.8%
5ec+6ec +7ec+8ec	Personnel costs	(7,664)	-13.3%	(8,018)	-13.3%
	EBITDA	4,881	8.5%	4,506	7.5%
11ec	Allocation to provision for bad debts	(44)	-0.1%	(55)	-0.1%
10ec	Depreciation of tangible fixed assets	(1,947)	-3.4%	(1,940)	-3.2%
9ec	Amortisation of intangible fixed assets	(187)	-0.3%	(183)	-0.3%
14ec	Allocations for risks	(329)	-0.6%	-	-
	EBIT	2,373	4.1%	2,328	3.9%
15ec	Financial income	22	0.0%	79	0.1%
	<i>of which discounting income</i>	-		62	0.1%
16ec	Financial charges	(794)	-1.4%	(554)	-1.0%
	<i>of which discounting charges</i>	(282)	-0.5%	(80)	-0.1%
17ec	Write-down of equity investments	(1,146)	-2.0%	(598)	-0.9%
	Pre-tax result	455	0.8%	1,255	2.1%
19ec	Income taxes for the year	(904)	-1.6%	(1,019)	-1.7%
20ec	(Deferred) prepaid taxes	(6)	0.0%	45	0.0%
21ec	Taxes for previous years	326	0.6%	-	-
	Total net profit (loss)	(129)	-0.2%	281	0.5%

Reclassified financial and equity position

	(€/000)	31/12/2012	31/12/2011		
1c+2c	Technical fixed assets	12,586	14,254		
3c	Intangible fixed assets	686	853		
4c	Equity investments and securities	46,587	47,733		
	Total fixed assets	59,859	97.2%	62,840	93.5%
9c+10c+11c	Trade receivables	8,658	12,778		
7c+8c	Inventories	1,637	1,603		
12c+13c+5c	Other short-term assets	5,092	6,282		
32c+33c+34c+35c	Trade payables	(10,203)	(13,050)		
37c+38c	Other payables	(3,168)	(3,031)		
36c	Tax liabilities	(272)	(184)		
	Net working capital	1,743	2.8%	4,398	6.5%
	LIABILITIES AND EQUITY	61,602	100.0%	67,237	100.0%
27c+28c	Employee severance indemnity	1,770	1,652		
26c	Provision for deferred taxes	522	522		
29c	Provision for liabilities and charges	406	-		
	Total long-term liabilities and is	2,697	4.4%	2,174	3.2%
14c+15c	Cash, banks and securities	(2,685)	(1,288)		
31c	Payables to banks	-	2,500		
30c	Current share of medium/long-term loans	5,970	4,366		
32c	Current share of payables to other lenders	75	72		
24c	Medium/long-term loans	7,627	11,091		
25c	Medium/long-term payables to other lenders	76	151		
	Net financial position	11,063	18.0%	16,892	25.2%
16c	Share capital	20,600	20,600		
17c+18c					
19c+20c	Reserves	27,370	27,290		
+21c+22c+23c	Net profit (loss)	(129)	281		
24c					
	Total net equity	47,841	77.7%	48,170	71.6%
	LIABILITIES AND EQUITY	61,602	100.0%	67,237	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 2011 financial statements have been restated to provide a consistent basis of comparison with the 2012 financial statements.

Centro Latte Rapallo S.p.A. – subsidiary**Reclassified statement of comprehensive income**

	31/12/2012		31/12/2011	
Revenue from sales and services	25,607	99.2%	25,313	99.0%
Change in inventories	(35)	-0.1%	46	0.2%
Other revenue and income	137	0.5%	203	0.8%
Value of production	25,709	100.0%	25,562	100.0%
Services	(6,361)	-24.6%	(5,790)	-22.7%
Raw materials	(15,573)	-60.3%	(15,946)	-62.4%
Other operating costs	(522)	-2.0%	(313)	-1.2%
Added value	3,254	12.7%	3,513	13.7%
Personnel costs	(2,787)	-10.8%	(2,618)	-10.2%
EBITDA	467	1.8%	895	3.5%
Allocation to provision for bad debts	(20)	-0.1%	(54)	-0.2%
Depreciation of tangible fixed assets	(515)	-2.0%	(716)	-2.8%
Allocation to the provision for risks	(200)	-0.8%	(100)	-0.4%
EBIT	(268)	-1.0%	26	0.1%
Financial income	66	0.3%	94	0.4%
Financial charges	(232)	-0.9%	(58)	-0.2%
<i>of which discounting charges</i>	<i>(219)</i>	<i>-0.8</i>	<i>(40)</i>	<i>-0.1</i>
Pre-tax result	(434)	-1.7%	61	0.2%
Income taxes for the year	(193)	-0.7%	(280)	-1.1%
(Deferred) prepaid taxes	59	0.2%	84	0.3%
Taxes for previous years	116	0.5%	-	-
Total net profit (loss)	(451)	-1.8%	(135)	-0.5%

Reclassified financial and equity position

	31/12/2012		31/12/2011	
Fixed assets				
Technical fixed assets	3,813		4,124	
Equity investments and securities	68		70	
Total fixed assets	3,881	79.3%	4,194	93.3%
Working capital				
Trade receivables	4,075		4,497	
Inventories	397		480	
Other short-term assets	1,378		977	
Receivables from affiliates	385		285	
Suppliers	(3,465)		(4,682)	
Other payables	(1,514)		(734)	
Tax liabilities	(197)		(218)	
Net working capital	1,059	21.4%	605	6.7%
LIABILITIES AND EQUITY	4,939	100.0%	4,799	100.0%
Long-term liabilities and provisions				
Severance indemnity provision	1,191		975	
Other provisions	380		307	
Provision for deferred taxes	70		130	
Total long-term liabilities and provisions	1,642	33.5%	1,412	29.4%
Financial position				
Cash, banks and securities	(3,531)		(3,893)	
Net financial position	(3,531)	-72.2%	(3,893)	-81.1%
Net equity				
Share capital	2,600		2,600	
Reserves	4,680		4,815	
Net profit (loss)	(451)		(135)	
Total net equity	6,829	138.3%	7,280	151.7%
LIABILITIES AND EQUITY	4,939	100.0%	4,799	100.0%

Net financial position

	31/12/2012	31/12/2011
Cash and cash equivalents	3,531	3,893
Net financial position	3,531	3,893

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

The income (€ 151 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 2011 financial statements have been restated to provide a consistent basis of comparison with the 2012 financial statements.

Reclassified overall income statement

	31/12/2012		31/12/2011	
Revenue from sales and services	26,229	97.7%	26,440	98.2%
Change in inventories	23	0.1%	14	0.1%
Other revenue and income	494	1.8%	470	1.7%
Value of production	26,746	100.0%	26,924	100.0%
Services	(5,573)	-20.8%	(5,600)	-20.8%
Raw materials	(16,262)	-60.6%	(16,724)	-62.1%
Other operating costs	(373)	-1.4%	(179)	-0.7%
Added value	4,538	17.0%	4,420	16.4%
Personnel costs	(3,496)	-13.1%	(3,458)	-12.8%
EBITDA	1,042	3.9%	962	3.6%
Allocation to provision for bad debts	(135)	-0.5%	(39)	-0.1%
Amortisation of intangible fixed assets	(586)	-2.2%	(586)	-2.2%
Depreciation of tangible fixed assets	(1,186)	-4.4%	(1,211)	-4.5%
EBIT	(865)	-3.2%	(874)	-3.2%
Financial income	27	0.1%	54	0.2%
<i>of which discounting income</i>	-	-	40	0.1%
Financial charges	(649)	-2.4%	(635)	-2.4%
<i>of which discounting charges</i>	(123)	-0.5%	(38)	-0.1%
Pre-tax result	(1,487)	-5.6%	(1,455)	-5.4%
Income taxes for the year	(94)	-0.4%	(85)	-0.3%
(Deferred) prepaid taxes	387	1.4%	394	1.5%
Taxes for previous years	106	0.4%	-	-
Total net profit (loss)	(1,088)	-4.1%	(1,146)	-4.3%

Reclassified financial and equity position

	31/12/2012		31/12/2011	
Fixed assets				
Technical fixed assets	38,000		39,185	
Intangible fixed assets	5,286		5,872	
Equity investments and securities	3		2	
Total fixed assets	43,288	92.2%	45,059	92.3%
Working capital				
Trade receivables	7,456		9,058	
Inventories	1,541		1,570	
Other short-term assets	1,775		2,051	
Suppliers	(5,937)		(7,572)	
Other payables	(1,147)		(1,188)	
Tax liabilities	(118)		(131)	
Net working capital	3,569	7.6%	3,788	7.7%
LIABILITIES AND EQUITY	46,857	100.0%	48,846	100.0%
Long-term liabilities and provisions				
Severance indemnity provision	803		803	
Other provisions	275		67	
Provision for deferred taxes	1,501		1,674	
Total long-term liabilities and provisions	2,579	5.5%	2,544	5.2%
Financial position				
Cash, banks and securities	(18)		(72)	
Short-term payables to banks	3,092		2,600	
Current share of payables to other lenders	745		711	
Medium/long-term payables to other lenders	4,682		5,427	
Current share of medium/long-term loans	771		771	
Medium/long-term loans	8,871		9,643	
Net financial position	18,144	38.7%	19,081	39.1%
Net equity				
Share capital	29,162		29,162	
Losses carried forward	(1,941)		(795)	
Net profit (loss)	(1,088)		(1,146)	
Total net equity	26,134	55.8%	27,222	55.7%
LIABILITIES AND EQUITY	46,857	100.0%	48,846	100.0%

Net financial position

	31/12/2012	31/12/2011
Cash and cash equivalents	18	72
Payables to banks	(3,092)	(2,600)
Current share of medium/long-term payables	(771)	(771)
Current share of payables to other lenders	(745)	(711)
Current financial liabilities	(4,608)	(4,082)
Medium/long-term payables	(8,871)	(9,643)
Medium/long-term payables to other lenders	(4,682)	(5,427)
Non-current financial liabilities	(13,553)	(15,070)
Total financial liabilities	(18,161)	(19,152)
Net financial position	(18,144)	(19,081)

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

	31/12/2012		31/12/2011	
Revenue from sales and services	12,556	98.8%	10,840	98.4%
Change in inventories	(5)	0.0%	65	0.6%
Other revenue and income	103	0.8%	116	1.1%
Value of production	12,655	100.0%	11,021	100.0%
Services	(2,087)	-16.4%	(1,851)	-16.8%
Raw materials	(8,188)	-64.4%	(7,276)	-66.0%
Other operating costs	(37)	-0.3%	(30)	-0.3%
Added value	2,344	18.5%	1,864	16.9%
Personnel costs	(1,576)	-12.5%	(1,334)	-12.1%
EBITDA	768	6.1%	530	4.8%
Allocation to provision for bad debts	(32)	-0.3%	(8)	-0.1%
Depreciation and amortisation of fixed assets	(477)	-3.8%	(425)	-3.9%
EBIT	259	2.0%	98	0.9%
Financial income	16	0.1%	22	0.2%
<i>of which discounting income</i>	-	-	16	0.1%
Financial charges	(91)	-0.7%	(18)	-0.2%
<i>of which discounting charges</i>	(84)	-0.7%	(6)	-
Pre-tax result	184	1.5%	102	0.9%
Income taxes for the year	(116)	-0.9%	(59)	-0.5%
(Deferred) prepaid taxes	12	0.1%	(8)	-0.1%
Taxes for previous years	57	0.4%		
Total net profit (loss)	137	1.1%	34	0.3%

Reclassified financial and equity position

	31/12/2012		31/12/2011	
Fixed assets				
Technical fixed assets	2,225		2,419	
Total fixed assets	2,225	91.3%	2,419	97.6%
Working capital				
Trade receivables	1,428		1,515	
Inventories	647		589	
Other short-term assets	263		171	
Suppliers	(1,803)		(1,979)	
Other payables	(225)		(195)	
Tax liabilities	(98)		(41)	
Net working capital	212	8.7%	60	2.4%
LIABILITIES AND EQUITY	2,437	100.0%	2,479	100.0%
Long-term liabilities and provisions				
Severance indemnity provision	692		555	
Total long-term liabilities and provisions	692	28.4%	555	23.0%
Financial position				
Cash, banks and securities	(807)		(642)	
Current share of medium/long-term loans	82		129	
Medium/long-term loans	-		82	
Net financial position	(725)	-29.7%	(431)	-18.0%
Net equity				
Share capital	600		600	
Reserves	1,732		1,722	
Net profit (loss)	137		34	
Total net equity	2,469	101.3%	2,355	95.0%
LIABILITIES AND EQUITY	2,437	100.0%	2,479	100.0%

Net financial position

	31/12/2012	31/12/2011
Cash and cash equivalents	806	642
Current share of medium/long-term payables	(82)	(129)
Current financial liabilities	(82)	(129)
Medium/long-term payables	-	(82)
Non-current financial liabilities	-	(82)
Total financial liabilities	(82)	(211)
Net financial position	724	431

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 8 March 2013 – Approved by the Board of Directors of 8 March 2013 -

Report available on www.centralelatte.torino.it



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

1. ISSUER'S PROFILE

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

The company is run by a Board of Directors composed of 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 for 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 31 December 2012, 2,394 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 channel 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 3 August 2012, and the annual report on Corporate Governance are available on the company's website:

http://www.centralelatte.torino.it/ita/finanza/documenti/codice_autodisciplina_2012.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>

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 152bis-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_operazioni_parti_correlate.pdf

4. BOARD OF DIRECTORS

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

The company is managed by a Board of Directors made up of three to eleven members, appointed by resolution of the Shareholders' Meeting. The Directors are chosen from a list of candidates. Lists may be filed only by those shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting. Each shareholder cannot file, either through a third party or by trusts, more than one list or vote for different lists. Each candidate may be appointed in one list only, 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 could not be appointed, and that they fulfil the requirements set forth by the by-laws 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 FY2012 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.

On 30 July 2012, the Director Mr. Ermanno Restano resigned from his office for professional reasons.

On 6 November 2012 Mr. Maurizio Macchiavello was co-opted onto the board to replace him. Mr Macchiavello will remain in office until the 2012 financial statements have been approved.

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

Role of the Board of Directors

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

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

- mergers in the cases provided for under articles 2505 and 2505 bis of the Italian Civil Code;
- transfer of the Company's registered office within Italy;
- the setting up or closure of secondary offices;
- the indication of which directors—in addition to the Chairman, the Vice Chairman and the Managing Directors—and executives may represent the company, in accordance with the 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 2012, 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 2011;
- Annual report on corporate governance for 2011;
- Yearly report of the Supervisory Body;
- Report on the remuneration paid to the members of the management and audit bodies, general managers and other key management personnel
- The presentation of the request for financing from the Piemonte PSR (Regional Strategic Plan);
- The call for the Shareholders' Meeting;
- Interim report at 31 March 2012 and 30 September 2012 of Centrale del Latte di Torino & C. S.p.A.;
- Half-yearly report at 30 June 2012;
- The adjustment to the corporate by-laws regarding gender equality, as per Law no. 120 of 12 July 2011, minuted by a notary;
- The adjustment to the self-regulatory code;
- Plan for the merger by incorporation of Centro Latte Rapallo S.p.A. into Centrale del Latte di Torino & C. S.p.A.;
- Exercise of the exemption from publishing annex 3B pursuant to CONSOB Resolution 18079 of 20 January 2012;
- Appointment of a director pursuant to article 2386, 1st paragraph, of the Italian Civil Code;
- Merger by incorporation of Centro Latte Rapallo S.p.A. into Centrale del Latte di Torino & C. S.p.A. with notary's minutes;
- 2012-2014 Business Plan

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

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

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

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

Between the parent company and the subsidiaries Centro Latte Rapallo S.p.A., Centrale del Latte di Vicenza S.p.A. and Frasccheri 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 carry out their task, and must comply with the procedures for conveying such documents and price-sensitive information to persons outside the company.

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

6. BOARD'S INTERNAL COMMITTEES.**Remuneration Committee**

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

The remuneration committee presents the Board with:

- proposals for the remuneration of the Chairman, the Managing Directors and the Directors that hold particular offices, monitoring the application of the decisions adopted by the Board;
- periodic assessments of the criteria adopted for the remuneration of key management personnel, 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 Turinetti	Independent Director

During FY2012 the Committee did not meet.

7. REMUNERATION OF EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS (INCLUDING THOSE BELONGING TO COMMITTEES) AND KEY MANAGEMENT PERSONNEL.

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 bids made by the auditing firm to obtain the assignment, as well as the work schedule prepared for the audit and the results set forth in the report and advisory letter, if present;
- d) ensures that the auditing process is effective;
- e) performs additional duties assigned by the Board of Directors;
- f) periodically reports to the Board of Directors—at least every six months—on the activities performed and on the appropriateness of the internal audit system.

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

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

The other members of the Audit Committee are:

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

During 2012 the person in charge of the audit committee carried out inspections on the following:

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

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

The 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 2012 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 2012 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.

11. AUDITING COMPANY.

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

12. 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.

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

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

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

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

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

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

- measures applied at group or individual consolidated company level, such as the allocation of responsibilities, powers and proxies, the division of tasks and allocation of privileges and rights of access to IT applications;
- measures applied at process level, such as the issue of authorisations and the carrying out of reconciliation and the performance of consistency checks.

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

14. 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 substances and procedure.

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

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

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

During 2012 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>

15. 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. Each shareholder cannot file, either through a third party or by trusts, more than one list or vote for different lists. Each candidate may be appointed in one list only, 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 could not be appointed, and that they fulfil the requirements set forth by the by-laws 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 second list obtaining the highest number of votes in the Meeting, according to the progressive order in which the candidates are listed in the sections.

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

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

The above rulings regarding the election of Auditors do not apply to meetings held, pursuant to the law, to appoint Statutory and/or Alternate Auditors and the Chairman required to complete the Board of Statutory Auditors following the replacement or expiry of the term of an Auditor. In such cases, the meeting shall resolve by relative majority, without prejudice to the clause at paragraph two of this

article. Where one list only is submitted, the entire Board of Statutory Auditors shall be appointed from said list. In the event no list is submitted, the shareholders' meeting shall resolve by majority vote. Abstentions shall not be taken into account.

The 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 board standards.

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

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.

16. AUDITORS.

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

Their office expires with the approval of the 2014 financial statements. The appointment took place during the Meeting of 30 April 2012. 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 FY2012, the Board of Statutory Auditors met four times, with meetings lasting 2 hours on average.

17. 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.

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

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

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

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

Turin, 8 March 2013

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%				2
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			80%				
Director	ARTOM Guido	28/04/2011	Approval of 2013 Financial Statements	M		YES			80%		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	MACCHIAVELLO Maurizio	06/11/2012	Approval of 2013 Financial Statements	M		YES			100% (***)				
Director	ROASIO Luciano	28/04/2011	Approval of 2013 Financial Statements	M		YES	YES	YES	100%	YES		YES	
Director	TAZZETTI Alberto	28/04/2011	Approval of 2013 Financial Statements	M		YES	YES	YES	100%	YES	YES	YES	1
Director	TURINETTO Germano	28/04/2011	Approval of 2013 Financial Statements	M		YES	YES	YES	80%		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	-	3

TABLE 2: OTHER OFFICES OF THE DIRECTORS

Information at 31 December 2012

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. – Turin		
		Director with power of attorney Director			Mediterranea delle acque S.p.A. - Genoa
Director	Germano TURINETTO	Chairman		Terfinance S.p.A.	Vega Management S.p.A.

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	FINO Francesco	30/04/2012	Approval of 2014 Financial Statements	m	YES	100%	6
Statutory Auditor	RAYNERI Giovanni	30/04/2012	Approval of 2014 Financial Statements	M	YES	90%	32
Statutory Auditor	ROSSOTTO Vittoria	30/04/2012	Approval of 2014 Financial Statements	M	YES	100%	9
Alternate Auditor	FISCHER Massimiliano	30/04/2012	Approval of 2014 Financial Statements	M	YES		
Alternate Auditor	RAYNERI Michela	30/04/2012	Approval of 2014 Financial Statements	M	YES		
Alternate Auditor	RICHETTI Franco	30/04/2012	Approval of 2014 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.

2012 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 key management personnel.

REPORT ON THE REMUNERATION PAID TO THE MEMBERS OF THE MANAGEMENT AND AUDIT BODIES, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

SECTION I

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

On 30 July 2012, the Director Mr. Ermanno Restano resigned from his office for professional reasons.

On 6 November 2012 Mr. Maurizio Macchiavello was co-opted onto the board to replace him. Mr. Macchiavello will remain in office until the 2012 financial statements have been approved.

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. Maurizio MACCHIAVELLO	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 of 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 82% of the overall remuneration, while the variable remuneration accounts for 18% 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. Given the particular nature of the sector the Group operates in, the main factor in determining the results was the cost of raw materials, in this specific case milk. The purchase price is set for very short periods of time, six months at the most. For this reason, the aim of the remuneration incentives is to reward those activities liable to boost profits over a 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	164,000
Riccardo POZZOLI	Vice Chairman and CEO	214,000
Nicola CODISPOTI	CEO	314,300
Adele ARTOM	Director	8,000
Guido ARTOM	Director	8,000
Benedetto DE BENEDETTI	Director	8,000
Antonella FORCHINO	Director	10,250
Maurizio MACCHIAVELLO	Director	1,333
Ermanno RESTANO (office terminated for resignation)	Director	8,000
Luciano ROASIO	Director	10,250
Alberto TAZZETTI	Director	10,250
Germano TURINETTO	Director	8,000

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 ordinary shareholders' meeting held on 30 April 2012 appointed the new Board of Statutory Auditors, which will remain in office until the 2014 financial statements are approved. It is made up as follows:

Mr Francesco FINO Chairman of the Board of Auditors

Mr Giovanni RAYNERI	Statutory Auditor
Ms Vittoria ROSSOTTO	Statutory Auditor
Ms Michela RAYNERI	Alternate Auditor
Mr Massimiliano FISCHER	Alternate Auditor
Mr Franco RICHETTI	Alternate Auditor

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

		Fixed remuneration
Francesco FINO	Chairman of the Board of Auditors	24,000
Giovanni RAYNERI	Statutory Auditor	18,000
Vittoria ROSSOTTO	Statutory Auditor	18,000

Key management personnel:

Remuneration payable to any other key management personnel.

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 2012.

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, 8 March 2013

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 term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Luigi LUZZATI	Chairman	2 years	31/12/2013										
Remuneration from CLTO & C. S.p.A.				118,000			46,000				164,000		9,167
Remuneration from subsidiaries				60,000	135,878						195,878		
Total				178,000	135,878		46,000				359,878		9,167

Director	Office	Period in which office was held	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Riccardo POZZOLI	VC and CEO	2 years	31/12/2013										
Remuneration from CLTO & C. S.p.A.				168,000	143,680		46,000				357,680		13,333
Remuneration from subsidiaries				80,000							80,000		
Total				248,000	143,680		46,000				437,680		13,333

Director	Office	Period in which office was held	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Nicola CODISPOTI	CEO	2 years	31/12/2013										
Remuneration from CLTO & C. S.p.A.				288,000			26,300				314,300		23,333
Remuneration from subsidiaries				-			-				-		-
Total				288,000			26,300				314,300		23,333

Director	Office	Period in which office was held	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Adele ARTOM	Director	2 years	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 term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Guido ARTOM	Director	2 years	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 term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Benedetto DE BENEDETTI	Chairman	2 years	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 term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Antonella FORCHINO	Director	2 years	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 term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Maurizio MACCHIAVELLO	Director	2 months	31/12/2012										
Remuneration from CLTO & C. S.p.A.				1,333	-	-	-	-	-	-	1,333	-	-
Remuneration from subsidiaries				190,000	-	-	13,000	-	-	-	203,000	-	-
Total				191,333	-	-	13,000	-	-	-	204,333	-	-

Director	Office	Period in which office was held	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Ermanno RESTANO	Director	Terminated for resignation	Terminated for resignation										
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 term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							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 term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Alberto TAZZETTI	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 term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Germano TURINETTO	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 term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
TOTAL REMUNERATION FROM CLTO & C. S.P.A.				639,333	143,680	6,750	118,300	-	-	-	908,063	-	45,833
TOTAL REMUNERATION FROM SUBSIDIARIES				330,000	135,878	-	13,000	-	-	-	478,878	-	-
TOTAL REMUNERATION				969,333	279,558	6,750	131,300	-	-	-	1,386,941	-	45,833

Table 2)

EMOLUMENTS PAID TO THE MEMBERS OF THE BOARD OF AUDITORS

Director	Office	Period in which office was held	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Francesco FINO	Chairman	1 year	31/12/2014										
Remuneration from CLTO & C. S.p.A.	Chairman			24,000 24,000							24,000 24,000		

Director	Office	Period in which office was held	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Giovanni RAYNERI	Auditor	1 year	31/12/2014										
Remuneration from CLTO & C. S.p.A.				18,000 18,000							18,000 18,000		

Director	Office	Period in which office was held	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Vittoria ROSSOTTO	Auditor	1 year	31/12/2014										
Remuneration from CLTO & C. S.p.A.				18,000 18,000							18,000 18,000		

Director	Office	Period in which office was held	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Marco Maria BALOSSO	Chairman	(*)	No longer a member since 30 April 2012										
Remuneration from CLTO & C. S.p.A.				24,297 24,297							24,297 24,297		

TOTAL	Office	Period in which office was held	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
TOTAL REMUNERATION OF THE BOARD OF STATUTORY AUDITORS				84,297							84,297		

(*) The emolument refers to the period from 1 January 2012 to 30 April 2012, and is related to the operations for verifying the 2011 financial statements. Upon approval of the 2011 financial statements, Mr. Balosso's term as Chairman expired

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

	Office	Subsidiary	Shares held at 01/01/2012	Purchased in 2012	Sold in 2012	Shares held at 31/12/2012
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
Nicola Codispoti	CEO	Centrale del Latte di Torino & C. S.p.A.	-	50,000	-	50,000
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.	751,525	-	-	751,529
Antonella FORCHINO	Director	Centrale del Latte di Torino & C. S.p.A.	137,306	-	-	137,306
Maurizio MACCHIARELLO	Director	Centrale del Latte di Torino & C. S.p.A.	10,000	-	-	10,000

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.

2012 Financial Statements

Accounting schedules

Statement of comprehensive income (amounts shown in Euros)

			31/12/2012	31/12/2011
1ec	1ene	Revenue from sales and services	57,406,717	59,377,631
		<i>Of which from subsidiaries</i>	<i>8,258,595</i>	<i>9,046,928</i>
		<i>Of which from joint ventures</i>	<i>652,302</i>	<i>344,893</i>
2ec	2ene	Other revenue	454,299	573,254
		<i>Of which from subsidiaries</i>	<i>88,165</i>	<i>71,797</i>
		<i>Of which from joint ventures</i>		-
3ec	3ene	Change in inventories of semi-finished and finished goods	(100,765)	382,145
		Total revenue from sales and services	57,760,251	60,333,030
4ec	4ene	Raw and ancillary materials, consumables and goods	(30,546,559)	(33,329,890)
		<i>Of which from subsidiaries</i>	<i>(1,911,865)</i>	<i>(2,299,606)</i>
		<i>Of which from joint ventures</i>	<i>(23,456)</i>	<i>(38,078)</i>
		Personnel costs	(7,664,492)	(8,017,679)
5ec	5ene	Wages and salaries	(5,453,971)	(5,728,342)
6ec	6ene	Social security contributions	(1,721,058)	(1,823,011)
7ec	7ene	Employee severance indemnity	(406,106)	(379,640)
8ec	8ene	Other costs	(83,357)	(86,686)
		Depreciation, amortisation and write-downs	(2,178,862)	(2,178,185)
9ec	9ene	Amortisation of intangible fixed assets	(187,468)	(183,463)
10ec	10ene	Depreciation of tangible fixed assets	(1,947,013)	(1,939,950)
11ec	11ene	Write-downs of current receivables	(44,381)	(54,772)
		Other operating costs	(14,997,708)	(14,479,708)
12ec	12ene	Services	(13,785,321)	(13,579,647)
		<i>Of which from subsidiaries</i>	<i>(60,000)</i>	-
13ec	13ene	Lease and rental costs	(306,673)	(308,095)
		<i>Of which vis-à-vis the ultimate parent company</i>	<i>(10,349)</i>	<i>(9,931)</i>
14ec	14ene	Allocations for risks	(329,324)	-
15ec	15ene	Sundry operating expenses	(576,390)	(591,965)
		EBIT	2,372,631	2,327,568
16ec	16ene	Financial income	22,486	79,040
17ec	17ene	Financial charges	(794,041)	(553,924)
18ec	18ene	Write-down of equity investments	(1,145,837)	(597,954)
		Pre-tax profit (loss)	455,240	1,254,730
19ec	19ene	Income taxes	(904,454)	(1,018,802)
20ec	20ene	(Deferred) prepaid taxes	(6,229)	44,717
21ec	21ene	Taxes from previous financial years	326,426	-
		NET PROFIT (LOSS) (A)	(129,016)	280,645
		Total other profits (losses) net of tax effects (B)	-	-
		TOTAL OVERALL PROFIT (LOSS) (A+B)	(129,016)	280,645

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	31/12/2012	31/12/2011
		NON-CURRENT ASSETS		
	1ne	Tangible fixed assets	12,586,335	14,253,705
1c		Land	2,115,180	2,115,180
1c		Buildings	5,349,513	5,672,003
1c		Plants and machinery	4,530,649	5,729,254
1c		Industrial and commercial equipment	580,493	734,085
2c		Fixed assets under development and advances	10,500	3,182
	2ne	Intangible fixed assets	685,783	853,226
3c		Trademarks, licences and similar	237,501	276,877
3c		Software	448,282	576,350
		Financial fixed assets	46,687,228	47,839,294
4c	3ne	Equity investments in subsidiaries	45,624,145	46,769,982
4c	4ne	Equity investments in joint ventures	961,293	961,293
4c	5ne	Other financial assets	1,639	1,639
5c	6ne	Deferred tax assets	100,150	106,379
		TOTAL NON-CURRENT ASSETS	59,959,346	62,946,225
		CURRENT ASSETS		
	8ne	Inventories	1,637,143	1,602,905
7c		Raw and ancillary materials and consumables	956,450	878,516
8c		Finished products and goods	680,694	724,389
		Trade and other receivables	13,649,751	18,953,692
9c	9ne	Trade receivables	7,265,161	10,263,691
10c	10ne	Receivables from joint ventures	-	218,981
11c	11ne	Receivables from subsidiaries	1,392,849	2,295,243
12c	12ne	Tax assets	3,491,543	4,536,986
13c	13ne	Receivables from others	1,500,198	1,638,791
		Cash and cash equivalents	2,685,199	1,288,414
14c	14ne	Bank and postal accounts	2,427,112	1,103,440
15c	15ne	Cash and valuables on hand	258,087	184,974
		TOTAL CURRENT ASSETS	17,972,094	21,845,011
		TOTAL ASSETS	77,931,440	84,791,236

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	31/12/2012	31/12/2011
16c	16ne	Share capital	20,600,000	20,600,000
		Reserves	27,248,451	27,570,316
17c		Share premium account	14,324,577	14,324,577
18c		Revaluation reserve	196,523	196,523
19c		Legal reserve	1,019,111	1,005,079
20c		Other reserves	10,398,121	10,331,509
21c		Non-distributable IFRS first-time adoption reserve	1,265,968	1,265,968
22c		Merger surplus (deficit)	166,015	166,015
23c		Profit (loss) for the period	(129,016)	280,645
	17ne	TOTAL EQUITY	47,841,299	48,170,316
NON-CURRENT LIABILITIES				
24c	18ne	Long-term loans	7,627,316	11,091,634
25c	19ne	Long-term payables to other lenders	76,208	151,288
26c	20ne	Deferred taxes	522,183	522,183
		Long-term provisions	2,175,295	1,651,732
27c	21ne	Employee severance indemnity	1,769,582	1,621,176
28c	22ne	Provision for Directors' indemnity at the end of their term in office	76,389	30,556
29c	23ne	Provision for liabilities and charges	329,324	-
		TOTAL NON-CURRENT LIABILITIES	10,401,002	13,416,837
CURRENT LIABILITIES				
		Financial payables	6,044,952	6,938,020
30c	24ne	Current share of long-term loans	5,969,609	4,365,647
31c	25ne	Payables to banks	-	2,500,000
32c	26ne	Current share of payables to other lenders	75,343	72,373
		Trade and other payables	13,644,187	16,266,064
33c	27ne	Trade payables	9,470,153	12,166,235
34c	28ne	Payables to subsidiaries	732,421	866,113
35c	29ne	Payables to joint ventures	-	17,047
36c	30ne	Payables to parent company	1,701	1,661
37c	31ne	Tax liabilities	272,404	184,068
38c	32ne	Payables to social security authorities	562,764	531,083
39c	33ne	Other payables	2,604,744	2,499,857
		TOTAL CURRENT LIABILITIES	19,689,139	23,204,084
		TOTAL EQUITY AND LIABILITIES	77,931,440	84,791,236

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)

	31/12/2012	31/12/2011
Initial cash availability	(1,211,586)	(3,053,105)
A. Cash flow from operating activities		
Profit (loss) for the year	(129,016)	280,645
Amortisation of intangible fixed assets	187,468	183,463
Depreciation of tangible fixed assets	1,947,013	1,939,950
Write-down of Centrale del Latte di Vicenza S.p.A.'s equity investment	1,145,837	597,954
Total depreciation, amortisation and write-downs	3,280,317	2,721,366
Employee severance indemnity accrued in the FY, net of indemnities already paid	148,407	(345,406)
Provision for Directors' indemnity at the end of their term in office	45,833	30,556
Deferred taxes	-	-
Accrual to (Use of) provision for liabilities and charges	329,324	(120,000)
Total net accruals	523,564	(434,850)
Change in net working capital		
Net trade receivables and other receivables (intra-group included)	4,119,905	1,283,206
Inventories	(34,238)	(83,715)
Other receivables	1,190,266	(1,246,138)
Suppliers (parent company and intra-group included)	(2,846,781)	(2,173,252)
Sundry payables	136,567	(57,135)
Tax liabilities	88,336	9,436
Total change in net working capital	2,654,056	(2,267,597)
Operating cash flow	6,328,920	299,564
B. Cash flow from (for) investing activities		
Net acquisitions of technical fixed assets	(279,643)	(705,286)
Net acquisitions of intangible assets	(20,024)	(720,438)
Financial (investments) divestments	-	(500)
Total cash flow from (for) investing activities	(299,667)	(1,426,224)
Free cash flow	6,029,253	(1,126,660)
C. Cash flow from change in net equity		
Dividends paid	(200,000)	-
Total cash flow from change in net equity	(200,000)	-
D. Cash flow from financing activities		
Change in medium/long-term financial payables	(1,932,468)	2,967,179
Total cash flow from financing activities	(1,932,468)	2,967,179
Total cash flows for the period	3,896,785	1,841,519
CASH AND BANKS AT YEAR-END (net of payables to banks)	2,685,199	(1,211,586)
of which bank accounts and cash on hand	2,685,199	1,288,414
of which payables to banks	-	(2,500,000)
Financial charges paid	496,577	445,562
Taxes paid	997,818	606,725

Changes in net equity (amounts shown in Euros)

	At 1 Jan 11	Result allocation	Dividend payment	Changes for the period	At 31 Dec 11
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

	At 1 Jan 11	Result allocation	Dividend payment	Changes for the period	At 31 Dec 11
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	1,005,079	14,032	-	-	1,019,111
Other reserves	10,331,510	66,613	-	-	10,398,123
Non-distributable IFRS first-time adoption reserve	1,265,967	-	-	-	1,265,967
Merger surplus	166,015	-	-	-	166,015
Profit (loss) for the period	280,645	(80,645)	(200,000)	(129,016)	(129,016)
	48,170,316	-	(200,000)	(129,016)	47,841,299

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

2012 Financial Statements

Notes to the 2012 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 2012 financial statements was authorised by the Board of Directors on 8 March 2013.

The Company has also prepared, in its capacity as Parent Company, the consolidated financial statements at 31 December 2012.

Structure and content of the accounting schedules.

The financial statements at 31 December 2012 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 2011 financial statements have been restated to provide a consistent basis of comparison with the 2012 financial statements.

The financial statements for FY 2012 were drafted in Euros.

Audit

The 2012 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 2012 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.

There are no accounting standards, amendments and interpretations effective as of 1 January 2012 that are relevant to the company.

Accounting standards, amendments and interpretations effective from 1 January 2012 and not relevant to the company:

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

Accounting standards, amendments and interpretations that will come into force starting from the financial statements of subsequent FYs and have not been adopted in advance by the company:

Amendment to IAS 1 – Presentation of financial statements. Presentation of Items of Other Comprehensive Income

- IAS 19 (2011) Employee Benefits
- Amendments to IFRS 1 First-time adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IFRS 7– Financial instruments: supplementary information– Offsetting financial assets and financial liabilities
- Amendments to IAS 32 – Financial instruments: presentation - Offsetting financial assets and financial liabilities
- IFRS 13 Fair value measurement
- RS 10 – Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities

- IAS 27 (2011) – Separate financial statements
- IAS 28 (2011) Investments in associates or joint ventures
- Amendments to IAS 12 Incomes taxes – Deferred tax: recovery of underlying assets
- IFRIC 20 –Stripping costs in the production phase of a surface mine

In drafting the financial statements for FY 2010 at 31 December 2012, 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 place, 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	2% - 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:

	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Other	Total	Fixed assets under development	Totals
TANGIBLE FIXED ASSETS								
Historical cost	2,115,180	12,574,695	23,118,520	3,467,882	4,157	41,280,435	3,182	41,283,617
Accumulated depreciation		(6,902,692)	(17,389,267)	(2,733,798)	(4,157)	(27,029,914)	-	(27,029,914)
Initial amount	2,115,180	5,672,003	5,729,253	734,084	-	14,250,521	3,182	14,253,703
Acquisitions	-	21,487	189,098	83,477	-	294,062	10,500	304,562
Transfers	-	3,182	-	-	-	3,182	(3,182)	-
Disposals and eliminations	-	-	(57,859)	(32,906)	-	(90,765)	-	(90,766)
Use of provisions	-	-	33,390	32,456	-	65,846	-	65,847
Depreciation	-	(347,159)	(1,363,234)	(236,620)	-	(1,947,013)	-	(1,947,013)
Final amount	2,115,180	5,349,513	4,530,649	580,493	-	12,575,833	10,500	12,586,335

Changes in accumulated depreciation of tangible fixed assets:

	Buildings	Plant and machinery	Industrial and commercial equipment	Other	Total
TANGIBLE FIXED ASSETS					
Initial amount	6,902,692	17,389,267	2,733,798	4,157	27,029,915
Depreciation	347,159	1,363,234	236,620	-	1,947,013
Use of provisions	-	(33,390)	(32,456)	-	(65,847)
Final amount	7,249,851	18,719,111	2,937,961	4,157	28,911,080

Tangible fixed assets include the net book value of machinery under finance lease contracts for € 74,893.

Intangible fixed assets (2ne)

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

	Trademarks	Software	Total
INTANGIBLE FIXED ASSETS			
Historical cost	787,783	720,438	1,508,221
Accumulated amortisation	(510,906)	(144,088)	(654,994)
Initial amount	276,877	576,350	853,227
Acquisitions	-	20,024	20,024
Amortisation for the period	39,376	148,092	187,468
Final amount	237,501	448,282	685,783

Financial fixed assets

In 2012 the company wrote down the equity investment in Centrale del Latte di Vicenza S.p.A. for € 1,145,837.

	Equity investments in subsidiaries	Equity investments in joint ventures	Equity Investments in other companies	Totals
Initial amount	46,769,982	961,293	1,639	47,732,914
Increases	-	-	-	-
Decreases	(1,145,837)	-	-	(1,145,837)
Final amount	45,624,145	961,293	1,639	46,587,077

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 2012:

	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	6,829,012	(450,740)	100%	17,337,826
Centrale del Latte di Vicenza S.p.A. Via Faedo 60 - Vicenza	29,162,303	26,133,702	(1,087,991)	100%	28,286,319

The difference between the book value of the equity investments in Centrale del Latte di Vicenza S.p.A. and Centro Latte Rapallo and the net equity of each is considered to be covered by surpluses not recorded in the financial statements and supported by independent reports drafted by third parties in 2012.

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 2012, 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	2,469,328	137,361	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 and depreciation recovered further to tax audit	165,482	-	(10,550)	154,932
Tax recovery of depreciation of buildings	109,381	-	-	109,381
Remuneration of directors	73,000	62,400	(73,000)	62,400
	347,863	62,400	(83,550)	326,712

Deferred tax assets were calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2012, by applying the IRES (corporate income tax) rate of 27.5% and the IRAP (regional production tax) rate of 3.9%. The following table illustrates the changes in deferred tax assets:

	Initial amount	Increases	Decreases	Final amount
Amortisation and depreciation recovered further to tax audit	51,961	-	(3,318)	48,643
Tax recovery of depreciation of buildings	34,347	-	-	34,347
Remuneration of directors	20,075	17,160	(20,075)	17,160
	106,379	17,160	(23,388)	100,150

CURRENT ASSETS**Inventories (8ne)**

Inventories at 31 December 2012 amounted to € 1,637,144. They were broken down as follows:

	Initial amount	Final amount	Change
Raw and ancillary materials and consumables	878,516	956,450	77,934
Finished products and goods	724,389	680,694	(43,695)
	1,602,905	1,637,144	34,238

Trade receivables (9ne)

Trade receivables, all of which were due within one year, came to € 7,265,161 at 31 December 2012, 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 fall in trade receivables compared to 2011 is partly due to the changes to contract conditions, which resulted in large-scale retailers' promotion contributions becoming discounts on invoices.

The following table provides a breakdown of provisions for impaired receivables and changes in those provisions during 2012:

	Initial amount	Increases	Decreases	Final amount
Taxed provision for impaired receivables	50,491	-	-	50,491
Provision for bad debts	543,285	44,381	(22,810)	564,856
	593,776	44,381	(22,810)	614,347

Receivables from subsidiaries (11ne)

Receivables from subsidiaries came to € 1,392,849 at the end of 2012 and were associated with normal commercial sales transactions undertaken between the Company and its subsidiaries during the year.

Tax assets (12ne)

	31/12/2012	31/12/2011
VAT receivable	2,327,222	3,555,941
Direct taxes	1,129,800	959,258
Employee severance indemnity withholdings	20,391	19,671
Withholding taxes on interest receivable	14,130	2,116
Total tax assets	3,491,543	4,536,986

Direct taxes include € 548,291 relating to IRES refunds on IRAP applied to personnel costs.

Receivables from others (13ne)

Receivables from others include:

	31/12/2012	31/12/2011
Receivables for performance guarantees received securing the payment of the surtax in accordance with Law 486/92 (milk quotas)	1,224,636	1,224,139
Accrued income and prepaid expenses	104,308	113,038
Credits to be received	52,122	105,133
Deposits	31,982	32,079
Receivables from distributors	27,500	26,211
Advances to suppliers	20,686	84,124
Miscellaneous	19,292	37,631
Loans to employees	18,573	5,480
Receivables from social security institutions	1,100	10,959

Total other receivables	1,500,198	1,638,791
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Accrued income and prepaid expenses

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

	31/12/2012	31/12/2011
PREPAID EXPENSES		
Lieu tax	20,195	29,568
Maintenance fees	26,634	20,719
VAT guarantee policies	34,680	20,048
Loan fees	13,293	20,534
Other costs	9,506	3,881
Leases	-	18,288
TOTAL PREPAID EXPENSES	104,308	113,038
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	104,308	113,038

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

Cash and cash equivalents, all of which are freely available, came to € 2,685,199 and are presented in the schedule that illustrates financial position in the analysis of financial payables.

BREAKDOWN OF LIABILITIES**NET EQUITY****Share capital (16ne)**

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 2012.

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	1,019,111	Profits/capital	-	YES	YES
Other reserves	10,398,121	Profits/capital	-	YES	SI
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	(129,016)	Profits/capital	-	NO	NO

NON-CURRENT LIABILITIES

Financial payables (18ne+19ne+20ne+24ne+25ne+26ne)

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 € 13,748,476, broken down as follows:

	Within 12 months	Over one year, within 5 years	Over 5 years	Total payables over 1 year	Total payables
Payables to banks for loans	5,969,609	7,627,316	-	7,627,316	13,596,925
Payables to other lenders	75,343	76,208	-	76,208	151,551
Totals	6,044,952	7,703,524	-	7,703,524	13,748,476

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
Mediocredito Italiano S.p.A. Euribor rate 3 months + 0.90	2,500,000	2,500,000	250,000	31/03/13	---
Unicredit S.p.A. Euribor rate 3 months + 1.75	300,000	300,000	33,784	30/06/13	Second mortgage on industrial property located in Casteggio (PV) for € 600,000
Credito Emiliano CREDEM S.p.A. Euribor rate 3 months + 2.75	700,000	700,000	700,000	31/07/13	
Centrobanca S.p.A. Euribor rate 3 months + 1.10	2,000,000	2,000,000	546,660	31/10/13	---
Banco Popolare Euribor rate 3 months + 3.50	300,000	300,000	300,000	30/11/13	---
Banca Popolare Commercio e Industria Euribor rate 6 months + 0.50	500,000	500,000	110,607	31/12/13	---
Banca Passadore & C. S.p.A. Euribor rate 6 months + 1.35	2,500,000	2,500,000	1,944,444	01/07/14	---
Deutsche Bank S.p.A. Euribor rate 3 months + 0.80	2,500,000	2,500,000	1,562,500	14/03/15	---
Credito Emiliano CREDEM S.p.A. Euribor rate 6 months + 1.60	1,000,000	1,000,000	838,733	19/04/15	---
Unicredit S.p.A. Euribor rate 6 months + 1.40	1,300,000	1,300,000	406,250	31/5/15	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	1,021,057	30/06/15	
Banca Sella S.p.A. Euribor 3 months + 3.25	1,500,000	1,500,000	1,500,000	1/10/15	---
Unicredit S.p.A. Euribor rate 3 months + 1.85	2,000,000	2,000,000	1,882,890	30/09/16	---
Banca Regionale Europea S.p.A. Euribor rate 6 months + 0.80	2,500,000	2,500,000	2,500,000	08/09/17	---

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

	within 12 months	over one year, within 5 years	over 5 years	Totals
Banca Regionale Europea S.p.A.	480,805	2,019,195	-	2,500,000
Unicredit S.p.A.	674,920	1,648,008	-	2,322,924
Banca Passadore & C. S.p.A.	1,111,111	833,333	-	1,944,444
Deutsche Bank S.p.A.	625,000	937,500	-	1,562,500
Banca Sella S.p.A.	483,906	1,016,094	-	1,500,000
Credito Emiliano CREDEM S.p.A.	1,033,334	505,399	-	1,538,733
Monte dei Paschi di Siena S.p.A.	403,268	617,789	-	1,021,057
Centrobanca S.p.A.	546,660	-	-	546,660
Banco Popolare	250,000	50,000	-	300,000

Mediocredito Italiano S.p.A.	250,000	-	-	250,000
Banca Popolare Commercio e Industria	110,607	-	-	110,607
	5,969,609	7,627,316	-	13,596,925

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	75,343	76,208	-	151,551
	75,343	76,208	-	151,551

Finance lease payables refer to leases of plant and equipment.

Financial position.

For comments on the net financial position, see the Directors' Report.

The following table contains an illustration of the Company's net financial position at 31 December 2012 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:

	31/12/2012	31/12/2011
Cash and cash equivalents (15ne+16ne)	2,685,199	1,288,414
Total current financial assets	2,685,199	1,288,414
Payables to banks	-	(2,500,000)
Current share of medium/long-term loans (24ne)	(5,969,609)	(4,365,647)
Current share of payables to other lenders (25ne)	(75,343)	(72,373)
Total current financial liabilities	(6,044,952)	(6,938,020)
Payables for medium/long-term loans (18ne)	(7,627,316)	(11,091,634)
Payables to other lenders for medium/long-term loans (20ne)	(76,208)	(151,288)
Total non-current financial liabilities	(7,703,524)	(11,242,923)
Total financial liabilities	(13,748,476)	(18,180,943)
Net financial position	(11,063,277)	(16,892,528)

Loan covenants

No covenants apply to the loans issued to the Company.

Deferred taxes (20ne)

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 2012, by applying the IRES (corporate income tax) rate of 27.5% and the IRAP (regional production tax) rate of 3.9%. 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 (21ne)**

At 31 December 2012 the severance indemnity amounted to € 1,769,582.

Initial amount	1,621,176
Interest cost	70,974
Decreases and uses	(156,506)
Actuarial loss (income)	233,938
Final amount	1,769,582

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 loss are posted, together with interest cost, to financial charges. 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	3.25%
- annual inflation rate	2.00%
- annual rate of severance indemnity increase	3.00%

The Iboxx Eurozone Corporates A10+ 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 € 76,389. The methods of calculation used are set out in the Report on Corporate Governance.

Provision for liabilities and charges (23ne)

With regard to the provision for liabilities and charges, see the heading "Other risks".

	Initial amount	Increases	Decreases	Final amount
Provision for future capital losses	-	329,324	-	329,324
	-	329,324	-	329,324

CURRENT LIABILITIES

Short-term payables to banks (24ne- 25ne) totalled € 5,969,609 and related to current shares for mortgages.

Current share of payables to other lenders (26ne) amounted € 75,343.

Trade payables (27ne) amounted to € 9,470,153, all payables within year-end.

Payables to subsidiaries (28ne) associated with normal commercial sales transactions between the Company and its subsidiaries during the year came to € 732,421.

Payables to joint ventures (29ne) were not present.

Payables to parent company (30ne) relating to the rent of an area used for parking amounted to € 1,701.

Tax liabilities (31ne) came to € 272,404 and comprise the following line items:

	31/12/2012	31/12/2011
Payables for employees' withholding taxes	173,336	164,525
Payables for taxes	97,779	-
Withholdings payable on independent contractors' fees	1,289	19,543
Total tax liabilities	272,404	184,068

Payables to social security authorities (32ne) 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 € 562,764.

The item **"Other payables" (33ne)** includes:

	31/12/2012	31/12/2011
Surtaxes payable under Law 486/92 (milk quotas)	1,276,085	1,276,085
Payables for wages and salaries	811,680	547,928
Accrued liabilities and deferred income	358,667	441,956
Withholdings from milk producers payable under Law 88/88	77,697	77,697
Payables for remuneration of directors and auditors	62,400	144,382
Security deposits received	12,578	6,578
Employee trade union withholdings	4,893	2,494
Other payables	744	2,738
Total other payables	2,604,744	2,499,857

Accrued liabilities and deferred income are broken down as follows:

	31/12/2012	31/12/2011
DEFERRED INCOME		
Contributions to operating expenses	288,305	353,753
Other	29,863	22,398
Total deferred income	318,169	375,971
ACCRUED LIABILITIES		
Interest on bank loans	40,498	65,985
Total accrued liabilities	40,498	65,985
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	358,667	441,956

COMMITMENTS AND OTHER CONTINGENT LIABILITIES

At 31 December 2012 there were no commitments and other contingent liabilities not shown in the financial statements, except for what is indicated under the heading "other risks".

BREAKDOWN OF INCOME STATEMENT ITEMS

REVENUE

Revenue from sales and services (1ene)

Compared to FY2011, revenue from sales mainly reflected the negative effects of the changes to contract conditions, which resulted in large-scale retailers' promotion contributions becoming discounts.

Breakdown of sales by turnover segment (1ene):

	31/12/2012		31/12/2011		Change	
Fresh milk	24,116,083	42%	24,741,243	42%	(625,160)	-2.5%
Intra-group	3,875,721	7%	3,776,546	6%	99,175	2.6%
Total fresh milk	27,991,803	49%	28,517,788	48%	(525,985)	-1.8%
UHT milk	12,480,624	22%	13,005,528	22%	(524,904)	-4.0%
Intra-group	914,152	2%	1,212,730	2%	(298,578)	-24.6%
Total UHT milk	13,394,776	23%	14,218,258	24%	(823,474)	-5.8%
Yogurt	1,935,540	3%	1,991,585	3%	(56,045)	-2.8%
Total yogurt	1,935,540	3%	1,991,585	3%	(56,045)	-2.8%
Fresh vegetables	2,710,033	5%	2,927,360	5%	(217,327)	-7%
Intra-group	1,461,801	3%	1,706,928	3%	(245,127)	-14%
Total fresh vegetables	4,171,834	7%	4,634,288	8%	(462,454)	-10%
Bulk milk and cream	2,240,158	4%	2,430,948	4%	(190,789)	-8%
Intra-group	1,466,867	3%	1,899,488	3%	(432,621)	-23%
Total bulk milk and cream	3,707,026	6%	4,330,436	7%	(623,411)	-14%
Other packaged products	5,404,762	9%	4,889,148	8%	515,614	11%
Intra-group	800,976	1%	796,126	1%	4,849	1%

Total other packaged products	6,205,738	11%	5,685,275	10%	520,463	9%
Total	57,406,717	100%	59,377,631	100.0%	(1,970,914)	-3%
of which intra-group	8,519,517	14.8%	9,391,819	15.8%	(872,302)	-9%

(*) 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)

	31/12/2012			31/12/2011			Change	
Extraordinary income	161,172	35%		180,144	31%		(18,972)	-11%
Contributions to operating expenses	104,768	23%		65,755	11%		39,013	59%
Recoveries from subsidiaries	88,165	19%		71,797	13%		16,186	22%
Other	39,616	9%		62,234	11%		(22,618)	-36%
Sales of salvaged materials	35,746	8%		40,120	7%		(4,374)	-11%
Recoveries	4,373	1%		75,453	13%		(71,080)	-94%
Rental income	3,117	0%		3,564	1%		(447)	-13%
Capital gains on asset disposal	2,100	0%		17,158	3%		(15,058)	-88%
Indemnities	1,855	0%		13,908	2%		(12,053)	-87%
Contributions from suppliers	13,387	3%		43,121	8%		(29,734)	-69%
Total	454,299	100%		573,254	100%		(119,137)	21%

Use of raw materials and consumables (4ene)

The costs for raw materials and consumables amounted to € 30,546,559 and include:

	31/12/2012			31/12/2011			Change	
Purchases of ingredients – sundry foodstuffs	21,129,130	69%		22,662,733	68%		(1,533,603)	-7%
Packaging materials	4,291,482	14%		4,719,350	14%		(427,867)	-9%
Goods for resale	2,688,241	9%		2,737,361	8%		(49,120)	-2%
Intra-group products	1,476,176	5%		1,545,800	5%		(69,624)	-5%
Consumables and ancillary material	525,841	2%		1,002,026	3%		(476,186)	-48%
Intra-group purchases of ingredients	422,046	1%		634,992	2%		(212,946)	-34%
Intra-group ancillary material	13,643	0%		27,628	0%		(13,985)	-51%
Total	30,546,559	100%		33,329,890	100%		(2,783,331)	-8%

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

Personnel costs totalled € 7,664,492, broken down as follows:

	31/12/2012			31/12/2011			Change	
Wages and salaries	5,453,971	71%		5,728,342	71%		(274,371)	-5%
Social security charges	1,721,058	22%		1,823,011	23%		(101,953)	-6%
Employee severance indemnity	406,106	5%		379,640	5%		26,466	7%
Other costs	83,357	1%		86,686	1%		(3,329)	-4%
Total	7,664,492	100%		8,017,679	100%		(353,187)	-4%

The employee severance indemnity accrued in 2012 may be considered a defined-contribution plan in the amount of € 406,106.

The average workforce came to 149 at 31 December 2012 (153 at 31 December 2011).

	Engagements	Resignations	Transfers	In service	Average workforce
Managers	-	-	-	8	8
Middle management	-	-	1	7	7
White-collar personnel	3	2	1	53	53
Blue-collar personnel	7	5	-	83	81
TOTAL	10	7	2	151	149

Amortisation and depreciation (9ene + 10ene)

Amortisation of intangible assets was calculated and recognised in the total amount of € 187,468. Depreciation of tangible assets was calculated and recognised in the total amount of € 1,947,013.

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

	31/12/2012		31/12/2011		Change	
Licenses and trademarks	39,375	21%	39,375	21%	-	-
Software	148,092	79%	144,088	79%	4,004	3%
Total	187,468	100%	183,463	100%	4,005	2%

	31/12/2012		31/12/2011		Change	
Plants and machinery	1,363,234	70%	1,351,911	70%	11,323	1%
Buildings	347,159	18%	348,566	18%	(1,407)	0%
Industrial and commercial equipment	236,620	12%	239,473	12%	(2,854)	-1%
Total	1,947,013	100%	1,939,950	100%	7,063	0%

Costs for services (12ene)

The costs for services amounted to € 13,785,321 and include. Compared to FY2011, it was mainly due to the effects of the changes to contract conditions, which resulted in large-scale retailers' promotion contributions becoming discounts.

	31/12/2012		31/12/2011		Change	
Transport for product distribution	4,795,815	35%	4,671,776	34%	124,039	3%
Administrative services	1,948,667	14%	1,729,029	13%	219,638	13%
Motive power and natural gas	1,523,644	11%	1,281,848	9%	241,796	19%
Industrial services	1,493,406	11%	1,237,640	9%	255,766	21%
Commercial and advertising services	1,267,032	9%	1,099,973	8%	167,059	15%
Purchase services	829,002	6%	943,861	7%	(114,859)	-12%
Large-scale retailers' promotion contributions	692,743	5%	1,406,422	10%	(713,679)	-51%
Maintenance services	563,892	4%	597,835	4%	(33,943)	-6%
Free gifts with products	424,499	3%	394,954	3%	29,545	7%
Insurance services	246,621	2%	216,309	2%	30,312	14%
Total	13,785,321	100%	13,579,647	100%	205,675	2%

Lease and rental costs (13ene)

Lease and rental costs amounted to € 306,673. Industrial leases refer to leased plant.

	31/12/2012		31/12/2011		Change	
Industrial leases	281,646	92%	289,252	94%	(7,606)	-3%
Leases of premises and buildings	25,027	8%	18,843	6%	8,184	33%
Total	306,673	100%	308,095	100%	578	0%

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

- € 151,551 for 2013

Provisions for risks (14ene)

With regard to provisions for risks and charges, see "Other risks".

Sundry operating expenses (15ene)

Sundry operating expenses amounted to € 576,390 Euro and include:

	31/12/2012		31/12/2011		Change	
Taxes other than income taxes	369,410	64%	315,461	53%	53,949	17%
Contingent liabilities	121,047	21%	202,334	34%	(81,287)	-40%
Membership fees	43,265	8%	43,670	7%	(405)	-1%
Fines and penalties	15,742	3%	7,564	1%	8,178	108%
Capital losses	14,719	3%	953	0%	13,766	1445%
Subscriptions to magazines and books	6,175	1%	5,300	1%	875	17%
Entertainment expenses	6,032	1%	16,683	3%	(10,651)	-64%
Total	576,390	100%	591,965	100%	(15,575)	-3%

Financial income and charges (16ene + 17ene)

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

	31/12/2012	31/12/2011	Change
Financial income			

Interest on VAT refunds	16,218	72%	5,815	7%	10,403	179%
Interest from banking institutions	4,737	21%	6,927	9%	(2,190)	-32%
Other	1,531	7%	4,580	6%	(3,049)	-67%
Actuarial income	-	-	61,718	78%	(61,718)	-100%
Total	22,486	100%	79,040	100%	(56,554)	-72%

	31/12/2012		31/12/2011		Change	
Financial charges						
Interest on mortgages and loans	334,241	42%	396,978	72%	62,736	-16%
Charges for employee severance indemnity discounting	282,034	36%	80,306	14%	(201,728)	251%
Interest on current accounts	153,159	19%	37,157	7%	(116,002)	312%
Performance bond expenses	15,142	2%	28,022	5%	12,881	-46%
Finance lease interest	9,177	1%	11,426	2%	2,250	-20%
Other	288	0%	35	0%	(254)	734%
Total	794,041	100%	553,924	100%	(240,117)	-43%

Adjustments to financial assets (18ene)

Adjustments to financial assets refer to the impairment loss on the investment in Centrale del Latte di Vicenza S.p.A. of € 1,145,837.

Taxes (19ene + 20ene + 21ene).

Income taxes, not including deferred tax assets and liabilities, came to € 904,454 compared to € 974,085 in FY2011.

	31/12/2012		31/12/2011		Change	
IRES for the year 27.5%	565,245	62%	609,375	64%	(44,130)	-7%
IRAP for the year 3.9%	339,209	38%	348,444	36%	(9,235)	-3%
TOTAL TAXES	904,454	100%	957,819	100%	(53,365)	-6%
Taxes for previous years	(326,426)		60,983			
TOTAL TAXES	578,028		1,018,802		(440,774)	-43%
Prepaid taxes	6,229		(44,717)		50,946	114%
TOTAL PREPAID AND DEFERRED TAXES	6,229		(44,717)			
NET TOTAL TAXES	584,257		974,085		(389,828)	-40%

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

	Taxable base for IRES purposes		IRES tax 27.5%
Net result	(129,016)	Notional IRES	-
Increases	2,029,943		
<i>of which write-downs of equity investments</i>	<i>1,145,837</i>		
Decreases	778,121		
Taxable base	2,028,288	Actual IRES	557,779

	Taxable base for IRAP purposes		IRAP tax 3.9%
EBIT	2,699,058	Notional IRAP	105,263
Increases in personnel costs	7,664,492		
Increases	1,772,947		
Decreases	336,977		
Decreases in personnel costs	3,101,864		
Taxable base	8,697,656	Actual IRAP	339,208

Dealings 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 01/01/2012	Purchased in 2012	Sold in 2012	Shares held at 31/12/2012
Luigi LUZZATI	Chairman	166,062	-	-	166,062
Riccardo POZZOLI	Vice Chairman and CEO	59,125	-	-	59,125
Nicola CODISPOTI	CEO	-	50,000	-	50,000
Adele ARTOM	Director	3,593,864	-	-	3,593,864
Benedetto DE BENEDETTI	Director	751,529	-	-	751,529
Antonella FORCHINO	Director	137,306	-	-	137,306
Maurizio MACCHIAVELLO	Director	10,000	-	-	10,000

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 € 10,349.

The following table presents the situation of dealings with related parties at 31 December 2012:

	Receivables	Payables	Costs	Revenue
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis	1,701	-	-	10,349
Centrale del Latte di Torino & C. S.p.A. - subsidiary	-	-	-	-
	1,701	-	-	10,349
Centrale del Latte di Torino & C. S.p.A. vis-à-vis:				
Finanziaria Centrale del Latte di Torino S.p.A. – ultimate parent company	-	1,701	10,349	-
Centro Latte Rapallo S.p.A. – subsidiary	1,257,956	248,875	506,419	7,436,170
Centrale del Latte di Vicenza S.p.A. - subsidiary	135,305	483,546	1,465,446	910,590
Frascheri S.p.A. – joint venture	-	-	23,456	652,302
	1,393,261	734,122	2,005,670	8,999,062
Centro Latte Rapallo S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	248,875	1,257,956	7,436,170	506,419
Centrale del Latte di Vicenza S.p.A.	410	84,403	594,992	381
Frascheri S.p.A. – joint venture	336	3,488	28,708	5,298
	249,621	1,345,847	8,059,870	512,478
Centrale del Latte di Vicenza S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	483,546	135,305	910,590	1,465,446
Centro Latte Rapallo S.p.A.	84,403	410	381	594,992
	567,949	135,715	910,971	2,060,438
Frascheri S.p.A. vis-à-vis:				
Centrale del Latte di Torino & C. S.p.A.	-	-	652,302	23,456
Centro Latte Rapallo S.p.A.	3,488	336	5,298	28,708
	3,488	336	657,600	52,164

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.

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. On 29 January 2013, the Court of Rome ruled that the findings of the ENASARCO Foundation were valid, thus rejecting the appeal presented by Centro Latte Rapallo S.p.A.. In the 2011 financial statements, the subsidiary posted costs amounting to € 477,980, comprising the contributions, penalties and interest charged to it (the remainder was charged to the counterparty, the self-employed drivers) and an allocation of € 100,000 for future risks, and obtained permission to spread payment over 12 monthly instalments. Centrale del Latte di Rapallo S.p.A. intends to appeal against this sentence of the court of first instance, since it is convinced of having applied the correct legal framework and that this interpretation will be confirmed in appeal.

Similarly, the parent company, following an inspection on the part of the ENASARCO Foundation, received an injunction for € 658,648.28 inclusive of penalties and interest, against which it rapidly presented an appeal, asking the Employment Tribunal of the Court of Rome to suspend the injunction. At the time these notes were drafted, the Court of Rome had not yet set a date for the first hearing. Centrale del Latte di Torino & C. S.p.A. is firmly convinced of its position, in the light of the sentence from the court of first instance indicated above. It has

nevertheless set aside an amount of € 329.324, corresponding to 50% of the payment request presented by the ENASARCO Foundation and representing the proportion pertaining to the Company.

Regarding the tax inspection concerning FY 2004, please note that, following the sentence of the Regional Taxation Commission, which partially admitted the appeal presented by the company regarding the most significant findings, and the rebate of € 97,779.44 paid out by Agenzia delle Entrate, the latter presented an appeal to the Supreme Court of Appeal against the sentence of the Regional Taxation Commission.

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:	€ 61,677
Audit of half-yearly financial report:	€ 10,726

CORPORATE EVENTS

During FY2012 the respective Boards of Directors approved the merger by incorporation of Centro Latte Rapallo S.p.A. into Centrale del Latte di Torino & C. S.p.A.. The financial reasons for the operation are linked to a plan to streamline organisation, with the twin aim of allowing the Incorporating party to directly carry out the activities conducted by the Incorporated party, and of increasing efficiency and cutting decision-making and operating costs thanks to a leaner Group structure.

Taking account of the time required for filing and registering the various deeds, the statutory effects of the Merger will be valid as of 1 April 2013, while the fiscal events will be backdated to 1 January 2013.

MATERIAL NON-RECURRING EVENTS AND TRANSACTIONS

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

BUSINESS OUTLOOK.

The first months of the year were characterised by the deep recession, which led to a further drop in consumption even in the food sector. Although sales were negatively affected by the general crisis, the company was able to confirm that quality of its products, the efficiency of the distribution network and the positive reputation of its brands, thus allowing it to consolidate its market share.

In the coming months, the Company will make its debut in the world of organic products—a constantly growing segment with a high added value—with a 1-litre bottle of full-cream organic milk, and will be expanding its product portfolio with a 1-litre bottle of fermented milk and an exclusive new range of low-sugar full-cream fruit yogurts.

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.

Regarding events following the close of the financial year, see the chapter "Other risks".

2012 Financial Statements Centrale del Latte di Torino & C. S.p.A.

**Certification of the Financial Statements in
accordance with Article 81-*ter* of the CONSOB
Regulation**

Certification of the financial statements at 31 December 2012 pursuant to Article 81-ter of CONSOB Regulation No 11971 of 14 May 1999, as amended.

1. The undersigned

- Mr Luigi Luzzati, Chairman of the Board of Directors
- Mr Vittorio Vaudagnotti, Executive in charge of drafting corporate accounts

of CENTRALE DEL LATTE DI TORINO & C. S.p.A.

do hereby certify, having regard to the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998

- that the procedures defined in a manner consistent with the Company's and Group's administrative and accounting system and structure are adequate; and
- that the administrative and accounting procedures for the preparation of the financial statements at 31 December 2012 were actually applied during the period from 1 January 2012 to 31 December 2012.

2. They also certify that the financial statements at 31 December 2012:

2.1 tally with the accounting entries and records;

a) were drafted in accordance with the provisions of section IX of the Italian Civil Code and in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and ratified in accordance with the procedure as per article 6 of EC Regulation No. 1606/2002. IFRS also include the International Accounting Standards (IAS), still in force, as well as all the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC), previously named Standing Interpretations Committee (SIC). In further detail, the financial statements, which comprise the Group's balance sheet, income statement, cash flow statement, statement of changes in equity and explanatory notes, have been prepared assuming that the subsidiaries' financial statements were prepared in compliance with the same accounting standards of the Parent Company – approved by the pertinent Board of Directors – and in accordance with International Accounting Standard 1 applicable to the financial statements;

a) tally with the accounting entries and records;

c) are appropriate to provide a truthful and correct view of the income statement, balance sheet, and cash flow of the Group.

2.2 The directors' report includes a reliable analysis of references to the important events that occurred during FY2012 and their effect on the financial statements, together with a description of the main risks and uncertainties pertaining to the Group.

The Chairman of the Board of Directors

The Executive in charge of drafting corporate accounts

Mr Luigi Luzzati

Mr Vittorio Vaudagnotti

Turin, 8 March 2013

Centrale del Latte di Torino Group 2012 Consolidated Financial Statements

Accounting schedules



Consolidated statement of comprehensive income (amounts shown in Euros)

			31/12/2012	31/12/2011
1ec	1ene	Revenue from sales	103,226,901	103,351,592
2ec	2ene	Other revenue	963,998	1,192,314
3ec	3ene	Change in inventories of semi-finished and finished goods	(114,657)	467,172
		Total revenue from sales and services	104,076,242	105,011,078
4ec	4ene	Raw and ancillary materials, consumables and goods	(54,515,673)	(56,694,623)
		Personnel costs	(14,577,442)	(14,627,497)
5ec	5ene	Wages and salaries	(10,320,720)	(10,389,880)
6ec	6ene	Social security contributions	(3,333,522)	(3,390,629)
7ec	7ene	Employee severance indemnity	(753,275)	(670,018)
8ec	8ene	Other costs	(169,925)	(176,970)
		Depreciation, amortisation and write-downs	(5,749,298)	(5,882,693)
9ec	9ene	Amortisation of intangible fixed assets	(1,707,475)	(1,703,470)
10ec	10ene	Depreciation of tangible fixed assets	(3,830,041)	(4,028,533)
11ec	11ene	Write-downs of current receivables	(211,782)	(150,690)
		Other operating costs	(28,815,437)	(27,213,975)
12ec	12ene	Services	(26,175,617)	(25,339,316)
13ec	13ene	Lease and rental costs	(624,647)	(679,012)
14ec	14ene	Allocations for risks	(529,324)	(100,000)
15ec	15ene	Sundry operating expenses	(1,485,849)	(1,095,647)
		EBIT	418,391	592,290
16ec	16ene	Financial income	122,231	235,515
17ec	17ene	Financial charges	(1,711,306)	(1,254,364)
		Pre-tax profit (loss)	(1,170,685)	(426,559)
18ec	18ene	Income taxes from tax consolidation	(1,086,063)	(1,138,788)
19ec	19ene	(Deferred) prepaid taxes	586,809	544,145
20ec	20ene	Taxes for previous years	570,997	-
		NET PROFIT (LOSS) (A)	(1,098,942)	(1,021,202)
21ec	21ene	Total other profits (losses) net of tax effects (B)	-	-
		TOTAL OVERALL PROFIT (LOSS) (A+B)	(1,098,942)	(1,021,202)
		TOTAL OVERALL PROFIT (LOSS) ATTRIBUTABLE TO:		
		Ultimate Parent Company's shareholders	(1,098,942)	(1,021,202)
		Number of shares with voting rights	10,000,000	10,000,000
		Net earnings (loss) per share	(0,11)	(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		31/12/2012	31/12/2011
NON-CURRENT ASSETS			
1ne	Tangible fixed assets	55,255,187	58,488,262
1	Land	11,721,569	11,881,248
1	Buildings	22,724,031	23,525,811
1	Plants and machinery	18,761,666	20,744,931
1	Industrial and commercial equipment	1,599,299	1,866,154
1	Other	437,197	466,936
2	Fixed assets under development and advances	11,425	3,182
	Intangible fixed assets	11,925,031	13,612,481
3	2ne Trademarks	11,126,671	12,686,053
3	Goodwill	350,078	350,078
3	2ne Software	448,282	576,350
	Financial fixed assets	281,492	227,713
4	3ne Equity investments carried at equity	45,000	45,000
4	4ne Other financial assets	27,203	29,066
5	5ne Deferred tax assets	209,288	153,646
TOTAL NON-CURRENT ASSETS		67,461,710	72,328,456
CURRENT ASSETS			
6ne	Inventories	3,833,708	3,867,292
6	Raw and ancillary materials and consumables	2,384,925	2,403,465
6	Finished products and goods	1,448,783	1,463,827
	Trade and other receivables	27,114,861	33,078,797
7	7ne Trade receivables	18,548,482	23,383,603
8	8ne Receivables from shareholders in joint ventures	202	131,664
9	9ne Tax assets	5,053,654	6,424,635
10	10ne Receivables from others	3,127,434	2,853,805
11	11ne Financial receivables from affiliates	385,089	285,089
	Cash and cash equivalents	6,557,530	5,509,702
12	12ne Bank and postal accounts	6,155,403	5,240,151
13	13ne Cash and valuables on hand	402,128	269,551
TOTAL CURRENT ASSETS		37,506,099	42,455,790
TOTAL ASSETS		104,967,809	114,784,246

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			31/12/2012	31/12/2011
15	15ne	Share capital	20,600,000	20,600,000
		Reserves	18,775,300	20,054,057
16		Share premium account	14,324,578	14,324,578
17		Revaluation reserve	196,523	196,523
18		Legal reserve	1,019,111	1,005,079
19		Other reserves	2,515,302	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	(169,698)	920,124
23		Merger surplus	166,015	166,015
24		Profit (loss) for the period	(1,098,943)	(1,021,202)
	15ne	GROUP NET EQUITY	39,367,139	40,654,057
		NON-CURRENT LIABILITIES		
25	16ne	Long-term loans	16,498,745	20,767,393
26	17ne	Long-term payables to other lenders	4,758,682	5,578,436
27	18ne	Deferred taxes	3,852,926	4,379,117
		Provisions	5,101,026	4,025,073
28	19ne	Employee severance indemnity	4,039,723	3,621,157
28	19ne	Provision for Directors' indemnity at the end of their term in office	76,389	30,556
29	20ne	Provision for liabilities and charges	984,914	373,360
		TOTAL NON-CURRENT LIABILITIES	30,211,379	34,750,019
		CURRENT LIABILITIES		
		Financial payables	10,686,691	11,071,831
30	21ne	Payables to banks	3,092,735	5,099,507
31	22ne	Current share of long-term loans	6,773,939	5,188,556
32	23ne	Current share of payables to other lenders	820,017	783,768
		Trade and other payables	24,702,599	28,308,339
33	24ne	Trade payables	18,152,940	22,710,323
34	25ne	Payables to parent company	1,701	1,661
35	26ne	Payables to shareholders in joint ventures	2,093	16,534
36	27ne	Tax liabilities	626,433	549,715
37	28ne	Payables to social security authorities	1,714,218	871,312
38	29ne	Other payables	4,205,212	4,158,794
		TOTAL CURRENT LIABILITIES	35,555,136	39,380,170
		TOTAL EQUITY AND LIABILITIES	104,967,809	114,784,246

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)

	31/12/2012	31/12/2011
Initial cash availability	410,195	(203,581)
A. Cash flow from operating activities		
Profit (loss) for the year – gross of minority losses	(1,098,942)	(1,021,203)
Amortisation of intangible fixed assets	1,707,475	1,703,470
Depreciation of tangible fixed assets	3,830,041	4,028,533
Total amortisation and depreciation	5,537,516	5,732,003
Employee severance indemnity accrued in the FY, net of indemnities already paid	464,399	(299,756)
Deferred taxes	(526,191)	(663,308)
Accrual to (Use of) provision for liabilities and charges	611,554	(49,597)
Total net accruals	549,762	(1,012,661)
Change in net working capital		
Net trade receivables and other receivables (affiliates included)	4,866,583	(319,433)
Inventories	33,584	(130,713)
Other receivables	1,041,710	(1,363,999)
Suppliers (parent company included)	(4,571,784)	(453,480)
Sundry payables	889,325	(232,658)
Tax liabilities	76,718	115,649
Total change in net working capital	2,336,136	(2,384,635)
Operating cash flow	7,324,472	1,313,504
B. Cash flow from (for) investing activities		
Net acquisitions of technical fixed assets	(596,966)	(1,416,970)
(Increases) decreases in intangible fixed assets	1,863	(700)
Financial (investments) divestments	(20,025)	(720,438)
Total cash flow from (for) investing activities	(615,128)	(2,138,108)
Free cash flow	6,709,344	(824,604)
C. Cash flow from change in net equity		
Dividends paid	(200,000)	-
Total cash flow from change in net equity	(200,000)	-
D. Cash flow from financing activities		
Change in medium/long-term financial payables	(3,454,744)	1,438,379
Total cash flow from financing activities	(3,454,744)	1,438,379
Total cash flows for the period	3,054,600	613,776
CASH AND BANKS AT YEAR-END	3,464,795	410,195
of which bank accounts and cash on hand	6,557,530	5,509,702
of which payables to banks	(3,092,735)	(5,099,507)
Financial charges paid	1,019,024	1,037,160
Taxes paid	1,191,085	715,596

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

	At 1 Jan 11	Result allocation	Dividend payment	Other	Profit (loss) for the period	At 31 Dec 11
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

	At 1 Jan 12	Result allocation	Dividend payment	Other	Profit (loss) for the period	At 31 Dec 12
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	1,005,079	14,032	-	-	-	1,019,111
Other reserves	2,648,689	66,613	-	-	-	2,715,302
Consolidation reserve	1,679,365	-	-	-	-	1,679,365
Non-distributable IFRS first-time adoption reserve	134,886	-	-	-	-	134,886
Profits (losses) carried forward	920,124	(1,101,847)	-	12,024	-	(169,699)
Merger surplus	166,015	-	-	-	-	166,015
Profit (loss) for the period	(1,021,202)	1,021,202	-	-	(1,098,943)	(1,098,943)
Group net equity	40,654,057	-	(200,000)	12,024	(1,098,943)	39,367,139

Centrale del Latte di Torino Group

2012 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 2012 consolidated financial statements was authorised by the Board of Directors on 8 March 2013.

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. 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 2012:

	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 – Bardinetto (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 2011. 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 2012 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 revenue 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 2012 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 2011 consolidated financial statements have been restated to provide a consistent basis of comparison with the 2012 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 2012 were drafted in Euros.

Audit

The 2012 consolidated financial statements are subject to audit by KPMG S.p.A..

Accounting and assessment standards

The consolidated financial statements of Centrale del Latte di Torino & C. S.p.A. at 31 December 2012 were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union, and as required by the measures enforcing article 9 of Legislative Decree no. 38/2005. IFRS also include the International Accounting Standards (IAS), still in force, as well as all the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC), previously named Standing Interpretations Committee (SIC).

The consolidated 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.

Non sono presenti principi contabili, emendamenti ed interpretazioni efficaci dal 1 gennaio 2012 rilevanti per la società.

Accounting standards, amendments and interpretations effective from 1 January 2012 and not relevant to the company:

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

Accounting standards, amendments and interpretations that will come into force starting from the financial statements of subsequent FYs and have not been adopted in advance by the company:

Amendments to IAS 1 – Presentation of financial statements. Presentation of Items of Other Comprehensive Income

- IAS 19 (2011) Employee Benefits
- Amendments to IFRS 1 First-time adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IFRS – Financial instruments: supplementary information– Offsetting financial assets and financial liabilities
- Amendments to IAS 32 – Financial instruments: presentation - Offsetting financial assets and financial liabilities
- IFRS 13 Fair value measurement
- RS 10 – Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IAS 27 (2011) – Separate financial statements
- IAS 28 (2011) Investments in associates or joint ventures
- Amendments to IAS 12 Incomes taxes – Deferred tax: recovery of underlying assets
- IFRIC 20 – Stripping costs in the production phase of a surface mine

In drafting the consolidated financial statements for FY 2009 at 31 December 2012, 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 place, 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 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	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	6.6% - 20%
• Motor vehicles	25% - 25%

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

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

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

Profits and losses deriving from the divestment or sale of fixed assets, calculated with reference to their book value, are entered among operating income and expenses on the statement of comprehensive income. Maintenance and repair costs are charged to the statement of comprehensive income for the financial year in which they were incurred, 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 2012.

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:

FIXED ASSETS	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other	Total	Fixed assets under development	Totals
TANGIBLES								
Historical cost	11,981,248	33,769,491	47,187,405	7,858,818	2,398,801	103,195,763	3,182	103,198,945
Accumulated depreciation		10,243,682	26,442,473	5,992,664	1,931,865	44,610,684	-	44,610,684
Provision for future capital losses	(100,000)	-	-	-	-	(100,000)	-	(100,000)
Initial amount	11,881,248	23,525,811	20,744,932	1,866,154	466,936	58,485,080	3,182	58,488,265
Acquisitions	-	50,885	367,995	272,244	192,060	883,185	11,425	894,610
Transfers	-	3,182	-	-	-	3,182	-	3,182
Disposals and eliminations	(259,680)	-	(75,546)	(199,510)	(64,439)	(599,175)	(3,182)	(602,357)
Use of provisions	100,000	-	51,077	85,602	64,855	301,534	-	301,534
Depreciation	-	(855,847)	(2,326,790)	(425,191)	(222,214)	(3,830,041)	-	(3,830,041)
Final amount	11,721,568	22,724,031	18,761,666	1,599,299	437,197	55,243,764	11,425	55,255,187

The provision was used during the FY for the capital losses 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	10,243,682	26,442,473	5,992,664	1,931,865	44,710,684
Use of provisions	(100,000)	-	(51,077)	(85,602)	(64,855)	(301,534)
Depreciation	-	855,847	2,326,790	425,191	222,214	3,830,041
Final amount	-	11,099,529	28,718,185	6,332,253	2,089,224	48,239,191

Provisions for tangible fixed assets include the net carrying amount of equipment under finance lease (€ 7,324,225) and refer to the Parent Company (€ 74,893) and to Centrale del Latte di Vicenza S.p.A. (€ 7,249,332).

Intangible fixed assets (2ne)

INTANGIBLE FIXED ASSETS	Trademarks	Software
Historical cost	32,733,814	720,438
Accumulated amortisation	(20,047,761)	(144,088)
Initial amount	12,686,053	576,350
Acquisitions	-	20,024
Amortisation for the period	(1,559,382)	(148,092)
Final amount of intangible fixed assets	11,126,671	448,282

The net carrying amount of the brands of Centrale del Latte di Vicenza S.p.A. and Centro Latte Rapallo S.p.A. has been evaluated by independent experts.

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 2011.

Other financial assets (4ne)

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

	31/12/201 2	31/12/201 1
Capitalimpresa S.p.A.	22,637	25,150
Consorzio CFV	1,700	1,700
Other equity investments individually worth less than one thousand euro	2,866	2,216
Total equity investments in other companies	27,203	29,066

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
Allocation to taxed provisions for risks	100,000	325,000	(100,000)	325,000
Amortisation recovered further to audit	165,482	-	(10,550)	154,932
Tax recovery of depreciation of buildings	109,382	-	-	109,382
Remuneration of directors	100,500	69,900	(100,500)	69,900
Supplementary customer indemnity	10,796	3,666	(11,897)	2,565
Membership fees	3,823	1,611	(3,823)	1,611
	489,983	400,177	(226,770)	663,840

Deferred tax assets were calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2012, by applying the IRES (corporate income tax) rate of 27.5% and the IRAP (regional production tax) rate of 3.9%. The following table illustrates the changes in deferred tax assets:

	Initial amount	Increases	Decreases	Final amount
Allocation to taxed provisions for risks	37,126	102,050	(31,400)	107,776
Amortisation recovered further to audit	51,961	-	(3,313)	48,648
Tax recovery of depreciation of buildings	34,347	-	-	34,347
Remuneration of directors	25,622	19,223	(27,638)	17,207
Supplementary customer indemnity	3,389	1,151	(3,736)	804
Membership fees	1,200	506	(1,200)	506
	153,646	122,930	(66,087)	209,288

CURRENT ASSETS**Inventories (6ne)**

Inventories came to € 3,833,708 at 31 December 2012 and may be broken down as follows:

	Initial amount	Final amount	Change
Raw and ancillary materials and consumables	2,403,465	2,384,925	(18,540)
Finished products and goods	1,463,827	1,448,783	(15,044)
	3,867,292	3,833,708	(33,584)

Trade receivables (7ne)

Trade receivables, all of which were due within one year, came to € 18,548,482 at 31 December 2012. 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 fall in trade receivables compared to 2011 is partly due to the changes to contract conditions, which resulted in large-scale retailers' promotion contributions becoming discounts on invoices.

The following table provides a breakdown of provisions for impaired receivables and changes in those provisions during 2012:

	Initial amount	Increases	Decreases	Final amount
Provision for bad debts	585,135	111,782	60,292	636,625
Taxed provision for impaired receivables	273,962	100,000	-	373,962
Provision for impaired default interest	31,606	-	31,606	-
	890,704	211,782	91,898	1,010,587

Receivables from shareholders in joint ventures (8ne).

These came to € 202 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)

	31/12/2012	31/12/2011
VAT receivable	3,741,638	5,255,199
Direct taxes	1,274,045	1,136,199
Withholding taxes on interest receivable	14,130	11,157
Employee severance indemnity withholdings	23,841	22,081
Total tax assets	5,053,654	6,424,635

Direct taxes include € 548,291 relating to IRES refunds on IRAP applied to personnel costs

Other receivables (10ne)

Receivables from others include:

	31/12/2012	31/12/2011
Receivables for performance guarantees received securing the payment of the surtax in accordance with Law 486/92 (milk quotas)	1,997,967	1,997,470
Receivables from distributors	501,841	43,311
Credits to be received	266,633	262,816
Accrued income and prepaid expenses	198,568	237,487
Deposits	54,371	58,676
Miscellaneous	38,657	127,796
Loans to employees	24,973	7,637
Advances to suppliers	20,686	95,243
Advances on salaries	14,175	2,297
Receivables from social security institutions	9,563	21,072
Total other receivables	3,127,434	2,853,805

Accrued income and prepaid expenses

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

	31/12/2012	31/12/2011
PREPAID EXPENSES		
Maintenance fees	51,283	50,697
VAT guarantee policies	38,714	25,812
Loan fees	36,700	48,012
Lieu tax	20,195	29,568
Other costs	19,017	17,524
Insurance	13,681	13,868

Leases	13,589	31,532
Advertising costs	4,440	6,833
Software leases	948	-
TOTAL PREPAID EXPENSES	198,568	223,845
ACCRUED INCOME		
Interest on bank accounts	-	13,642
TOTAL ACCRUED INCOME	-	13,642
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	198,568	237,487

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

Cash and cash equivalents, all of which are freely available, came to € 6,557,530 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 2012.

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/capital	-	NO	NO
Merger surplus	Fusione	-	NO	NO
Profit (loss) for the period	Profits/capital	-	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 2012	(129,016)	47,841,299
Result for the year of Centro Latte Rapallo S.p.A.	(450,740)	6,829,012
Result for the year of Centrale del Latte di Vicenza S.p.A.	(1,087,992)	26,133,702
Result of Frascheri	54,944	987,731
Centro Latte Rapallo S.p.A. trademark, after taxes	(640,665)	3,843,989
Goodwill	-	350,078
Derecognition of equity investments in companies within the scope of consolidation	1,154,526	(46,585,458)
Other consolidation adjustments	-	(33,214)
Balances as consolidated accounting schedules at 31 December 2012	(1,098,943)	39,367,139

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 banks and other lenders amounted to € 28,851,383, broken down as follows:

	Within 12 months	Over one year, within 5 years	Over 5 years	Total payables over 1 year	Total payables
Payables to banks for loans	6,773,939	10,713,030	5,785,715	16,498,745	23,272,684
Payables to other lenders	820,017	3,415,978	1,342,704	4,758,682	5,578,699
Totals	7,593,956	14,129,008	7,028,419	21,256,327	28,851,383

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
Mediocredito Italiano S.p.A. Euribor rate 3 months + 0.90	2,500,000	2,500,000	250,000	31/03/13	---
Unicredit Banca d'Impresa S.p.A. Euribor rate 3 months + 1.75	300,000	300,000	33,784	30/06/13	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	30,339	30/06/13	Mortgage on industrial property located in Borghetto S.S. (Sv) for € 1,391,450
Credito Emiliano CREDEM S.p.A. Euribor rate 3 months + +2.75	700,000	700,000	700,000	31/07/13	---
Centrobanca S.p.A. Euribor rate 3 months + 1.10	2,000,000	2,000,000	546,660	31/10/13	---
Banca Popolare Commercio e Industria Euribor rate 6 months + 0.50	500,000	500,000	110,607	31/12/13	---
Cassa Risparmio di Savona Rate 0.50% + half Euribor 6 months	108,000	108,000	12,563	31/12/13	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	1,944,444	01/07/14	---
Deutsche Bank S.p.A. Euribor rate 3 months + 0.80	2,500,000	2,500,000	1,562,500	14/03/15	---
Credito Emiliano CREDEM S.p.A. Euribor rate 6 months + 1.60	1,000,000	1,000,000	838,733	19/04/15	---
Unicredit Banca d'Impresa Euribor rate 6 months + 1.40	1,300,000	1,300,000	406,250	31/5/15	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	1,021,057	30/06/15	---
Unicredit Banca d'Impresa Euribor rate 3 months + 1.85	2,000,000	2,000,000	1,882,890	30/09/16	---
Banca Regionale Europea S.p.A. Euribor rate 6 months + 0.80	2,500,000	2,500,000	2,500,000	08/09/17	---
Unicredit Banca d'Impresa S.p.A. Euribor rate 6 months + 1.80	10,000,000	10,000,000	7,142,857	30/06/25	Mortgage on an owned property in Vicenza for € 20 million
Unicredit Banca d'Impresa S.p.A. Euribor rate 6 months + 2.80	3,000,000	3,000,000	2,500,000	30/06/25	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	1,446,344	4,733,722	5,785,715	11,965,780
Banca Regionale Europea S.p.A.	480,805	2,019,195	-	2,500,000
Banca Passadore & C. S.p.A.	1,111,111	833,333	-	1,944,444
Deutsche Bank S.p.A.	625,000	937,500	-	1,562,500

Credito Emiliano CREDEM S.p.A.	1,033,334	505,399	-	1,538,733
Banca Sella S.p.A.	483,904	1,016,096	-	1,500,000
Monte dei Paschi di Siena S.p.A.	403,270	617,789	-	1,021,057
Centrobanca	546,660	-	-	546,660
Banca Popolare di Novara – Gruppo Banco Popolare	250,000	50,000	-	300,000
Mediocredito Italiano S.p.A.	250,000	-	-	250,000
Banca Popolare Commercio e Industria	110,607	-	-	110,607
Cassa di Risparmio di Savona	32,902	-	-	32,902
	6,773,939	10,713,030	5,785,715	23,272,684

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	820,017	3,415,978	1,342,704	5,578,699
	820,017	3,415,978	1,342,704	5,578,699

Finance lease payables refer to leases of plant and equipment.

Financial position.

For comments on the net financial position, see the Directors' Report.

The following table contains an illustration of the Group's net financial position at 31 December 2012 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:

	31/12/2012	31/12/2011
Cash and cash equivalents (12ne+13ne)	6,557,530	5,509,702
Total current financial assets	6,557,530	5,509,702
Payables to banks (21ne)	(3,092,735)	(5,099,507)
Current share of medium/long-term loans (22ne)	(6,773,939)	(5,188,556)
Current share of payables to other lenders (23ne)	(820,017)	(783,768)
Total current financial liabilities	(10,686,691)	(11,071,831)
Payables for medium/long-term loans (16ne)	(16,498,745)	(20,767,393)
Payables to other lenders for medium/long-term loans (17ne)	(4,758,682)	(5,578,436)
Total non-current financial liabilities	(21,257,427)	(26,345,829)
Total financial liabilities	(31,944,118)	(37,417,661)
Net financial position	(25,386,588)	(31,907,959)

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 € 7,142,857 at 31 December 2012:

- 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 2012.

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	12,040,273	-	(1,527,430)	10,512,843
Measurement of land	1,663,000	-	-	1,663,000
Elimination of tax interference – accelerated amortisation	220,920	-	(163,356)	57,564
Adjustment of employee severance indemnity to present value	100,027	-	(88,819)	11,208
Capital gains	6,078	18,774	(12,458)	12,394
	14,030,298	18,774	(1,090,364)	12,958,708

Deferred taxes have been calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2012, by applying the IRES (corporate income tax) rate of 27.5% and the IRAP (regional production tax) rate of 3.9%. The following table illustrates the changes in deferred tax liabilities:

	Initial amount	Increases	Decreases	Final amount
Trademarks	3,607,076	-	(447,159)	3,159,917
Measurement of land	522,182	-	-	522,182
Elimination of tax interference – accelerated amortisation	214,630	-	(51,294)	163,336
Adjustment of employee severance indemnity to present value	32,288	-	(29,203)	3,085
Capital gains	2,941	5,163	(3,697)	4,407
	4,379,117	5,163	(531,354)	3,852,926

Long-term provisions**Employee severance indemnity (19ne)**

At 31 December 2012 the severance indemnity amounted to € 4,039,722.

Initial amount	3,621,158
Service cost	94,606
Interest cost	158,852
Decreases and uses	(335,701)
Actuarial loss (income)	500,808
Final amount	4,039,723

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 interest cost and actuarial loss are posted to 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 3.25%
 - annual inflation rate 2.00%
 - annual rate of remuneration increase (*) 3.00%
 - annual rate of severance indemnity increase 3.00%
- (*) only for CLR and Francheri

The Iboxx Eurozone Corporates A 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 € 76,389. 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	240,089	754,324	150,000	844,413
Provision for risks – milk quotas	25,631	-	-	25,631
Provision for customer indemnities	107,639	27,204	19,973	114,870
	373,360	781,528	169,973	984,914

The provision for future capital losses refers to prudential allocation in connection with the affiliate GPP Srl to account for any additional losses that the company may sustain. During FY 2012, € 225,000 was allocated as provision for risk related to a request for compensation presented to the Municipality of Vicenza by Centrale del Latte di Vicenza S.p.A. The remainder, € 429,324, was allocated for the dispute with ENASARCO referred to in "Other risks" below.

CURRENT LIABILITIES

Short-term payables to banks (21ne- 22ne) totalled € 9,866,674 and are broken down as follows:

- payables to banks for uses € 3,092,735
- current shares for loans € 6,773,939.

Current share of payables to other lenders (23ne) amounted € 820,017.

Trade payables (24ne) amounted to € 18,152,940, all payables within year-end.

Payables to parent company (25ne) relating to the rent of an area used for parking amounted to € 1,701.

Payables to shareholders of joint ventures (26e) came to € 2,093 and are associated with the unconsolidated share (60%) of the normal commercial transactions undertaken with Frasccheri S.p.A. during the year.

Tax liabilities (27ne) include the following line items:

	31/12/2012	31/12/2011
Payables for employees' withholding taxes	378,379	378,767
Payables for income taxes	230,690	108,472
Withholdings payable on independent contractors' fees	17,264	61,144
Payables for other taxes	-	1,331
Total tax liabilities	626,433	549,715

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 € 1,714,219.

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

	31/12/2012	31/12/2011
	2	
Surtaxes payable under Law 486/92 (milk quotas)	2,049,692	2,049,692
Payables for wages and salaries	1,384,020	1,133,295
Accrued liabilities and deferred income	567,747	674,135
Withholdings from milk producers payable under Law 88/88	77,974	77,697
Payables for remuneration of directors and auditors	66,072	161,106
Other payables	41,542	52,600
Security deposits received	12,579	6,579
Employee trade union withholdings	5,864	3,690
Total other payables	4,205,212	4,158,794

Accrued liabilities and deferred income are broken down as follows:

	31-dic-12	31-dic-11
DEFERRED INCOME		
Contributions to operating expenses	218,368	268,713
Other	202,808	238,579
Total deferred income	421,176	507,292
ACCRUED LIABILITIES		
Accrued personnel costs and associated charges	65,175	63,564
Interest on bank loans	40,498	65,985
Other charges	40,898	37,294
Total accrued liabilities	146,571	166,843
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	567,747	674,135

COMMITMENTS AND OTHER CONTINGENT LIABILITIES

At 31 December 2012 there were no commitments and other contingent liabilities not shown in the financial statements, except for what is indicated under the heading "other risks".

BREAKDOWN OF INCOME STATEMENT ITEMS**REVENUE****Revenue from sales and services (1ene)**

Compared to FY 2011, revenue from sales reflected the negative effects of the changes to contract conditions, which resulted in large-scale retailers' promotion contributions becoming discounts.

Breakdown of sales by turnover segment (1ene):

	31/12/2012		31/12/2011		Change	
Fresh milk	45,805,102	44%	46,189,568	45%	(384,466)	-0.8%
UHT milk	19,585,734	19%	20,322,655	20%	(736,921)	-4%
Yogurt	8,420,890	8%	7,958,142	8%	462,748	6%
Fresh vegetables	5,270,964	5%	5,800,428	6%	(529,464)	-9%
Bulk milk and cream	3,780,222	4%	3,364,796	3%	415,426	12%
Other packaged products	20,363,988	20%	19,716,004	19%	647,984	3%
Total	103,226,901	100%	103,351,592	100%	(124,692)	-0.1%

Breakdown of other revenue (2ene)

	31/12/2012		31/12/2011		Change	
Extraordinary income	259,025	27%	301,114	25%	(42,089)	-14%
Recoveries	227,402	24%	376,483	32%	(149,081)	-40%
Other	223,298	23%	163,836	14%	59,462	36%
Contributions from suppliers	39,586	4%	83,599	7%	(44,013)	-53%
Sales of salvaged materials	37,430	4%	44,359	4%	(6,929)	-16%
Capital gains on asset disposal	25,305	3%	27,773	2%	(2,468)	-9%
Insurance refunds	15,753	1%	20,658	2%	(4,906)	-24%
Rental income	3,117	0%	3,564	0%	(447)	-13%
Contributions to operating expenses	133,082	14%	170,927	14%	(37,845)	-22%
Total	963,998	100%	1,192,314	100%	(228,315)	-19%

Use of raw materials and consumables (4ene)

The costs for raw materials and consumables amounted to € 54,515,673 and include:

	31/12/2012		31/12/2011		Change	
Purchases of ingredients – sundry foodstuffs	33,724,992	62%	35,125,970	62%	(1,400,978)	-4%
Goods for resale	11,649,394	21%	11,736,732	21%	(87,338)	-1%
Packaging materials	7,865,860	14%	8,396,062	15%	(530,203)	-6%
Consumables and ancillary material	1,275,427	2%	1,435,858	3%	(160,431)	-11%

Total	54,515,673	100%	56,694,623	100%	(2,178,950)	-4%
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Personnel costs (5ene+6ene+7ene+8ene)

Personnel costs, an analysis of which is provided in the report on operations, came to € 14,577,442 and may be broken down as follows:

	31/12/2012		31/12/2011		Change	
Wages and salaries	10,320,720	71%	10,389,880	71%	(69,161)	-1%
Social security charges	3,333,522	23%	3,390,629	23%	(57,105)	-2%
Employee severance indemnity	753,275	5%	670,018	5%	83,256	12%
Other costs	169,925	1%	176,970	1%	(7,046)	-4%
Total	14,577,442	100%	14,627,497	100%	(50,056)	0%

The employee severance indemnity accrued in 2012 may be considered a defined-contribution plan in the amount of € 735,275. The average workforce came to 278 at 31 December 2012 (284 at 31 December 2011).

	Engagements	Resignations	Transfers	In service	Average workforce
Managers	-	-	-	15	15
Middle management	-	-	1	7	7
White-collar personnel	5	6	1	107	109
Blue-collar personnel	15	15	-	147	147
TOTAL	20	21	2	276	278

Amortisation and depreciation (9ene + 10ene)

Amortisation of intangible assets was calculated and recognised in the total amount of € 1,707,475. Depreciation of tangible assets was calculated and recognised in the total amount of € 3,830,041.

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

	31/12/2012		31/12/2011		Change	
Licenses and trademarks	1,559,382	91%	1,559,382	-	-	-
Software	148,092	9%	144,088	4,004	3%	
Total	1,707,475	100%	1,703,470	4,004	0.2%	

	31/12/2012		31/12/2011		Change	
Plants and machinery	2,326,790	61%	2,518,621	63%	(191,831)	-8%
Buildings	855,847	23%	838,616	21%	17,231	2%
Industrial and commercial equipment	425,191	11%	473,484	12%	(48,293)	-10%
Other	222,214	5%	197,812	5%	24,402	12%
Total	3,830,041	100%	4,028,533	100%	(198,492)	-5%

Costs for services (12ene)

The costs for services amounted to € 26,175,617 and include. Compared to FY2011, it was mainly due to the effects of the changes to contract conditions, which resulted in large-scale retailers' promotion contributions becoming discounts.

	31/12/2012		31/12/2011		Change	
Transport for product distribution	9,015,809	34%	8,741,874	34%	273,935	3%
Administrative services	3,684,375	14%	3,118,949	12%	565,426	18%
Motive power and natural gas	3,166,032	12%	2,653,268	10%	512,764	19%
Commercial and advertising services	2,461,953	9%	2,672,104	11%	(210,151)	-8%
Industrial services	2,387,729	9%	2,104,160	8%	283,569	13%
Maintenance services	1,593,170	6%	1,482,149	6%	111,021	7%
Purchase services	1,553,596	6%	1,751,056	7%	(197,460)	-11%

Large-scale retailers' promotion contributions	1,447,484	6%	2,001,872	8%	(554,388)	-28%
Free gifts with products	487,095	2%	433,552	2%	53,543	12%
Insurance services	378,375	1%	380,332	2%	(1,957)	-1%
Total	26,175,617	100%	25,339,316	100%	836,302	3%

Lease and rental costs (13ene)

Lease and rental costs amounted to € 624,647. Leases refer to the industrial buildings and warehouses in Rapallo and Bardinetto and the rent of a parking area in Turin for employees.

	31/12/2012		31/12/2011		Change	
Industrial leases	476,921	76%	549,963	81%	(73,041)	-13%
Leases of premises and buildings	147,726	24%	129,049	19%	20,677	14%
Total	624,647	100%	679,012	100%	(52,364)	-8%

Provision for risks (14ene)

Allocations for risks amounted to € 529,324, of which € 100,000 connected with the equity interest in GPP S.r.l. held by Centro Latte Rapallo, and the remainder for the ENASARCO dispute referred to below in "Other risks".

Sundry operating expenses (15ene)

Sundry operating expenses amounted to € 1,485,849 Euro and include:

	31/12/2012		31/12/2011		Change	
Taxes other than income taxes	515,459	35%	421,599	38%	93,860	22%
Contingent liabilities	484,163	33%	345,237	32%	138,926	40%
Capital losses	182,949	12%	1,013	0%	181,936	100%
Fines and penalties	129,300	9%	9,345	1%	119,955	1284%
Membership fees	97,207	7%	104,387	10%	(7,180)	-7%
Other	56,253	4%	161,879	15%	(105,627)	-65%
Entertainment expenses	11,471	1%	41,905	4%	(30,434)	-73%
Subscriptions to magazines and books	9,048	1%	10,283	1%	(1,235)	-12%
Total	1,485,849	100%	1,095,647	100%	390,202	36%

Financial income and charges (16ene + 17ene)

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

	31/12/2012		31/12/2011		Change	
Financial income						
Interest from banking institutions	65,789	54%	70,992	30%	(5,203)	-7%
Other	40,224	33%	49,606	21%	(9,382)	-19%
Interest on VAT refunds	16,218	13%	6,949	3%	9,269	133%
Actuarial income	-	-	107,969	46%	(107,969)	-100%
Total financial income	122,231	100%	235,516	100%	(113,285)	-48%
Financial charges						
Interest on mortgages and loans	691,611	40%	817,935	65%	(126,324)	-15%
Charges for employee severance indemnity discounting	658,250	39%	160,501	13%	497,749	310%
Interest on current accounts	215,735	13%	46,698	4%	169,037	362%
Finance lease interest	111,678	7%	172,527	14%	(60,849)	-35%
Performance bond expenses	29,119	2%	32,923	3%	(3,804)	-12%
Other	4,645	0%	23,780	2%	(19,135)	-80%
Interest on suppliers	268	0%			269	100%
Total financial expenses	1.711.306	100%	1.254.364	100%	456.942	36%

"Other financial charges" also include the interest owed in relation with the dispute with ENASARCO referred to below in "Other risks", for a total of € 207,321.

Adjustments to equity investments

No adjustments to equity investments were made in FY2012.

Taxes (18ene + 19ene+20ene).

Income taxes deriving from the tax consolidation program, not including deferred tax assets and liabilities, came to € 499,254, compared to € 594,643 in 2011.

	31/12/2012		31/12/2011		Change	
IRES for the year 27.5%	523,913	49%	573,516	58%	(49,603)	-9%
IRAP for the year 3.9%	554,685	51%	565,272	42%	(10,587)	-2%
TOTAL TAXES	1,078,598	100%	1,138,788	100%	(60,190)	-5%
Deferred/prepaid taxes	(579,344)		(544,145)			
	499,254		594,643			
Taxes for previous years	(570,997)		-			
NET TOTAL TAXES	(71,743)		594,643			

Dealings 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 01/01/2012	Purchased in 2012	Sold in 2012	Shares held at 31/12/2012
Luigi LUZZATI	Chairman	166,062	-	-	166,062
Riccardo POZZOLI	Vice Chairman and CEO	59,125	-	-	59,125
Nicola CODISPOTI	CEO	-	50,000	-	50,000
Adele ARTOM	Director	3,593,864	-	-	3,593,864
Benedetto DE BENEDETTI	Director	751,529	-	-	751,529
Antonella FORCHINO	Director	137,306	-	-	137,306
Maurizio MACCHIAVELLO	Director	10,000	-	-	10,000

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 € 10,349.

The subsidiary Centro Latte Rapallo has issued an interest-free loan to the affiliate GPP Srl.

The following table presents the situation of dealings among related parties at 31 December 2012:

	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	-	-	-	10,349
	-	-	-	10,349
Centrale del Latte di Torino & C. S.p.A. vis-à-vis:				
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis	-	-	10,349	-
	-	-	10,349	-
Centro Latte Rapallo S.p.A. vis-à-vis:				
GPP S.r.l.	385,000	-	-	-

GPP S.r.l. vis-à-vis:	385,000	-	-	-
Centro Latte Rapallo S.p.A.	-	385,000	-	-
	-	385,00	-	-

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 key management personnel.

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.

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. On 29 January 2013, the Court of Rome ruled that the findings of the ENASARCO Foundation were valid, thus rejecting the appeal presented by Centro Latte Rapallo S.p.A.. In the 2011 financial statements, the subsidiary posted costs amounting to € 477,980, comprising the contributions, penalties and interest charged to it (the remainder was charged to the counterparty, the self-employed drivers) and an allocation of € 100,000 for future risks, and obtained permission to spread payment over 12 monthly instalments. Centrale del Latte di Rapallo S.p.A. intends to appeal against this sentence of the court of first instance, since it is convinced of having applied the correct legal framework and that this interpretation will be confirmed in appeal.

Similarly, the parent company, following an inspection on the part of the ENASARCO Foundation, received an injunction for € 658,648.28 inclusive of penalties and interest, against which it rapidly presented an appeal, asking the Employment Tribunal of the Court of Rome to suspend the injunction. At the time these notes were drafted, the Court of Rome had not yet set a date for the first hearing. Centrale del Latte di Torino & C. S.p.A. is firmly convinced of its position, in the light of the sentence from the court of first instance indicated above. It has nevertheless set aside an amount of € 329.324, corresponding to 50% of the payment request presented by the ENASARCO Foundation and representing the proportion pertaining to the Company.

Regarding the tax inspection concerning FY 2004, please note that, following the sentence of the Regional Taxation Commission, which partially admitted the appeal presented by the company regarding the most significant findings, and the rebate of € 97,779.44 paid out by Agenzia delle Entrate, the latter presented an appeal to the Supreme Court of Appeal against the sentence of the Regional Taxation Commission.

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: € 109,177

Audit of half-yearly financial report: € 21,226

CORPORATE EVENTS

During FY2012 the respective Boards of Directors approved the merger by incorporation of Centro Latte Rapallo S.p.A. into Centrale del Latte di Torino & C. S.p.A.. The financial reasons for the operation are linked to a plan to streamline organisation, with the twin aim of allowing the Incorporating party to directly carry out the activities conducted by the Incorporated party, and of increasing efficiency and cutting decision-making and operating costs thanks to a leaner Group structure.

Taking account of the time required for filing and registering the various deeds, the statutory effects of the Merger will be valid as of 1 April 2013, while the fiscal events will be backdated to 1 January 2013.

MATERIAL NON-RECURRING EVENTS AND TRANSACTIONS

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

BUSINESS OUTLOOK.

The first months of the year were characterised by the deep recession, which led to a further drop in consumption even in the food sector. Although sales were negatively affected by the general crisis, the Group companies were able to confirm that quality of their products, the efficiency of the distribution network and the positive reputation of their brands, thus allowing them to consolidate their market share. In the coming months, the Group will make its debut in the world of organic products—a constantly growing segment with a high added value—with a 1-litre bottle of full-cream organic milk, and will be expanding its product portfolio with a 1-litre bottle of fermented milk and an exclusive new range of low-sugar full-cream fruit yogurts.

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.

Regarding events following the close of the financial year, see the chapter "Other risks".

2012 Consolidated Financial Statements Centrale del Latte di Torino & C. S.p.A.

**Certification of the Consolidated Financial
Statements in accordance with Article 81-*ter* of
the CONSOB Regulation**

Certification of the consolidated financial statements at 31 December 2012 pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

1. The undersigned

- Mr Luigi Luzzati, Chairman of the Board of Directors
- Mr Vittorio Vaudagnotti, Executive in charge of drafting corporate accounts

of CENTRALE DEL LATTE DI TORINO & C. S.p.A.

do hereby certify, having regard to the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998

- that the procedures defined in a manner consistent with the Company's and Group's administrative and accounting system and structure are adequate; and
- that the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2012 were actually applied during the period from 1 January 2012 to 31 December 2012.

2. They also certify that the consolidated financial statements at 31 December 2012:

2.1 tally with the accounting entries and records;

a) were drafted in accordance with the provisions of section IX of the Italian Civil Code and in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and ratified in accordance with the procedure as per article 6 of EC Regulation No. 1606/2002. IFRS also include the International Accounting Standards (IAS), still in force, as well as all the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC), previously named Standing Interpretations Committee (SIC). In further detail, the consolidated financial statements, which comprise the Group's balance sheet, income statement, cash flow statement, statement of changes in equity and explanatory notes, have been prepared assuming that the subsidiaries' financial statements were prepared in compliance with the same accounting standards of the Parent Company – approved by the pertinent Board of Directors – and in accordance with International Accounting Standard 1 applicable to the consolidated financial statements;

a) tally with the accounting entries and records;

c) are appropriate to provide a truthful and correct view of the income statement, balance sheet, and cash flow of the Group.

2.2 The directors' report includes a reliable analysis of references to the important events that occurred during FY2012 and their effect on the consolidated financial statements, together with a description of the main risks and uncertainties pertaining to the Group.

The Chairman of the Board of Directors

Mr Luigi Luzzati

The Executive in charge of drafting corporate accounts
Mr Vittorio Vaudagnotti

Turin, 8 March 2013