



REPORT ON OPERATIONS

Consolidated Financial Statements at December 31 2000

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Foreword

Shareholders,

The year 2000 marked the beginning of a new era in the life of the Group. With the public tender for sale and subscription of shares and their subsequent admission for listing on the Italian Telematic Stock Exchange, the Group has been able to access the capital market in a more direct and financially advantageous manner. This has enabled the Group to obtain indispensable resources for its growth in a market which not only requires that competitors have a strong tradition and well-proven management, but also that they have adequate financial resources. Resources which only the capital market can provide and only a Group open to that market can obtain.

We are certain that in time the market will learn to appreciate the Group's real value and potential and will decide to profit by investing in what is a traditional but continually evolving and growing sector.

In pursuit of its policy to continuously improve quality, both of products and distribution services and the internal organisation, the Group has obtained ISO 9002 certification for both the Holding Company and its subsidiary, Centro Latte Rapallo S.p.A.

In the second half of 2000 the subsidiary opened the new warehouse facility in Rapallo, a move that has significantly improved the Holding Company's operations and logistics structure.

In the month of January 2001 a shareholding of 40% was acquired in Frascheri S.p.A., a company operating in western Liguria with headquarters at Bardineto (Savona) and warehouse facilities in Borghetto S.Spirito and Imperia, which rounds out the Group's presence in Liguria.

Shareholders,

We submit for your review the financial statements for the year ended December 31 2000, which closed with a net loss of 402,908,189 lire (413,384,102 lire in 1999) after

allocating 2,809,115,627 lire for amortisation of intangible fixed assets (2,574,733,697 lire in 1999), 4,053,260,550 lire for depreciation of tangible fixed assets, (3,760,402,450 lire in 1999), 182,995,140 lire to the provision for writedown of accounts receivable (105,103,230 lire in 1999), 1,283,000,000 lire for current year income tax (1,533,270,000 lire in 1999), 141,954,126 for deferred income tax (130,445,000 lire in 1999) and 29,140,000 lire for advance payments of income tax, and 2,509,328,462 lire for advertising and promotional expense in furtherance of the Group's policy to strengthen and expand its market position.

**Reclassified
consolidated
income
statement**

(millions of lire)	December 31, 2000		June 30, 2000		December 31, 1999	
<i>Value of production</i>						
Revenues from sales and services	113,779	98.9%	56,494	99.4%	106,972	99.3%
Changes in inventories	317	0.3%	62	0.1%	(67)	-0.1%
Other revenues and income	942	0.8%	291	0.5%	837	0.8%
Value of production	115,039	100.0%	56,848	100.0%	107,742	100.0%
<i>Production costs</i>						
Services	(23,813)	-20.7%	(11,292)	-19.9%	(19,931)	-18.5%
Raw materials	(68,423)	-59.5%	(33,111)	-58.2%	(64,580)	-59.9%
Other operating costs	(2,055)	-1.8%	(1,456)	-2.6%	(2,575)	-2.4%
Value added	20,747	18.0%	10,988	19.3%	20,656	19.2%
Personnel costs	(11,624)	-10.1%	(5,845)	-10.3%	(11,360)	-10.5%
Gross operating margin (EBITDA)	9,123	7.9%	5,143	9.0%	9,295	8.6%
Writedown of accounts receivable	(183)	-0.2%	(94)	-0.2%	(105)	-0.1%
Amortisation and depreciation of fixed assets	(6,862)	-6.0%	(3,263)	-5.7%	(6,335)	-5.9%
Operating profit (EBIT)	2,078	1.8%	1,786	3.1%	2,855	2.6%
Financial income	509	0.4%	154	0.3%	31	0.0%
Financial expenses	(1,499)	-1.3%	(625)	-1.1%	(1,206)	-1.1%
Extraordinary income	551	0.5%	291	0.5%	163	0.2%
Extraordinary expenses	(646)	-0.6%	(200)	-0.4%	(593)	-0.6%
Pre-tax profit	993	0.8%	1,406	2.5%	1,250	1.2%
Income tax on current year earnings	(1,283)	-1.1%	(858)	-1.5%	(1,533)	-1.4%
Deferred income taxes	(113)	-0.1%	(65)	-0.1%	(130)	-0.1%
Accruals for fiscal requirements		0.0%		0.0%		0.0%
Total net profit (loss)	(403)	-0.4%	483	0.8%	(413)	-0.4%
Minority interest profit (loss)	0	0.0%	0	0.0%	0	0.0%
Net profit (loss)	(403)	-0.4%	483	0.8%	(413)	-0.4%

(thousands of euro)	December 31, 2000		June 30, 2000		December 31, 1999	
<i>Value of production</i>						
Revenues from sales and services	58,762	98.9%	29,177	99.4%	55,246	99.3%
Changes in inventories	164	0.3%	32	0.1%	(35)	-0.1%
Other revenues and income	487	0.8%	150	0.5%	432	0.8%
Value of production	59,413	100.0%	29,359	100.0%	55,644	100.0%
<i>Production costs</i>						
Services	(12,299)	-20.7%	(5,832)	-19.9%	(10,293)	-18.5%
Raw materials	(35,338)	-59.5%	(17,101)	-58.2%	(33,353)	-59.9%
Other operating costs	(1,061)	-1.8%	(752)	-2.6%	(1,330)	-2.4%
Value added	10,715	18.0%	5,675	19.3%	10,668	19.2%
Personnel costs	(6,003)	-10.1%	(3,019)	-10.3%	(5,867)	-10.5%
Gross operating margin (EBITDA)	4,712	7.9%	2,656	9.0%	4,801	8.6%
Writedown of accounts receivable	(95)	-0.2%	(48)	-0.2%	(54)	-0.1%
Amortisation and depreciation of fixed assets	(3,544)	-6.0%	(1,685)	-5.7%	(3,272)	-5.9%
Operating profit (EBIT)	1,073	1.8%	923	3.1%	1,474	2.6%
Financial income	263	0.4%	80	0.3%	16	0.0%
Financial expenses	(774)	-1.3%	(323)	-1.1%	(623)	-1.1%
Extraordinary income	284	0.5%	150	0.5%	84	0.2%
Extraordinary expenses	(333)	-0.6%	(103)	-0.4%	(306)	-0.6%
Pre-tax profit	513	0.9%	726	2.5%	646	1.2%
Income tax on current year earnings	(663)	-1.1%	(443)	-1.5%	(792)	-1.4%
Deferred income taxes	(58)	-0.1%	(34)	-0.1%	(67)	-0.1%
Accruals for fiscal requirements		0.0%		0.0%		0.0%
Total net profit (loss)	(208)	-0.4%	250	0.8%	(213)	-0.4%
Minority interest profit (loss)	0	0.0%	0	0.0%	0	0.0%
Net profit (loss)	(208)	-0.4%	250	0.8%	(213)	-0.4%

Financial operations

Financial operations of the Group were marked by an increase in turnover from 106,972 million lire in the year ended December 31 1999 to 113,779 million lire for the current year, representing an increment of 6.4%.

Already the half-yearly report for the period ended June 30 2000 showed an increase of 4.8% and the following half year confirmed and improved this growth, even though the third quarter was heavily affected by population reduction in urban areas during the months of July and August, months traditionally dedicated to summer holidays. This drop in consumption of milk products was offset by a significant increase in sales of other products and also by the rise in population, and consequently sales, during the summer months in the area covered by the subsidiary company, Centro Latte Rapallo S.p.A.

Particular mention must be made of the salad range that was launched at the end of last February and immediately met with consumer acceptance. In fact salads alone account for 12% of sales in the "other product" segment for an overall value of 2,981 million lire.

• Sales revenues

The table below briefly summarises the sales' trends by product segment:

(millions of lire)	December 31, 2000		December 31, 1999		Change	
					Absolute	%
Fresh milk	60,438	53.1%	60,757	56.8%	(319)	-0.5%
UHT milk	25,429	22.3%	23,961	22.4%	1,468	6.1%
Yoghurt	3,319	2.9%	3,404	3.2%	(85)	-2.5%
Other	24,593	21.6%	18,850	17.6%	5,743	30.5%
Total	113,779	100%	106,972	100%	6,807	6.4%

Fresh milk

The above sales of fresh milk show a drop of 0.5% compared with the period ended December 31 1999. It should also be mentioned that an increase in list price of 4.5% was applied in the month of April. Furthermore there was a continual innovation in packaging seen in the market, a fact that led the Group to invest heavily in a new PET bottling line which will become operational in 2001. This packaging line will introduce a new, unique type of square-shaped PET bottle with an open/close cap.

Long shelf-life (UHT) milk

There was a positive trend in consumption of UHT milk and the Group benefited from this with a 6.1% increase in turnover compared with the year ended December 31 1999.

This was an excellent result and confirmed the Group's position as one of the leaders in a market where it managed to perform brilliantly in the face of very strong competition.

Two other new types of long shelf-life milk - "high-digestibility milk" and "biological milk" - were introduced during 2000 in response to consumer demand. Growth in quantity of UHT milk sold in the course of 2000 was much more marked, with an increase of 5.8% over the previous year.

Yoghurt

For some time now the yoghurt product segment has proved to be a market in its own right with a number of highly specialised producers. The vast range of products offered and very high advertising costs form an effective barrier to entry.

And so for the Group it remains a niche product, which for the year in question showed a drop in turnover of 2.5%. Plans have already been laid for a repositioning and relaunch of this product in 2001.

Other products

This category includes products in the fresh/ultra-fresh segment, such as cream, butter, fresh cheeses, eggs, desserts and salads.

The Group's strategy was to strengthen these high margin products by drawing on its know-how, distribution network and the brand name already used for milk sales, in order to increment sales in the fresh/ultra-fresh segment.

As already mentioned, the salads were very well received and achieved excellent results in terms of turnover.

The annual growth for this segment was 30.5% and means that "other products" are progressively making a greater contribution to total turnover.

In addition to the salads, the following new products were also launched during the year:

- 200 g pack of gorgonzola
- 1 litre pack of UHT cream
- 150 g pack of mozzarella fiordilatte
- pack of 6 Fiordovo fresh eggs
- 200 g pack of sliced Swiss Emmental cheese
- cocoa-flavoured milk
- 100 g packet of grated Grana cheese.

As regards the breakdown of business by geographical area, this is felt to be of little importance given that the Group's activity is mainly confined to the Piedmont and Ligurian regions.

• **Other revenues**

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

(millions of lire)	December 31, 2000	December 31, 1999	Change	
			absolute	%
Rents received	143,000	135,740	7,260	5.3%
Sales of recovered scrapped and consumable materials	363,810	212,026	151,784	71.6%
Contributions from suppliers	309,112	307,360	1,752	0.6%
Revenue from compensation	33,502	13,149	20,353	154.8%
Services performed for holding company	0	108,000	(108,000)	-100.0%
Total	849,424	776,275	73,149	9.4%

• **Operating costs**

The following table summarises operating costs by type for the year ended December 31 2000:

(millions of lire)	December 31, 2000			December 31, 1999		
		% of net revenues	% of total costs		% of net revenues	% of total costs
Raw, supplementary and consumable materials and goods	68,423	60.1%	60.6%	64,580	60.4%	61.6%
Services	23,540	20.7%	20.8%	19,642	18.4%	18.7%
Leasing and rental of third-party assets	274	0.2%	0.2%	289	0.3%	0.3%
Personnel costs	11,625	10.2%	10.3%	11,361	10.6%	10.8%
Amortisation of intangible fixed assets	2,809	2.5%	2.5%	2,575	2.4%	2.5%
Depreciation of tangible fixed assets	4,053	3.6%	3.6%	3,760	3.5%	3.6%
Writedown of accounts receivable	183	0.2%	0.2%	105	0.1%	0.1%
Sundry production costs	2,055	1.8%	1.8%	2,575	2.4%	2.5%
Total production costs	112,962	99.3%	100.0%	104,887	98.1%	100.0%

Raw, supplementary and consumable materials and goods

As the table indicates the cost of raw materials and goods rose by 6% over the prior year whereas turnover, as mentioned, grew by 6.4%.

(millions of lire)	December 31, 2000			December 31, 1999			Change	
		% of net revenues	% of total costs		% of net revenues	% of total costs	absolute	%
Purchases of milk	45,855	40.3%	67.0%	43,582	40.7%	67.5%	2,273	5.2%
Purchases of other raw foodstuffs	376	0.3%	0.5%	345	0.3%	0.5%	31	9.0%
Purchases of marketed products	10,103	8.9%	14.8%	8,978	8.4%	13.9%	1,125	12.5%
Packaging materials	10,185	9.0%	14.9%	10,012	9.4%	15.5%	173	1.7%
Supplementary and consumable materials	1,904	1.7%	2.8%	1,663	1.6%	2.6%	241	14.5%
Total costs	68,423	60.1%	100.0%	64,580	60.4%	100.0%	3,843	6.0%

The Group obtains supplies of raw milk from different sources. The Holding Company purchases 73% of the milk it processes directly from producers, whereas the subsidiary company, Centro Latte Rapallo, purchases raw material on the open market.

During the course of 2000 the purchase price applied by the Holding Company's milk producers went down by 9.28 lire, or 1.3%, per litre. On the contrary, the subsidiary was faced with a considerable price increase during the IVth quarter of 2000 due to scarcity of milk on the open market.

The average price increase for the year was 15.65 lire, or 2.2%, compared with the average for 1999 and made a negative impact on results for the final quarter. Moreover, the Group strategy to broaden its sales by diversifying turnover led to an increase of 12.5% in purchases of marketed end-products.

Given favourable market conditions at the end of the year the decision was taken to purchase raw material and packaging materials for production to stock, especially stocks of UHT milk products and relevant packaging.

The total increase in inventory values compared with the previous year-end was 660 million lire.

Costs for services

Costs for the year of services closely related to turnover rose by virtue of higher production and sales volumes and in particular concerned sales-related transport costs which went up by 13.5%.

(millions of lire)	December 31, 2000			December 31, 1999			Change	
		% of net revenues	% of total costs		% of net revenues	% of total costs	absolute	%
Transport for purchases	884	0.8%	3.8%	909	0.8%	4.6%	(25)	-2.8%
Transport for sales	10,246	9.0%	43.5%	9,031	8.4%	46.0%	1,215	13.5%
Electrical power	963	0.8%	4.1%	846	0.8%	4.3%	117	13.8%
Potable water	274	0.2%	1.2%	283	0.3%	1.4%	(9)	-3.2%
Natural gas	476	0.4%	2.0%	373	0.3%	1.9%	103	27.6%
Studies and consultancy	500	0.4%	2.1%	247	0.2%	1.3%	253	102.4%
Cleaning services	245	0.2%	1.0%	253	0.2%	1.3%	(8)	-3.2%
Industrial services	957	0.8%	4.1%	911	0.9%	4.6%	46	5.0%
External maintenance	1,413	1.2%	6.0%	1,192	1.1%	6.1%	221	18.5%
Other industrial services	203	0.2%	0.9%	187	0.2%	1.0%	16	8.6%
Advertising-Sponsorship	2,020	1.8%	8.6%	1,281	1.2%	6.5%	739	57.7%
Misc. business services	636	0.6%	2.7%	234	0.2%	1.2%	402	171.8%
Sales promotion contribut.n	2,744	2.4%	11.7%	2,407	2.3%	12.3%	337	14.0%
Agents' commission	380	0.3%	1.6%	431	0.4%	2.2%	(51)	-11.8%
Insurance	297	0.3%	1.3%	248	0.2%	1.3%	49	19.8%
Telephone	163	0.1%	0.7%	169	0.2%	0.9%	(6)	-3.6%
Misc. Administrative expense	1,073	0.9%	4.6%	506	0.5%	2.6%	567	112.1%
Services for personnel	66	0.1%	0.3%	134	0.1%	0.7%	(68)	-50.7%
Total services cost	23,540	20.7%	100.0%	19,642	18.4%	100.0%	3,898	19.8%

Certain cost items warrant a more detailed comment:

- **Electrical power:** the 13.8% increase over the previous year was partly due to higher production volume but also reflects higher energy costs in general as a
- result of rising oil prices. The increase would have been much greater had the Group not joined - in September 2000 - a consortium that purchases power on the free market at better conditions than those obtained by non-members of the consortium.
- **Natural Gas:** unfortunately the savings achieved for electrical power were not possible for natural gas, the purchase price per cubic metre of which was largely affected by the same factors that determined the increase in oil prices. The increase for this cost was 27.6% over the previous year.
- **Studies and consultancy:** during the year the Group obtained ISO 9002 certification: the costs associated with this were charged entirely to the income statement. As part of an ongoing effort to ensure the best possible quality and safety of milk collected and processed, in 2000 the Group decided to request external laboratories to carry out further checks in this regard, in support of the analyses already performed in its own laboratories.
A cost of 45 million lire was incurred for consultancy fees in relation to the administrative requirements necessary for obtaining the Piedmont Region FEOGA financing.
- **External maintenance:** as a result of the installation of new packaging lines greater recourse was made to external maintenance services during the start-up phase. This type of machinery requires the intervention of highly specialised

personnel from the manufacturer of the system (not located in the vicinity of Turin) with consequently high manpower, living and spare parts costs.

- **Miscellaneous business services:** this item also includes extraordinary consultancy and legal expenses of 242 million lire sustained by the Holding Company in connection with finalising tax assessments for the years from 1994 to 1998 with the competent authorities.
- **Advertising, sponsorship and marketing services:** advertising expenses were increased by 739 million lire in order to provide marketing support for the launch of new product lines and to maintain and strengthen the Group's image. A significant further benefit of this additional advertising investment was the fact that the Group received the Italian advertising sector's "Golden half-minute" Award for its inventive spirit and the unusual nature of the product advertised (fresh eggs).

Leasing and rental of third-party assets

This includes leasing costs for internal transport equipment and rental costs for various other materials and equipment.

Personnel costs

Compared with the year ended December 31 1999 personnel costs increased by 2.1%, somewhat less than the annual inflation rate and due to normal labour cost trends and renewal of the national labour contract.

(millions of lire)	December 31, 2000			December 31, 1999			Change	
		% of net revenues	% of total costs		% of net revenues	% of total costs	absolute	%
Direct personnel	2,498	2.2%	21.6%	2,584	2.4%	22.9%	(86)	-3.3%
Indirect personnel	5,181	4.6%	44.9%	4,995	4.7%	44.2%	186	3.7%
Sales personnel	1,680	1.5%	14.6%	1,566	1.5%	13.8%	114	7.3%
Administrative personnel	2,182	1.9%	18.9%	2,162	2.0%	19.1%	20	0.9%
Total costs	11,541	10.1%	100.0%	11,307	10.6%	100.0%	234	2.1%

Amortisation and depreciation

Amortisation of intangible fixed assets rose by 234 million lire as a result of the capitalisation of new product advertising costs and 2/12ths of the annual amortisation of share listing costs. A table reporting the details of intangible fixed assets is given on page 18 of the notes.

Depreciation of tangible fixed assets showed an increase of 293 million lire compared with the year ended December 31 1999. This was the result of depreciation on new capital expenditures and the normal trend for other tangible fixed assets reported in the balance sheet which are summarised and commented on page 19 of the notes to the financial statements.

Sundry production costs

Comments and a summary for this item are given on page 31 of the notes.

EBITDA

Gross operating margin (EBITDA) essentially remained stable in absolute terms at 9,123 million lire compared with 9,295 million lire for the period ended December 31 1999, although the margin as a percentage of value of production dropped from 8.6% in 1999 to 7.9% in 2000.

EBIT

The operating profit (EBIT) decreased by 777 million lire compared with the year ended December 31 1999, and also its percentage of value of production was eroded by 0.8%.

This reduction can be explained by higher amortisation and depreciation costs of 527 million lire on new capital expenditure (see pages 16 the notes) and higher costs sustained for purchase of raw milk, plus a change in the product mix invoiced. During 2000 the subsidiary company, Centro Latte Rapallo, saw a substantial increase in costs due to activities to strengthen distribution operations in order to improve efficiency of this service and the launch of two new sales areas in the city of Genoa. In addition there were the costs for a contest with prizes that was due to end in December but has, in fact, been extended up to April 2001. This initiative has been very well received by customers and has undoubtedly boosted the image of the subsidiary's brands.

The start of operations at the new warehouse in Rapallo necessarily required structural costs to cover the running-in period within the company's new logistics framework.

Financial income and expenses

Details of financial income and expenses are given on pages 27 and 28 of the notes.

The increase in financial expenses over the previous period amounted to 351 million lire which relates to a loan of 6,500 million lire obtained by the Holding Company in 1999 from Mediobanca that was repaid in full at the end of 2000 and gave rise to interest of 202 million lire during the period. As regards financial expenses for bank overdrafts, these increased by 149 million lire due to greater recourse to such facilities and an average 2 percentage point higher interest rate during the year.

Partly offsetting these expenses was financial income of 350 million lire from current account bank balances and non-financial fixed asset securities purchased towards the end of the year.

Extraordinary income and expenses

A breakdown of extraordinary income and expenses is given on pages 28 and 29 of the notes.

Income tax

Income tax on current year profit (IRPEG) for the Holding Company has been calculated by applying the reduced rate indicated in Article 2, paragraphs 8 and 10 of Law 133/99 and Law Decree 466/97, whereas the normal rate of income tax (37%) has been applied by the subsidiary company.

The regional tax on productive activities (IRAP) has been calculated at the full rate (4.25%) and in accordance with the methods prescribed.

In consideration of general principles as regards correctness, due care and accrual based accounting (Articles 2423, paragraph 2 and 2423-bis of the Civil Code), the principle governing allocations to provisions for risks and charges (Article 2424-bis, paragraph 3 of the Civil Code), the principle concerning distribution of profits (Article 2423 of the Civil Code) and, lastly, Consob notification no. 99059010 dated July 30 1999, a provision of 141,954,126 lire has been made for deferred taxes concerning accelerated depreciation recorded by the subsidiary company and the amount of 29,140,000 lire was recorded in the accounts of the Holding Company for income tax paid in advance with regard to deductible costs on taxable income for future years.

Net profit (loss)

The net loss after tax for the year ended December 31 2000 was 402,908,189 lire compared with a loss of 413,384,102 lire in the previous year (-2.6%).

**Reclassified
consolidated
Balance
Sheet**

(millions of lire)	December 31, 2000		June 30, 2000		December 31, 1999	
Non-current assets						
Technical fixed assets	33,365		31,347		28,879	
Intangible fixed assets	30,287		28,506		29,484	
Shareholdings and securities	53		293		293	
Total non-current assets	63,706	100.8%	60,146	101.1%	58,657	103.8%
Current assets						
Trade receivables	20,609		18,166		17,958	
Inventories	3,568		3,195		2,666	
Accrued income & prepaid expenses	745		757		449	
Other current assets	13,597		17,047		12,043	
Trade payables	(29,538)		(24,988)		(22,937)	
Other payables	(7,978)		(1,614)		(2,905)	
Accrued expenses & deferred income	(843)		(1,956)		(573)	
Tax liabilities	(1,534)		(11,269)		(8,849)	
Net current assets	(1,374)	-2.2%	(662)	-1.1%	(2,147)	-3.8%
TOTAL FUNDS EMPLOYED	62,332	100.0%	59,484	100.0%	56,509	100.0%
Long-term liabilities & provisions						
Provision for employee severance indemnity	3,932		3,871		3,708	
Tax liability for current year	0		557		0	
Other provisions	0		100		200	
Provision for deferred tax	474		530		465	
Total long-term liabilities and provisions	4,406	7.1%	5,058	8.5%	4,373	7.7%
Financial position						
Cash, banks and securities	(30,143)		(1,486)		(3,263)	
Debts due to banks	17,580		13,550		20,253	
Debts due to holding company	0		500		1,732	
Credits due from holding company	(188)		0		0	
Medium/long-term financing	969		8,932		969	
Net financial position	(11,781)	-18.9%	21,497	36.1%	19,691	34.8%
Shareholders' equity						
Share capital	39,887		28,500		28,500	
Reserves	30,223		3,945		4,358	
Net profit	(403)		483		(413)	
Total shareholders' equity	69,707	111.8%	32,928	55.4%	32,445	57.4%
TOTAL OWN & MINORITY FUNDS	63,220	100.0%	59,484	100.0%	56,509	100.0%

(thousands of euro)	December 31, 2000	June 30, 2000	December 31, 1999
Non-current assets			
Technical fixed assets	17,232	16,189	14,915
Intangible fixed assets	15,642	14,722	15,227
Shareholdings and securities	27	151	151
Total non-current assets	32,901	31,063	30,294
Current assets			
Trade receivables	10,644	9,382	9,275
Inventories	1,843	1,650	1,377
Accrued income & prepaid expenses	385	391	232
Other current assets	7,022	8,804	6,220
Trade payables	(15,255)	(12,905)	(11,846)
Other payables	(4,120)	(834)	(1,500)
Accrued expenses & deferred income	(436)	(1,010)	(296)
Tax liabilities	(792)	(5,820)	(4,570)
Net current assets	(710)	(342)	(1,109)
TOTAL FUNDS EMPLOYED	32,192	30,721	29,185
Long-term liabilities & provisions			
Provision for employee severance indemnity	2,031	1,999	1,915
Tax liability for current year	0	288	0
Other provisions	0	52	103
Provision for deferred tax	245	274	240
Total long-term liabilities and provisions	2,276	2,612	2,258
Financial position			
Cash, banks and securities	(15,568)	(767)	(1,685)
Debts due to banks	9,079	6,998	10,460
Debts due to holding company	0	258	894
Credits due from holding company	(97)	0	0
Medium/long-term financing	501	4,613	501
Net financial position	(6,084)	11,102	10,170
Shareholders' equity			
Share capital	20,600	14,719	14,719
Reserves	15,609	2,037	2,251
Net profit	(208)	250	(213)
Total shareholders' equity	36,001	17,006	16,756
TOTAL OWN & MINORITY FUNDS	32,650	30,721	29,185

Financial report

(millions of lire)	December 31, 2000	December 31, 1999
CASH FLOW GENERATED BY OPERATIONS		
Profit (loss) for the period (A)	(403)	(413)
Profit carried forward		476
<i>Adjustments for items not affecting cash flow</i>		
Amortisation and depreciation	6,862	6,335
Allocations to employee severance indemnity less amount paid out	225	328
Allocations/utilisation of provisions for risks and charges	(191)	665
<i>Total adjustments for items not affecting cash flow (B)</i>	6,896	7,804
<i>Changes in current assets and liabilities:</i>		
Net trade and other accounts receivable	(4,204)	(3,625)
Inventories	(902)	645
Accrued income & prepaid expenses	(296)	111
Trade payables	6,601	5,423
Other accounts payable	5,072	(4,018)
Prepaid expenses and deferred income	270	47
Tax liabilities	(7,315)	4,115
<i>Total changes in current assets and liabilities (C)</i>	(774)	2,698
Total cash flow generated by operations (A+B+C)	5,719	10,089
CASH FLOW GENERATED BY INVESTMENT ACTIVITY		
Net purchase of technical fixed assets	(8,539)	(9,601)
Financial investments	0	(32,056)
Financial divestments	240	
(Increases) decreases in intangible fixed assets	(3,612)	(2,081)
Total cash flow generated by investment activity	(11,911)	(43,738)
CASH FLOW GENERATED BY FINANCIAL ACTIVITY		
Changes in medium/long-term financial debt	(2,123)	5,071
Changes in accounts payable to holding company	(1,732)	1,001
Changes in accounts receivable from holding company	(188)	(173)
Dividends paid	0	(800)
Reduction (increase) in other fixed asset activity	(12,649)	0
Increase in share capital	37,854	27,000
Total cash flow generated by financial activity	21,162	32,099
Increase (decrease) in cash and bank accounts	14,970	(1,550)
CASH AND BANKS AT BEGINNING OF FINANCIAL YEAR	(1,552)	(2)
CASH AND BANKS AT END OF FINANCIAL YEAR	13,418	(1,552)
<i>(excluding short-term payables for mortgages and financing)</i>		

(thousands of euro)	December 31, 2000	December 31, 1999
CASH FLOW GENERATED BY OPERATIONS		
Profit (loss) for the period (A)	(208)	(213)
Profit carried forward		246
<i>Adjustments for items not affecting cash flow</i>		0
Amortisation and depreciation	3,544	3,272
Allocations to employee severance indemnity less amount paid out	116	169
Allocations/utilisation of provisions for risks and charges	(99)	343
<i>Total adjustments for items not affecting cash flow (B)</i>	<i>3,561</i>	<i>4,030</i>
<i>Changes in current assets and liabilities</i>		
Net trade and other accounts receivable	(2,171)	(1,872)
Inventories	(466)	333
Accrued income & prepaid expenses	(153)	57
Trade payables	3,410	2,801
Other accounts payable	2,619	(2,075)
Prepaid expenses and deferred income	139	24
Tax liabilities	(3,778)	2,125
<i>Total changes in current assets and liabilities (C)</i>	<i>(399)</i>	<i>1,393</i>
Total cash flow generated by operations (A+B+C)	2,955	5,211
CASH FLOW GENERATED BY INVESTMENT ACTIVITY		
Net purchase of technical fixed assets	(4,410)	(4,959)
Financial investments	0	(16,556)
Financial divestments	124	0
(Increases) decreases in intangible fixed assets	(1,865)	(1,075)
Total cash flow generated by investment activity	(6,152)	(22,589)
CASH FLOW GENERATED BY FINANCIAL ACTIVITY		
Changes in medium/long-term financial debt	(1,096)	2,619
Changes in accounts payable to holding company	(895)	517
Changes in accounts receivable from holding company	(97)	(89)
Dividends paid	0	(413)
Reduction (increase) in other fixed asset activity	(6,533)	0
Increase in share capital	19,550	13,944
Total cash flow generated by financial activity	10,929	16,578
Increase (decrease) in cash and bank accounts	7,732	(801)
CASH AND BANKS AT BEGINNING OF FINANCIAL YEAR	(802)	(1)
CASH AND BANKS AT END OF FINANCIAL YEAR	6,931	(802)
<i>(excluding short-term payables for mortgages and financing)</i>		

Financial operations

Financial situation

The major changes in the consolidated balance sheet for the year ended December 31 2000 are summarised in the following table:

(millions of lire)	December 31, 2000	December 31, 1999
Net non-current assets	63,706	59,971
Group shareholders' equity	69,707	32,445
Net financial position	11,594	(19,691)
Shareholders' equity / Net non-current assets	109.42%	54.10%

The Group's growth policy continued during the year 2000 with an increase in net assets from the situation reported at December 31 1999.

The main capital expenditures were for plant and machinery (for 10,377 million lire) and buildings, an amount of 1,491 million lire relating to the new warehouse facility in Rapallo deriving from the merger incorporation of Depla S.r.l. (see page 14). The net financial position at year-end was positive as opposed to negative at the end of the previous year. This substantial improvement was due to liquidity generated as a result of the listing of the Holding Company's shares on the Italian Telematic Stock Exchange (shares were listed starting November 3 2000). These resources, part of which are temporarily invested in securities not considered as financial fixed assets, will be utilised by the Group as it pursues its planned acquisition policy over the coming years.

The Group also made early repayment in full of a loan granted by San Paolo IMI and set up three new medium-term loans: a loan granted to the subsidiary company by Banca Commerciale Italiana of 600 million lire and two loans granted to the Holding Company - 3 billion lire from Banca di Roma and 4 billion lire from Banca Commerciale Italiana - without the need to provide guarantees or mortgages, operations described in greater detail on page 22 of the notes.

The Group's total net financial position is illustrated in the following table:

(millions of lire)	December 31, 2000	December 31, 1999
Cash, banks and securities	30,143	3,263
Indebtedness with banks	(17,580)	(20,253)
Indebtedness with holding company	0	(1,732)
Indebtedness with other sources of financing	(969)	(969)
Net financial position	11,594	(19,691)

Trend of net working capital

The table below summarises the trend of net working capital for the period ended December 31 2000.

(millions of lire)	December 31, 2000	December 31, 1999
Trade receivables	20,609	17,958
Inventories	3,568	2,666
Accrued income and prepaid expenses	745	449
Other current assets	13,597	12,043
Trade payables	(29,538)	(22,937)
Other payables	(7,978)	(2,905)
Accrued expenses and deferred income	(843)	(573)
Tax liabilities	(1,534)	(8,849)
Net working capital	(1,374)	(2,148)

Working capital at December 31 2000 shows an increase of 774 million lire compared with the situation at December 31 1999. There was a considerable increase in trade payables that was largely due to capital expenditure for machinery, which for 2000 amounted to 10,377 million lire (see details on page 14 of the notes), whereas trade receivables also rose as a result of the higher turnover recorded for the year.

The increase in accrued revenues reflects interest due but not paid on securities and bank deposits. Accrued liabilities reflect interest due on overdrafts, charged during 2001 but referring to financial year 2000.

The changes in tax liabilities and other accounts payable are the result of a reclassification of entries made in past years for the EEC supplementary dairy campaign charge (details are given on pages 24 the notes). Other accounts payable also include amounts due but not yet paid to large-scale distribution outlets for promotional campaign incentives.

Cash flow trend

(millions of lire)	December 31, 2000	December 31, 1999
Cash flow generated by operations	5,719	10,089
Cash flow from investment activities	(11,911)	(43,738)
Cash flow from financial activities	21,162	32,099
Cash flow for the period	14,970	(1,550)

The above table highlights the positive cash flow trend for the period, largely due to the increase in share capital and subsequent listing of Holding Company shares on the Italian Telematic Stock Exchange, a factor that will enable the Group to pursue its planned expansion policy.

**Main
financial
data**

FINANCIAL DATA				
(millions of lire)	December 31, 2000		December 31, 1999	
REVENUES	115,039	100.0%	107,742	100.0%
of which from product sales	113,779	98.9%	106,972	99.3%
ADDED VALUE	20,747	18.0%	20,656	19.2%
GROSS OPERATING MARGIN (EBITDA)	9,123	7.9%	9,295	8.6%
OPERATING MARGIN (EBIT)	2,078	1.8%	2,855	2.6%
PRE-TAX PROFIT	993	0.9%	1,250	1.2%
NET PROFIT (LOSS)	(403)	-0.4%	(413)	-0.4%
BALANCE SHEET AND FINANCIAL DATA				
(millions of lire)	December 31, 2000		December 31, 1999	
TOTAL ASSETS	132,556		95,037	
TOTAL FUNDS EMPLOYED	62,332		56,509	
SHAREHOLDERS' EQUITY	69,707		32,445	
NET FINANCIAL INDEBTEDNESS	11,594		(19,691)	
CASH FLOW (profit+amortisation+depreciation)	6,459		5,922	
FINANCIAL INDICATORS	31/12//00		December 31, 1999	
RETURN ON INVESTMENT (ROI)	3.3%		5.1%	
RETURN ON EQUITY (ROE)	-0.6%		-1.3%	
RETURN ON SALES (ROS)	1.8%		2.7%	
FINANCIAL INDEPENDENCE INDEX	52.6%		34.1%	
ACCOUNTS RECEIVABLE TURNOVER	66		62	
INVENTORY TURNOVER	19		15	
Workforce (average for year)	143		143	
REVENUE PER EMPLOYEE	796		748	
OPERATING PROFIT PER EMPLOYEE	15		20	

(millions of euros)	December 31, 2000		December 31, 1999	
REVENUES	59,413	100.0%	55,644	100.0%
of which from product sales	58,762	98.9%	55,246	99.3%
ADDED VALUE	10,715	18.0%	10,668	19.2%
GROSS OPERATING MARGIN (EBITDA)	4,712	7.9%	4,800	8.6%
OPERATING MARGIN (EBIT)	1,073	1.8%	1,474	2.6%
PRE-TAX PROFIT	513	0.9%	646	1.2%
NET PROFIT (LOSS)	(208)	-0.4%	(213)	-0.4%
BALANCE SHEET AND FINANCIAL DATA				
(millions of euros)	December 31, 2000		December 31, 1999	
TOTAL ASSETS	68,459		49,083	
TOTAL FUNDS EMPLOYED	32,192		29,184	
SHAREHOLDERS' EQUITY	36,001		16,756	
NET FINANCIAL INDEBTEDNESS	5,988		(10,170)	
CASH FLOW (profit+amortisation+depreciation)	3,336		3,058	
FINANCIAL INDICATORS				
	December 31, 2000		December 31, 1999	
RETURN ON INVESTMENT (ROI)	3.3%		5.1%	
RETURN ON EQUITY (ROE)	-0.6%		-1.3%	
RETURN ON SALES (ROS)	0.0%		2.7%	
FINANCIAL INDEPENDENCE INDEX	52.6%		34.1%	
ACCOUNTS RECEIVABLE TURNOVER	70		61	
INVENTORY TURNOVER	19		15	
Workforce (average for year)	143		143	
REVENUE PER EMPLOYEE	415		386	
OPERATING PROFIT PER EMPLOYEE	8		10	

FINANCIAL DATA

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

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

Name and position held	Holding Company shares held				
	owned on 03/11/00	purchased during 2000	sold on 03/11/00	owned at end of 2000	type of ownership
Luigi LUZZATI <i>* Chairman of the Board</i>	156,250	250	0	156,500	Directly and through holding company
Antonio Felice FORCHINO <i>* Vice Chairman of the Board</i>	286,724	1,979	211	288,492	Directly and through holding company
Riccardo POZZOLI <i>* Executive Vice Chairman and Managing Director</i>	62,500	250	0	62,750	Directly and through holding company
Aroldo LUZZATI <i>* Managing Director</i>	156,250	250	0	156,500	Directly and through holding company
Adele ARTOM <i>* Board Member</i>	2,719,463	13,005	1,586	2,730,882	Through holding company
Ermanno RESTANO <i>* Board Member</i>	25,000	750	750	25,000	Directly and through holding company

Shareholdings of Directors and Statutory Auditors in the subsidiary company,
Centro Latte Rapallo S.p.A., held through Centrale del Latte di Torino & C. S.p.A.

Name and position held	Shares held in subsidiary company Centro Latte Rapallo S.p.A.			
	owned on 03/11/00	purchased during 2000	sold during 2000	owned at end of 2000
Luigi LUZZATI <i>* Chairman of the Board</i>	125,100			125,100
Antonio Felice FORCHINO <i>* Vice Chairman of the Board</i>	281,046			281,046
Riccardo POZZOLI <i>* Executive Vice Chairman and Managing Director</i>	50,040			50,040
Aroldo LUZZATI <i>* Managing Director</i>	125,100			125,100
Adele ARTOM <i>* Board Member</i>	2,564,607			2,564,607

Significant facts occurring after the end of the financial year

31 2000 an offer has been presented in relation to the privatisation of 49% of Centrale del Latte di Salerno S.p.A. and is, as of today, awaiting notification of the outcome from the Municipality of Salerno.

As regards Centrale del Latte Vicenza S.p.A., with an offer of 49 billion and 50 million lire the Group provisionally won the tender organised by the Municipality of Vicenza for the entire shareholding in the company concerned. Subsequently, however, the bidding was reopened and higher bids were made which increased the final price to more than the value estimated jointly with the Group's financial consultants as being compatible with an acceptable medium to long-term return on investment.

As a consequence in February the Municipality of Vicenza released the surety deposited by the Group for participation in this bid, recorded in the 2000 memorandum accounts in the amount of 55,455 million lire.

Lastly, it should be mentioned that the PET bottling line has become operational in recent weeks and will initially be used for 1 litre bottles of Tappo Rosso brand Grade A fresh milk and Latte Tigullio brand whole and low-fat fresh milk.

Chairman of the Board of Directors

Luigi LUZZATI

In the period
following
December