



**Fior di Bio**

## **FINANCIAL STATEMENTS**

**AT DECEMBER 31 2001**

Centrale del Latte di Torino & C. S.p.A.  
Via Filadelfia 220  
10137 Turin - Italy  
Tel. +39 011 3240200 - Fax +39 011 3240300  
e-mail: [posta @centralelatte.torino.it](mailto:posta@centralelatte.torino.it)  
[www.centralelatte.torino.it](http://www.centralelatte.torino.it)  
Paid-up share capital 20,600,000 euros  
Turin Company Register no. 631/77  
VAT no. IT 01934250018

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**Board of Directors:**

**Luigi Luzzati**

*Chairman*

**Antonio Forchino**

*Vice Chairman*

**Riccardo Pozzoli**

*Executive Vice Chairman  
and Managing Director*

**Aroldo Luzzati**

*Managing Director*

**Adele Artom**

*Director*

**Pietro Angelo Cerri**

*Director*

**Alessandro Marina**

*Director*

**Ermanno Restano**

*Director*

**Germano Turinetto**

*Director*

**Board of Statutory Auditors:**

**Alessandro Rayneri**

*Chairman*

**Giovanni D'Amelio**

*Statutory Auditor*

**Vittoria Rossotto**

*Statutory Auditor*

**Independent Auditors**

**PricewaterhouseCoopers S.p.A.**

## **REPORT ON OPERATIONS FOR THE FINANCIAL STATEMENTS AT DECEMBER 31 2001**

To the shareholders,

The year 2001, the results of which are reported in the accompanying financial statements, was an exceptional and dramatic year by the nature of the events that characterised it. Facts that, even if in an indirect manner, negatively affected your Company and the Group's performance for the year.

The trend seen in 2001 was marked by a first half with growth in both sales and operating results, followed by a slowdown in the second half of the year.

This brusque downturn can be explained by events of an extraordinary nature not related to our activities, and other circumstances dictated by market trends for raw material and the need to reorganise operations within the parent company.

Despite this sales were not affected and maintained the trend seen in the early months of the year, confirming the forecast and showing appreciable growth rates in both volumes and revenues.

During the course of 2001 the price of raw material increased sharply as a result of the negative economic situation and difficulties in the agricultural sector. Even so your Company and the Group continued to obtain supplies through their habitual channels in the belief that the quality and guaranteed source of milk from selected Piedmontese farms were extremely vital factors for its production needs.

A policy such as this, aimed at sacrificing as little as possible of the distinctive elements of production so as to guarantee quality for consumers, is not always financially beneficial in the short term.

2001 was also the year that saw your Company's shares listed in the new telematic STAR segment of the Italian Stock Exchange. The acronym STAR stands for High Requirement Share Segment, a segment that lists shares of small and medium-sized companies in terms of capitalisation, equipped to guarantee transparency for both the market and small and large-scale investors. To ensure this the parent company has adopted a code of self-discipline and has improved already existing control systems for accounting-administrative procedures. In addition a quarterly Audit Committee has been established comprising independent experts coordinated by a non-Board or company member, and a specialist has been assigned the task of ensuring the liquidity of the listed shares.

We believe it is extremely gratifying to know the company has the requisites to enable it to be part of a segment populated by important domestic and international companies and groups.

In the second half, and more precisely after the tragic events of September 11th, the shares of your Company, like those of many other companies, suffered significant losses.

Based on a resolution passed in the shareholders' meeting of April 30 2001, the Company purchased treasury stock. Following a drop in the share price, the company wrote down the 150,750 shares of treasury stock in its portfolio for a total amount of 252 thousand euros. This operation re-established the unit value of these shares to the average Stock Exchange price recorded in the last month of the year, with the result that the amount previously mentioned was written off to financial expenses.

But 2001 was also a year of investments in new technology. In fact the two new PET milk bottling lines became operative during the year.

These lines, which also include bottle forming equipment, required an investment of 3,536 million euros, of which part (1,500 million euros) was incurred financially in 2000 but only became productive in January 2001, whereas the remaining part was recorded in 2001.

According to original plans the second line should have become operative in 2002, however strong sales of fresh milk packaged in this new bottle made it necessary to bring forward the start-up date.

During the past year the Group made an important investment by acquiring 40% of the capital stock of Frasccheri S.p.A., a company located in Bardineto (Savona) with deposits in Borghetto S. Spirito and Imperia. This represented a continuation of the Group's expansion project and established a presence of products bearing our brand name in western Liguria and lower Piedmont.

At the end of October the new line of "Fior di Bio" ® brand biological agriculture products was presented to the sales force and press.

"Fior di Bio" ® will be the first brand of Centrale del Latte di Torino & C. S.p.A. to be distributed nationally, a move which will enable the Group to broaden its marketing and user base.

For the moment the range includes UHT milk, mozzarella and stracchino cheese, butter, eggs and extra-pure olive oil. However the range will be expanded in 2002 to include additional products, constituting an absolutely innovative assortment when compared to competitors in this specific segment.

In conclusion, it is believed that despite the extraordinary circumstances that led to absorbing the writedown for treasury stock, reorganisation costs and expenses for participation in privatisation bids for other municipal milk producers, 2001 can be considered a positive year.

Your Company has in fact managed to maintain operating margins while continuing to grow, it has invested in new technology and new product lines, and so continued its policy to strengthen and expand the position in the market of Centrale del Latte di Torino & C. S.p.A. and its Group.

To the shareholders,

The draft Financial Statements at December 31 2001, which report a net loss for the year of 125,430 euros, are submitted for your review. The result for the year takes into account amortisation of intangible fixed assets amounting to 602,952 euros, 1,965,801 euros for depreciation of tangible fixed assets, 44,549 euros for allocations to the provision for writedown of accounts receivable, 255,736 euros for income taxes for the year and 9,048 euros for deferred taxes.

## Operating results

### Reclassified statement of operations

	31-12-01		31-12-00	
	€		€	
<i>Value of production</i>				
Revenues from sales and services	48,722,945	99.0%	43,427,537	98.7%
Change in inventories	47,001	0.1%	134,804	0.3%
Other income and revenues	431,352	0.9%	424,999	1.0%
<b>Value of production</b>	<b>49,201,298</b>	<b>100.0%</b>	<b>43,987,340</b>	<b>100.0%</b>
<i>Costs of production</i>				
Services	(9,884,854)	-20.1%	(8,503,238)	-19.3%
Raw materials	(30,900,954)	-62.8%	(27,328,518)	-62.1%
Other operating costs	(568,184)	-1.2%	(503,833)	-1.1%
<b>Added value</b>	<b>7,847,305</b>	<b>15.9%</b>	<b>7,651,751</b>	<b>17.4%</b>
Personnel costs	(4,558,658)	-9.3%	(4,384,245)	-10.0%
<b>Gross operating margin</b>	<b>3,288,648</b>	<b>6.7%</b>	<b>3,267,506</b>	<b>7.4%</b>
Writedown of accounts receivable	(44,549)	-0.1%	(56,546)	-0.1%
Depreciation and amortisation of fixed assets	(2,568,753)	-5.2%	(2,011,864)	-4.6%
<b>Operating income</b>	<b>675,346</b>	<b>1.4%</b>	<b>1,199,096</b>	<b>2.7%</b>
Interest and financial income	846,978	1.7%	385,514	0.9%
Financial expenses	(888,230)	-1.8%	(637,506)	-1.4%
Extraordinary income	142,113	0.3%	284,340	0.6%
Extraordinary expense	(636,854)	-1.3%	(332,975)	-0.8%
<b>Income (loss) before taxes</b>	<b>139,354</b>	<b>0.3%</b>	<b>898,469</b>	<b>2.0%</b>
Income taxes for the period	(255,736)	-0.6%	(458,614)	-1.0%
Prepaid (deferred) taxes	(9,048)	0.0%	15,050	0.0%
Accruals for tax regulations	-	0.0%	-	0.0%
<b>Net total income (loss)</b>	<b>(125,430)</b>	<b>-0.3%</b>	<b>454,905</b>	<b>1.0%</b>
Minority interest income (loss)	-	0.0%	-	0.0%
<b>Income (loss) for the period</b>	<b>(125,430)</b>	<b>-0.3%</b>	<b>454,905</b>	<b>1.0%</b>

## Sales revenues

The year ended December 31 2001 showed a 12.2% growth in turnover to 48,723 million euros compared with 2000.

The table below summarises the sales trends by product segment.

	31-12-01		31-12-00		Change	
	€		€		€	
Fresh milk	22,299,125	45.8%	20,233,185	46.6%	2,065,940	10.2%
UHT milk	13,202,057	27.1%	12,834,729	29.6%	367,328	2.9%
Yoghurt	1,579,245	3.2%	1,562,710	3.6%	16,535	1.1%
Bulk milk and cream	6,157,360	12.6%	4,183,671	9.6%	1,973,689	47.2%
Other packaged products	5,485,158	11.3%	4,613,242	10.6%	871,916	18.9%
<b>Total</b>	<b>48,722,945</b>	<b>100.0%</b>	<b>43,427,537</b>	<b>100.0%</b>	<b>5,295,408</b>	<b>12.2%</b>

**Fresh milk.** The fresh milk segment amounted to 45.8% of total sales and represented an increase of 10.2%, mainly due to the production increase for the Centro Latte Rapallo brand and, to a lesser degree, the associated company, Frasccheri, brand. Net of third party brand product sales, turnover increased by 5.94% with volume equal to the 2000 level, an encouraging result given the downturn in consumption recorded at national level.

**UHT milk.** Sales of UHT milk rose despite termination of production for third-party brands in 2001 as it was not sufficiently remunerative. This was partly offset by production for the subsidiary brand, but above all by an increase in volume of 2.38% in production for the Centrale del Latte di Torino brand.

**Yoghurt.** Sales for this segment, which for some time now has been considered a separate market and includes a number of highly qualified and specialised competitors, were substantially stable.

**Bulk milk and cream.** This sales segment (shown separately to provide a better analysis of "other products") showed an increment of 47.2% over the prior year thanks to sales of bulk milk to the Centro Latte Rapallo subsidiary as opposed to the previous practice of sales on the free market.

**Other packaged products.** The Group continued to pursue its strategy of boosting sales of these high margin products in the fresh and ultra-fresh product sector: turnover increased by 18.9% and the segment now represents 11.3% of total turnover (10.6% in 2000).

A geographical breakdown is believed to be meaningless as the Company's activities are largely concentrated in Piedmont.

## Other revenues

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

	31-12-01	31-12-00	Change	
	€	€	€	%
Rents received	87,691	73,853	13,838	18.7%
Sales of recovered, scrapped and consumable materials	96,290	129,432	(33,142)	-25.6%
Contribution from suppliers of consumables	160,534	159,643	891	0.6%
Revenues from compensation	12,398	14,073	(1,675)	-11.9%
Capital gains from disposals	1,872	-	1,872	100%
Revenue grants	72,568	47,998	24,570	51.2%
<b>Total</b>	<b>431,352</b>	<b>424,999</b>	<b>(6,353)</b>	<b>1.5%</b>

## Operating costs

The table below summarises operating costs by type for the year ended December 31 2001.

	31-12-01			31-12-00			Change	
	€	% of net revenues	% of total costs	€	% of net revenues	% of total costs	absolute	%
Raw, ancillary, consumable materials and goods (1)	30,900,954	63.4%	63.7%	27,328,317	62.9%	63.9%	3,572,637	13.1%
Services	9,810,126	20.1%	20.2%	8,414,632	19.4%	19.7%	1,395,494	16.6%
Rental and leasing costs	74,728	0.2%	0.2%	88,831	0.2%	0.2%	(14,102)	-15.9%
Personnel expenses	4,558,658	9.4%	9.4%	4,384,203	10.1%	10.2%	174,455	4.0%
Amortisation of intangible f/assets	602,952	1.2%	1.2%	306,259	0.7%	0.7%	296,693	96.9%
Depreciation of tangible f/assets	1,965,801	4.0%	4.1%	1,705,857	3.9%	4.0%	259,944	15.2%
Provision for doubtful accounts	44,549	0.1%	0.1%	56,294	0.1%	0.1%	(11,745)	-20.9%
Sundry operating costs	568,184	1.2%	1.2%	504,062	1.2%	1.2%	64,122	12.7%
<b>Total operating costs</b>	<b>48,525,952</b>	<b>99.6%</b>	<b>100.0%</b>	<b>42,788,454</b>	<b>98.5%</b>	<b>100.0%</b>	<b>5,737,498</b>	<b>13.4%</b>

(1) net of changes in inventory

As can be seen from the table, the incidence of raw material consumption on net revenues diminished as a result of the move to centralised purchasing by the parent company, Centrale del Latte di Torino & C. S.p.A., which makes purchases for all of its own needs and those of the Centro Latte Rapallo subsidiary. While this centralisation has brought benefits in terms of the incidence of consumption on sales it has, on the other hand, led to an increase in this ratio in the Financial Statement if the parent company.

The economic situation and difficulties in the agricultural sector had a negative impact on the price of raw material, which in the last quarter of 2001 alone rose by 6.12% to total 9% for the whole year, only partly offset by increases in list prices.

Other cost items remained essentially stable with the exception of purchase of products for resale, the incidence of which was related to the sales growth in this segment.

Their incidence on relevant revenues was 67.6% against 63.1% in 2000.

	31-12-01			31-12-00			Change	
	€	% of net revenues	% of total costs	€	% of net revenues	% of total costs	absolute	%
Purchase of milk	21,620,050	44.4%	70.0%	18,407,991	42.4%	67.4%	3,212,059	17.4%
Transport of milk (1)	-	-	-	528,934	-	1.9%	-	-
Purchase of other food products	212,979	0.4%	0.7%	194,188	0.4%	0.7%	18,791	9.7%
Purchase of products for resale	3,778,626	7.8%	12.2%	2,947,936	6.8%	10.8%	830,690	28.2%
Packaging material	4,218,122	8.7%	13.7%	4,273,681	9.8%	15.6%	(55,559)	-1.3%
Ancillary and consumable materials	1,071,177	2.2%	3.5%	975,587	2.2%	3.6%	95,590	9.8%
	<b>30,900,954</b>	<b>63.4%</b>	<b>100.0%</b>	<b>27,328,317</b>	<b>62.9%</b>	<b>98.1%</b>	<b>3,572,637</b>	<b>13.1%</b>

(1) The cost of milk transport has been reclassified to service costs

(2) Net of changes in inventory

**Service costs.** The ratio of costs to net revenues remained essentially stable despite an increase in the absolute value of certain items.

It is important to note that the increase in sundry administrative expenses was due to costs not incurred in the previous year. These were directly related to listing the Company's shares on the Italian Stock Exchange (62,580 euros) and other non-recurring consultancy costs for updating the procedure manual for accounting and administrative controls (95,000 euros).

	31-12-01			31-12-00			Change	
	€	% of net revenues	% of total costs	€	% of net revenues	% of total costs	absolute	%
Transport of non-milk purchases	31,016	0.1%	0.3%	43,382	0.1%	0.5%	(12,366)	-28.5%
Transport of milk purchases	610,177	1.3%	6.2%	528,934	1.2%	5.9%	81,243	15.4%
Product distribution services	3,834,271	7.9%	39.1%	3,631,725	8.4%	40.6%	202,546	5.6%
Electricity and power	413,959	0.8%	4.2%	351,707	0.8%	3.9%	62,252	17.7%
Potable water	144,051	0.3%	1.5%	89,864	0.2%	1.0%	54,187	60.3%
Natural gas	298,363	0.6%	3.0%	242,218	0.6%	2.7%	56,145	23.2%
Studies, analyses and consultancy	212,701	0.4%	2.2%	212,780	0.5%	2.4%	(79)	0.0%
Industrial services	602,866	1.2%	6.1%	539,181	1.2%	6.0%	63,685	11.8%
External maintenance	388,868	0.8%	4.0%	443,120	1.0%	5.0%	(54,252)	-12.2%
Advertising-sponsorship	644,611	1.3%	6.6%	616,133	1.4%	6.9%	28,478	4.6%
Sundry marketing services	285,992	0.6%	2.9%	302,127	0.7%	3.4%	(16,135)	-5.3%
Sales promotion grants	1,658,294	3.4%	16.9%	1,415,092	3.3%	15.8%	243,202	17.2%
Insurance	109,523	0.2%	1.1%	87,281	0.2%	1.0%	22,242	25.5%
Telephone	45,526	0.1%	0.5%	57,327	0.1%	0.6%	(11,801)	-20.6%
Sundry administrative expense	484,785	1.0%	4.9%	346,543	0.8%	3.9%	138,242	39.9%
Personnel services	45,123	0.1%	0.5%	35,947	0.1%	0.4%	9,176	25.5%
<b>Total services</b>	<b>9,810,126</b>	<b>20.1%</b>	<b>100.0%</b>	<b>8,943,361</b>	<b>20.6%</b>	<b>100.0%</b>	<b>866,765</b>	<b>9.7%</b>

(1) Milk transport cost for 2000 has been reclassified

**Personnel costs.** Compared with 2000 personnel costs increased by 172,748 euros or 4%.

This cost increase can be attributed to an increment in the production bonus for non-executive personnel (+1% compared with the prior year), calculated using parameters related to production efficiency and operating results for 2000, which showed significant improvement. In addition, a new executive was hired in the month of July to manage the biological line and overall costs were also affected by normal trends seen for labour costs.

The workforce at December 31 2001 numbered 104 people, with the following breakdown.

Executives	5
Managers	5
White-collar	39
Blue-collar	55

In the month of July 2001 your Company reached an agreement with union representatives to place 6 people in voluntary mobility, an agreement that was part of the production department reorganisation programme.

Four of the people originally identified left the Company: the cost of this operation was 45,965 euros which was charged to extraordinary expenses.

The new organisation provides for the division of the production area into separate business units to make structure lighter and more flexible. As a result of this change there was no longer a need for the position of Plant Manager: the person occupying this position left the Company and the relevant cost for this operation of 244,854 euros was charged to extraordinary expenses.

	31-12-01			31-12-00			Changes	
	€	% of net revenues	% of total costs	€	% of net revenues	% of total costs	absolute €	%
Direct personnel	1,141,955	2.3%	25.3%	942,070	2.2%	21.7%	199,885	21.2%
Indirect personnel	1,909,277	3.9%	42.3%	1,962,114	4.5%	45.2%	(52,836)	-2.7%
Marketing personnel	816,972	1.7%	18.1%	816,055	1.9%	18.8%	917	0.1%
Administrative personnel	645,608	1.3%	14.3%	620,826	1.4%	14.3%	24,782	4%
<b>Total</b>	<b>4,513,813</b>	<b>9.3%</b>	<b>100.0%</b>	<b>4,341,065</b>	<b>10.0%</b>	<b>100.0%</b>	<b>172,748</b>	<b>4.0%</b>

**Amortisation and depreciation.** Amortisation of intangible fixed assets increased by 296,693 euros, mainly as a result of the start of amortisation of share listing costs that in 2000 were calculated on a pro rata basis.

Depreciation of tangible fixed assets rose by 259,944 as a result of new capital expenditure.

This aspect is covered in greater detail in the notes in the section referring to intangible and tangible fixed assets.

## Sundry operating costs.

The following table illustrates the breakdown of sundry operating costs.

	31-12-01			31-12-00			Changes	
	€	% of net revenues	% of total costs	€	% of net revenues	% of total costs	absolute €	%
Taxes other than income tax	188,574	0.4%	33.2%	169,459	0.4%	33.6%	19,115	11.3%
Directors and Statutory Auditors	195,503	0.4%	34.4%	198,083	0.5%	39.3%	(2,580)	-1.3%
Membership fees	29,304	0.1%	5.2%	37,101	0.1%	7.4%	(7,797)	-21.0%
Magazine subscriptions and books	3,380	0.0%	0.6%	3,772	0.0%	0.7%	(392)	-10.4%
Losses on disposals	67,542	0.1%	11.9%	-	0.0%	0.0%	67,542	100.0%
Fines and penalties	338	0.0%	0.1%	638	0.0%	0.1%	(300)	-47.0%
Gifts and entertainment (1)	82,788	0.2%	14.6%	93,997	0.2%	18.7%	(11,209)	-11.9%
Sundry costs and losses	755	0.0%	0.1%	784	0.0%	0.2%	(29)	-3.7%
<b>Total</b>	<b>568,184</b>	<b>1.2%</b>	<b>100.0%</b>	<b>503,833</b>	<b>1.0%</b>	<b>100.0%</b>	<b>64,351</b>	<b>12.8%</b>

(1) includes self-invoiced costs for gifts of company products given out during events

The items "financial income and expense" and "extraordinary income and expense" are covered in the notes.

## Balance sheet

### Reclassified balance sheet

	31-12-01		31-12-00	
<b>Fixed assets</b>				
Tangible fixed assets	13,006,223		12,426,607	
Intangible fixed assets	2,273,546		2,546,327	
Investments and securities	19,193,294		17,335,961	
<b>Total fixed assets</b>	<b>34,473,063</b>	<b>103.0%</b>	<b>32,308,895</b>	<b>104.7%</b>
<b>Current assets</b>				
Trade receivables	10,273,754		9,093,958	
Inventories	1,358,518		1,497,049	
Accrued income and prepayments	292,731		365,183	
Other current assets	5,364,177		5,957,552	
Trade payables	(13,205,146)		(13,697,109)	
Other payables	(3,936,942)		(3,541,537)	
Accrued expenses and deferred income	(1,017,115)		(380,856)	
Taxes payable	(139,108)		(736,655)	
<b>Net current assets</b>	<b>(1,009,131)</b>	<b>-3.0%</b>	<b>(1,442,414)</b>	<b>-4.7%</b>
<b>TOTAL CAPITAL EMPLOYED</b>	<b>33,463,932</b>	<b>100.0%</b>	<b>30,866,481</b>	<b>100.0%</b>
<b>Reserves for long-term liabilities</b>				
Reserve for employee severance indemnity	1,558,611		1,496,129	
Other provisions	0		-	
<b>Total long-term liabilities and reserves</b>	<b>1,558,611</b>	<b>4.7%</b>	<b>1,496,129</b>	<b>4.8%</b>
<b>Financial position</b>				
Cash, banks and securities	(15,812,150)		(15,231,900)	
Treasury stock	(382,995)		0	
Payables to banks	11,282,292		7,358,648	
Payables to controlling companies	0		-	
Receivables from controlling companies	(96,836)		(96,836)	
Medium/long-term financing	500,532		500,532	
<b>Net financial position</b>	<b>(4,509,157)</b>	<b>-13.5%</b>	<b>(7,469,555)</b>	<b>-24.2%</b>
<b>Shareholders' equity</b>				
Capital stock	20,600,000		20,600,000	
Reserves	15,939,908		15,785,003	
Net income (loss)	(125,430)		454,905	
<b>Total shareholders' equity</b>	<b>36,414,478</b>	<b>108.8%</b>	<b>36,839,908</b>	<b>119.4%</b>
<b>TOTAL OWN AND MINORITIES CAPITAL EMPLOYED</b>	<b>33,463,932</b>	<b>100,0%</b>	<b>30,866,481</b>	<b>100,0%</b>

**Net financial position.** The net financial position was positive for an amount of 4,509,157 euros although this was significantly worse than the positive balance of 7,469,555 at the end of 2000.

	31-12-01	31-12-00
	€	€
Net fixed assets	34,473,063	32,308,895
Shareholders' equity	36,414,478	36,839,908
Net financial position	4,509,157	7,469,555
<b>Own capital / Net fixed assets</b>	<b>105.63%</b>	<b>114.02%</b>

As illustrated in the introduction to this report, investments in tangible, intangible and financial fixed assets continued.

The net financial position of your Company still shows part of the financial resources generated by the listing of shares in Centrale del Latte di Torino & C. S.p.A. on the Italian Telematic Stock Exchange. These resources have been invested in Government bonds and treasury stock purchased during the year, which form part of current assets..

Treasury stock is reported at the average value during the last month of 2001.

As a result the breakdown of the net financial position is shown below

	31-12-01	31-12-00
	€	€
Liquid assets	8,964,551	8,699,227
Securities not included in financial fixed assets	6,847,599	6,532,672
Treasury stock	382,995	-
Receivables from controlling companies	96,836	96,836
	<b>16,291,982</b>	<b>15,328,735</b>
Payables to banks	(11,282,292)	(7,358,648)
Payables to controlling companies	-	-
Payables to other financing sources	(500,532)	(500,532)
	<b>(11,782,825)</b>	<b>(7,859,180)</b>
<b>Net financial position</b>	<b>4,509,157</b>	<b>7,469,555</b>

**Net current assets.** The following changes were recorded in net current assets.

	31-12-01	31-12-00
	€	€
Trade receivables	10,273,753	9,093,958
Inventories	1,358,518	1,497,049
Prepaid expenses and accrued income	292,731	365,183
Other current assets	5,364,177	5,957,552
Trade payables	(13,205,146)	(13,697,109)
Other payables	(3,936,942)	(3,541,537)
Accrued expenses and deferred income	(1,017,115)	(380,856)
Taxes payable	(139,108)	(736,655)
<b>Total</b>	<b>(1,009,131)</b>	<b>(1,442,414)</b>

Net current assets showed an improvement over the amount reported at the end of 2000 but were lower than indicated at June 30 2001.

This latter reduction can be attributed to an increase in trade payables following completion of the new bottling line and recording in the year of the FEOGA regional grant.

Taxes payable diminished following the listing of shares in Centrale del Latte di Torino & C. S.p.A. on the Italian Telematic Stock Exchange as your Company became eligible for the reduced rate of Company income tax of 7% as prescribed by Law Decree 466/1997.

**Treasury stock.** The shares concerned are shown at acquisition cost, including associated charges, or at market value if this is less. The latter is defined as the average Italian Stock Exchange price during the last month of the year. If reasons for the writedown should cease to exist then the book value is readjusted up to a maximum of the acquisition cost.

Changes in treasury stock	no. shares	average book value		Total
<b>Balance at 31/12/2000</b>	-	-	-	-
Increases	152,750	€	4.21	€ 643,078
Decreases	2,000	€	4.21	€ 8,420
Writedowns	-	-	-	€ 251,664
<b>Balance at 31/12/2001</b>	<b>150,750</b>	<b>€</b>	<b>4.21</b>	<b>€ 382,994</b>

Category	no. shares	percentage of		average book value		Par value
		category	capital	per share	total	per share
Ordinary shares	150,750	1.51%	1.51%	€ 4.21	€ 634,658	€ 2.60

### *Infra-group operations*

Operations during the year with the subsidiary company, Centro Latte Rapallo S.p.A., and associated company, Frascheri S.p.A., were conducted at normal market conditions and are indicated below.

The receivable due to the holding company concerns transactions that took place in prior fiscal years.

Company	Accounts receivable	Payables	Charges	Revenues
Centro Latte Rapallo S.p.A. - subsidiary company	1,998,664	8,809	10,568	6,846,108
Frascheri S.p.A. - associated company	53,325	16,028	95,545	185,656
Finanziaria Centrale del Latte di Torino S.p.A. - holding company	96,836	-	-	-

## Financial position

	31-12-01 €	31-12-00 €
<b>CASH FLOW GENERATED BY OPERATIONS</b>		
Net income (loss) for the period (A)	(125,430)	454,999
<i>Adjustments for items not affecting cash flow</i>		
Amortisation and depreciation	2,568,753	2,012,116
Allocations to employee severance indemnity less amount paid out	62,482	68,689
Allocations (utilisation) of provisions for risks and charges	-	(103,291)
<i>Total adjustments for items not affecting cash flow (B)</i>	<i>2,631,235</i>	<i>1,977,513</i>
<i>Changes in current assets and liabilities</i>		
Net trade and other accounts receivable	43,622	(1,591,720)
Inventories	138,531	(425,560)
Accrued income and prepaid expenses	72,452	(173,013)
Changes in accounts receivable from holding company	-	(97,094)
Changes in accounts receivable from subsidiary companies	(630,041)	(802,058)
Trade payables	(383,694)	3,859,999
Changes in accounts payable to controlling companies	-	(516,764)
Changes in accounts payable to subsidiary companies	(3,049)	10,928
Other accounts payable	290,186	2,897,323
Accrued expenses and deferred income	636,259	135,312
Taxes payable	(597,547)	(3,737,082)
<i>Total changes in current assets and liabilities (C)</i>	<i>(433,282)</i>	<i>(439,729)</i>
<b>Total cash flow generated by operations (A+B+C)</b>	<b>2,072,523</b>	<b>1,992,783</b>
<b>CASH FLOW GENERATED BY INVESTMENT ACTIVITY</b>		
Net purchase of technical fixed assets	(2,545,417)	(3,764,971)
Financial investments	(1,857,334)	-
(Increases) decreases in intangible fixed assets	(330,171)	(1,806,566)
<b>Total cash flow generated by investment activity</b>	<b>(4,732,922)</b>	<b>(5,571,537)</b>
<b>CASH FLOW GENERATED BY FINANCIAL ACTIVITY</b>		
Changes in medium/long-term financial debt	4,272,191	(1,053,056)
Dividends paid	(300,000)	-
Reduction (increase) in other non-fixed asset activity	(697,923)	(6,532,147)
Increase in share capital	-	19,549,959
<b>Total cash flow generated by financial activity</b>	<b>3,274,268</b>	<b>11,964,757</b>
<b>Increase (decrease) in cash and bank accounts</b>	<b>613,870</b>	<b>8,386,003</b>
<b>CASH AND BANKS AT BEGINNING OF FINANCIAL YEAR</b>	<b>7,392,711</b>	<b>(993,000)</b>
<b>CASH AND BANKS AT END OF FINANCIAL YEAR</b>	<b>8,006,581</b>	<b>7,392,711</b>
<i>(excluding payables for mortgages and financing, short-term payables and securities in portfolio)</i>		

**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 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.

**Company shares held**

	<b>Owned at 31/12/2000</b>	<b>Purchased in 2001</b>	<b>Sold in 2001</b>	<b>Owned at 31/12/2001</b>	<b>Type of ownership</b>
<b>Luigi LUZZATI</b> Chairman of the Board	<b>156,500</b>	3,454	31	<b>159,923</b>	Directly and through holding company
<b>Antonio Felice FORCHINO</b> Vice Chairman of the Board	<b>288,492</b>	5,716	58	<b>294,150</b>	Through holding company
<b>Riccardo POZZOLI</b> Executive Vice Chairman and Managing Director	<b>62,750</b>	1,082	13	<b>63,819</b>	Through holding company
<b>Aroldo LUZZATI</b> Managing Director	<b>156,500</b>	2,704	31	<b>159,173</b>	Through holding company
<b>Adele ARTOM</b> Director	<b>2,730,882</b>	52,732	548	<b>2,783,066</b>	Through holding company
<b>Ermanno Restano</b> Director	<b>25,000</b>	382	5	<b>25,377</b>	Through holding company

**Shares owned in the subsidiary company, Centro Latte Rapallo S.p.A.**

	<b>Shares owned at 31/12/2000</b>	<b>Purchased in 2001</b>	<b>Sold in 2001</b>	<b>Shares owned at 31/12/2001</b>
<b>Luigi LUZZATI</b> Chairman of the Board	<b>125,100</b>	-	-	<b>125,100</b>
<b>Antonio Felice FORCHINO</b> Vice Chairman of the Board	<b>281,046</b>	-	-	<b>281,046</b>
<b>Riccardo POZZOLI</b> Executive Vice Chairman and Managing Director	<b>50,040</b>	-	-	<b>50,040</b>
<b>Aroldo LUZZATI</b> Managing Director	<b>125,100</b>	-	-	<b>125,100</b>
<b>Adele ARTOM</b> Director	<b>2,564,607</b>	-	-	<b>2,564,607</b>

## Significant events after the close of the year

Concerning the privatisation procedure conducted by the municipality of Vicenza with regard to Centrale Latte Vicenza S.p.A., Centrale del Latte di Torino & C. S.p.A. has presented an expression of interest with a request for an exclusive in the negotiations together with other companies in the sector. The aim was to formalise a binding offer for the acquisition of control of the Vicenza-based company.

The municipality of Vicenza and the advisor for the operation, Banca OPI, judged that the conditions indicated in the expression of interest were in conformity with those requested by the municipality and awarded the exclusive for 100% of the company concerned for an amount of approximately 23,750,000 euros.

To the shareholders,

With the close of this financial year the three-year term of office of the Board of Directors has come to an end. While thanking you for your support and also the executives and all other members of our workforce for their efforts, I would ask you to nominate the new Board of Directors.

To the shareholders,

We would ask you to approve the Financial Statements at December 31 2001, the relevant notes and this report, and the carry-over of the loss for the year of 125,430 euros.

Chairman of the Board of Directors  
Luigi LUZZATI

## BALANCE SHEET

( in euros)

ASSETS	31-12-01	31-12-00
<b>B) FIXED ASSETS</b>		
I * Intangible fixed assets		
1) Set-up & expansion costs	1,187,635	1,497,453
2) Research & development costs	270,426	207,976
3) Industrial patents and intellectual property rights	145,820	140,770
4) Franchises, licenses, trademarks and similar rights	669,664	700,128
5) Work in progress and down payments	-	-
<b>Total intangible fixed assets</b>	<b>2,273,546</b>	<b>2,546,327</b>
II * Tangible fixed assets		
1) Land and buildings	4,930,436	5,127,950
2) Plant & machinery	7,281,628	5,161,425
3) Industrial, commercial and office equipment	692,706	574,839
5) Work in progress and down payments	101,453	1,562,394
<b>Total tangible fixed assets</b>	<b>13,006,223</b>	<b>12,426,607</b>
III * Financial fixed assets		
1) Investments in:		
a) subsidiary companies	17,335,826	17,335,826
b) associated companies	1,857,334	-
d) other companies	134	134
3) Other securities	-	-
<b>Total financial fixed assets</b>	<b>19,193,294</b>	<b>17,335,961</b>
<b>TOTAL FIXED ASSETS</b>	<b>34,473,064</b>	<b>32,308,895</b>
<b>C) CURRENT ASSETS:</b>		
I * Inventories		
1 Raw materials and supplies	730,834	726,651
4) Finished products and goods	627,685	576,192
5) Down payments	-	194,205
<b>Total inventories</b>	<b>1,358,518</b>	<b>1,497,049</b>
II * Accounts receivable		
1) Trade receivables	8,221,764	7,725,335
2) From associated companies	53,325	-
3) From subsidiary companies	1,998,664	1,368,623
4) From holding companies	96,836	96,836
5) From others	5,364,177	5,957,552
<b>Total accounts receivable</b>	<b>15,734,766</b>	<b>15,148,347</b>
III * Non-fixed asset financial assets		
4) Treasury stock in portfolio	382,995	-
5) Other securities not considered as financial fixed assets	6,847,599	6,532,672
IV * Liquid assets		
1) Bank and post office accounts	8,964,551	8,699,178
3) Cash on hand	-	49
<b>Total liquid assets</b>	<b>16,195,146</b>	<b>8,699,227</b>
<b>TOTAL CURRENT ASSETS</b>	<b>33,288,430</b>	<b>31,877,295</b>
<b>D) ACCRUED INCOME &amp; PREPAID EXPENSES</b>		
a) interest on loans	86,239	77,708
b) miscellaneous	206,492	287,476
<b>TOTAL ASSETS</b>	<b>68,054,225</b>	<b>64,551,373</b>

<b>LIABILITIES</b>	<b>31-12-01</b>	<b>31-12-00</b>
<b>A) SHAREHOLDERS' EQUITY</b>		
I * Capital stock	20,600,000	20,600,000
II * Share premium reserve	14,608,768	14,608,768
III * Revaluation reserve	196,523	196,523
IV * Legal reserve	316,738	293,993
VII * Other reserves	434,883	685,719
Reserve for treasury stock in portfolio	382,995	-
IX * Net income (loss) for the year	(125,430)	454,905
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>36,414,478</b>	<b>36,839,908</b>
<b>C) RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY</b>	<b>1,558,611</b>	<b>1,496,129</b>
<b>D) ACCOUNTS PAYABLES</b>		
3) To banks	11,282,292	7,358,648
4) To other financing sources	500,532	500,532
5) Down payments	-	311,020
6) Trade payables	10,337,260	10,900,544
Short-term payables to suppliers for fixed assets	860,000	1,083,979
Medium and long-term payables to suppliers for fixed assets	1,720,000	1,332,459
	<i>12,917,260</i>	<i>13,316,982</i>
7) Notes payable	263,049	368,269
8) To subsidiary companies	8,809	11,858
9) To associated companies	16,028	-
10) To holding companies	-	-
11) Tax liabilities	139,108	736,655
12) Social security contributions	194,574	182,050
13) Other accounts payable	3,742,368	3,048,466
<b>TOTAL ACCOUNTS PAYABLE</b>	<b>29,064,021</b>	<b>25,834,480</b>
<b>E) ACCRUED EXPENSES &amp; DEFERRED INCOME</b>		
b) miscellaneous	1,017,115	<b>380,856</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>68,054,225</b>	<b>64,551,373</b>

**MEMORANDUM ACCOUNTS**  
(in euros)

MEMORANDUM ACCOUNTS	31-12-01	31-12-00
<b>B) COMPANY ASSETS HELD BY THIRD PARTIES</b>		
1) company assets held	44,491	71,927
<b>C) RISKS</b>		
1) Recourse on discounted bills	434,750	248,866
2) Disputed 1994 tax demand	37,657	37,657
<b>D) GUARANTEES</b>		
1) Guarantees from holding company	-	2,011,600
2) Guarantees issued to third parties	16,874,022	39,733,847
3) Guarantees from third parties	2,995,334	3,452,882
4) Mortgages in favour of third parties	5,681,026	7,382,751
5) Securities in portfolio deposited as surety	6,872,216	5,032,425
6) Cash deposited with banks as surety	1,663,525	7,874,061
<b>TOTAL MEMORANDUM ACCOUNTS</b>	<b>34,603,021</b>	<b>65,846,016</b>

These notes have been prepared in conformity with the last paragraph of Art. 2424 and Art. 2427 no. 9 of the Civil Code.

Company assets held by third parties are refrigerators assigned to the Company's most important customers.

The item "guarantees issued to third parties" amounting to 16,874,022 euros concerns:

	amounts in euros
- guarantees issued to suppliers as surety for prompt payment	409,985
- guarantee issued to the Piedmont Region as surety for disbursement of FEOGA financing	427,697
- guarantees issued to Turin VAT office as surety for reimbursements made	13,709,702
- guarantee issued to the Municipality of Vicenza as surety for participation in the privatisation bid concerning Centrale Latte Vicenza S.p.A.	2,326,638

The item " mortgages in favour of third parties" includes guarantees in favour of Centrobanca for 5,681,026 euros and relative to a mortgage on the property in Via Filadelfia, 220 - Turin that expires March 20 2013.

"Guarantees from third parties" of 2,995,334 euros concern guarantees for payment of withholdings for supplementary taxes as per Law 468/92 ("milk quota" case).

Government bonds were deposited as surety with Banca CRT for the granting of guarantees in relation to the acquisition procedure concerning Centrale Latte Vicenza S.p.A..

## STATEMENT OF OPERATIONS

*(in euros)*

	31-12-01	31-12-00
<b>A) VALUE OF PRODUCTION</b>		
1) Revenues from sales and services	48,722,945	43,427,537
2) Changes in inventories for semi-finished products and finished goods	47,001	134,804
5) Other revenue and income:		
* miscellaneous	358,785	377,001
* operating grants	72,568	47,998
<b>TOTAL VALUE OF PRODUCTION</b>	<b>49,201,298</b>	<b>43,987,340</b>
<b>B) PRODUCTION COSTS</b>		
6) Raw, ancillary, consumable materials and goods	30,909,628	27,495,349
7) Services	9,810,126	8,414,427
8) Rental and leasing of third-party assets	74,728	88,811
9) Personnel costs		
a) salaries and wages	3,169,823	3,041,700
b) social security contributions	1,088,564	1,048,898
c) severance indemnity	255,426	250,467
e) other costs	44,845	43,181
10) Amortisation, depreciation and writedowns		
a) amortisation of intangible fixed assets	602,952	306,249
b) depreciation of tangible fixed assets	1,965,801	1,705,615
d) writedown of accounts receivable	44,549	56,546
11) Changes in inventories for raw, ancillary, consumable materials and goods	(8,674)	(166,831)
14) Sundry production costs	568,184	503,833
<b>TOTAL PRODUCTION COSTS</b>	<b>48,525,952</b>	<b>42,788,243</b>
<b>OPERATING INCOME - (A - B)</b>	<b>675,346</b>	<b>1,199,096</b>

	31-12-01	31-12-00
<b>C) FINANCIAL INCOME AND EXPENSE</b>		
15) Income from shareholdings		
in subsidiary companies	129,088	129,088
tax credits on dividends	75,814	75,814
16) Other financial income		
from securities in current assets	342,586	92,471
from others	299,490	88,141
17) Interest and other financial charges		
from others	(610,322)	(637,506)
Adjustment to value of financial assets		
Writedown of treasury stock in portfolio	(277,907)	-
<b>TOTAL FINANCIAL INCOME AND EXPENSE</b>	<b>(41,252)</b>	<b>(251,992)</b>
<b>E) EXTRAORDINARY INCOME AND EXPENSE</b>		
a) gains on disposals	-	14,670
b) miscellaneous	142,113	269,670
21) Expenses		
a) losses on disposals	-	(1,859)
c) miscellaneous	(636,854)	(331,116)
<b>TOTAL EXTRAORDINARY INCOME AND EXPENSE</b>	<b>(494,741)</b>	<b>(48,635)</b>
<b>INCOME (LOSS) BEFORE TAX</b>	<b>139,354</b>	<b>898,469</b>
<b>RISULTATO PRIMA DELLE IMPOSTE</b>		
22) Income taxes		
a) on current year earnings	(255,736)	(458,614)
b) other non-deductible taxes		
Prepaid (deferred) taxes	(9,048)	15,050
<b>23) NET INCOME (LOSS) FOR THE PERIOD</b>	<b>(125,430)</b>	<b>454,905</b>

**Notes on the Financial Statements of  
Centrale del Latte di Torino & C. S.p.A.  
at December 31 2001**

***Introduction***

In accordance with provisions in the Civil Code as regards financial statements and in compliance with Art. 2427, the following information is provided to supplement that already expressed by the accounting values contained in the Balance Sheet and Statement of Operations reported previously.

***General principles***

The Financial Statements comprise the Balance Sheet, Statement of Operations and the Notes, prepared in accordance with criteria established by laws and regulations in force.

The Financial Statements at December 31 2001 are expressed in euros.

In order to make data comparable the Consolidated Financial Statements for the Centrale del Latte Group at December 31 2000 have been converted to euros using the conversion rate of 1936.27 lire established on December 31 1998.

As required by Consob directive no. 11971 of May 14 1999, information concerning the emoluments of Board Members and Statutory Auditors and the shares the latter own in Centrale del Latte & C. S.p.A. and Centro Latte Rapallo are shown in the section "Other information" of these notes and in the report on operations.

***Accounting principles and evaluation criteria***

The evaluation criteria adopted to prepare the Financial Statements do not differ from those used for the prior year and comply with the provisions of Art. 2426 of the Civil Code, with the exception of the evaluation of the subsidiary company, Centro Latte Rapallo S.p.A., and associated company, Frascheri S.p.A., for which the criteria stated in the 4th paragraph of Art. 2423 of the Civil Code have been adopted as explained in the notes in the section "investments".

The evaluation criteria and accounting principles adopted are indicated below.

***Intangible fixed assets***

Intangible fixed assets have been recorded at acquisition cost and are amortised on a straight-line basis over five years with the exception of advertising costs, which are amortised over their useful life (estimated as being three years), a practice approved by both the external and statutory auditors, and trademarks, which are amortised at an annual rate of 5%, and therefore over 20 years.

Costs relating to the listing of the Company's shares on the Italian Stock Exchange have also been recorded as an asset and are amortised over 5 years.

### *Tangible fixed assets*

Tangible fixed assets have been recorded at acquisition cost, including directly associated charges. The amount reported is net of accumulated depreciation.

The asset values reported include revaluation as shown in the table covering "asset revaluations" in the notes.

Depreciation charged to the statement of operations has been calculated systematically on an annual straight-line basis, reduced by 50% in the year assets are purchased, and is based on rates that reflect the useful economic-technical life of the assets concerned.

It should be noted that the rates applied are those approved for tax purposes as stated in the Ministerial Decree dated December 31 1988 for assets acquired starting 1989 and by the Ministerial Decree dated October 29 1974 for those acquired previously, as indicated in the table showing assets reported in the balance sheet grouped by homogeneous categories.

Fixed assets in progress and advances have been recorded inclusive of directly associated charges and refer to:

- renovation and structural consolidation costs for the plant located in Via Filadelfia, 220 for a total of 101,453 euros.

As regards fixed assets in progress, no depreciation was applied, as specified by accounting principles and in conformity with Art. 67, paragraph 1 of the Consolidation Act.

No accelerated depreciation was calculated.

As prescribed in Article 10 of Law 72 dated March 19 1983, no monetary or economic revaluations have been made other than mandatory ones prescribed by Law 413 dated December 30 1991 and Law 72 dated March 19 1991.

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

The normal depreciation rates applied are as follows:

- Buildings	4%
- General plant and machinery	10%
- Specific plant and machinery	16%
- Tools and equipment	20%
- Furniture and normal office equipment	12%
- Electronic equipment	20%
- Vehicles and equipment for internal transport	20%
- Motor vehicles	25%

No revaluations were made during the year.

### ***Financial fixed assets***

Investments are recorded at acquisition cost.

The amount recorded in the Balance Sheet for the investment in Centro Latte Rapallo S.p.A. is in line with the effective economic value of this company as determined by an independent appraisal made at the time of acquisition.

The investment in the CELPI consortium was made in order to enable the Company to access electrical power from the free market, whereas the Unionfidi Piemonte investment relates to loans obtained in the past.

### ***Inventories***

These are recorded at the lesser of purchase costs and market value. As regards finished products, the amount reported represents the direct production cost including any structural costs directly associated with the product. For raw, ancillary, consumable materials and goods for resale, values reported are based on the average cost for the year or alternatively the FIFO method is used, as indicated in Art. 59, paragraph 3bis of the Consolidation Act.

### ***Accounts receivable and payable***

Receivables are reported at forecast realisable value.

Payables are reported at nominal value.

Accounts payable in foreign currency were recorded using the exchange rate prevailing on the day they arose or the nearest day preceding this and did not require adjusting entries at year-end.

### ***Financial assets not representing fixed assets and treasury stock***

These assets are recorded at the lesser of acquisition cost, including associated charges, and market value. The latter is defined as the average share price on the Italian Stock Exchange in the last month of the year. If reasons for any writedown should cease to exist then the book value is readjusted up to a maximum of the acquisition cost.

### ***Prepayments, accruals and deferrals***

Prepaid expenses and accrued income, accrued expenses and deferred income are calculated using the principle of financial and temporal competence in order to match revenues and costs.

### ***Employee severance indemnity***

The liability for employee severance indemnity includes amounts due as at year-end, less any advances made to employees, in accordance with the law and contractual conditions in force.

### ***Revenues and costs***

These are included in the Financial Statements based on the principle of financial competence and are recorded net of discounts, premiums and allowances.

### ***Financial income and expense***

Dividends received from the subsidiary have been recorded at the time payment was received. The relevant tax credit has been recorded in the Statement of Operations.

Other income of a financial nature and expenses have been recorded in the Financial Statements in accordance with the principle of temporal competence.

### ***Extraordinary income and expense***

This includes positive and negative items affecting income, generated by non-recurring situations or contingent assets and liabilities relating to prior years.

### ***Income taxes***

Income taxes for the year have been calculated by applying the tax regulations in force. Deferred taxes have been calculated by applying accounting principle no. 25 "Accounting treatment of income taxes" issued by the Italian Institute of Chartered Accountants. As a result, in the event temporary differences should arise between the result for the year and taxable income, the tax temporarily deferred is allocated to a specific reserve in liabilities; any prepaid tax is recorded in the item "other receivables".

### ***Memorandum accounts***

Assets used by third parties are reported at book value.

Guarantees are reported at nominal value.

Securities deposited as guarantees are shown at book value.

## BALANCE SHEET

### ANALYSIS OF INDIVIDUAL ITEMS IN ASSETS

#### *Intangible fixed assets*

Changes in intangible fixed assets:

INTANGIBLE FIXED ASSETS	Share listing costs	R & D costs	Advertising costs for new products	Industrial patents	Licenses and trademarks	Total
	€	€	€	€	€	€
Historical cost	1,549,090	623,433	243,530	355,183	777,915	3,549,152
Accumulated amortisation	51,636	552,928	106,059	214,414	77,788	1,002,826
<b>Balance at 31/12/00</b>	<b>1,497,453</b>	<b>70,505</b>	<b>137,471</b>	<b>140,770</b>	<b>700,128</b>	<b>2,546,327</b>
Acquisitions	-	70,932	178,395	71,960	8,884	330,171
Amortisation	309,818	45,889	140,988	66,910	39,347	602,952
<b>Balance at 31/12/01</b>	<b>1,187,635</b>	<b>95,549</b>	<b>174,878</b>	<b>145,820</b>	<b>669,664</b>	<b>2,273,546</b>

Changes in reserves for amortisation of intangible fixed assets:

RESERVES FOR INTANGIBLE FIXED ASSETS	Share listing costs	R & D costs	Advertising costs for new products	Industrial patents	Licenses and trademarks	Total
	€	€	€	€	€	€
<b>Reserves at 31-12-00</b>	<b>51,636</b>	<b>552,928</b>	<b>106,059</b>	<b>214,414</b>	<b>77,788</b>	<b>1,002,825</b>
Amortisation for the year	309,818	45,889	140,988	66,910	39,347	602,952
Decreases in the year	-	-	-	-	-	-
<b>Reserves at 31-12-01</b>	<b>361,454</b>	<b>598,817</b>	<b>247,047</b>	<b>281,323</b>	<b>117,135</b>	<b>1,605,778</b>

### *Tangible fixed assets*

Changes in tangible fixed assets:

TANGIBLE FIXED ASSETS	Land and buildings	Plant and machinery	Commercial and industrial equipment	Total Fixed Assets	Fixed assets in progress	Advances	Total
	€	€	€	€	€	€	€
Historical cost	6,935,344	14,979,055	2,471,342	24,385,741	1,550,481	11,912	25,948,134
Revaluations	1,255,903	116,263	3,996	1,376,162	-	-	1,376,162
Reserve for depreciation	3,063,297	9,933,894	1,900,499	14,897,690	-	-	14,897,690
<b>Balance at 31-12-00</b>	<b>5,127,950</b>	<b>5,161,425</b>	<b>574,839</b>	<b>10,864,213</b>	<b>1,550,481</b>	<b>11,912</b>	<b>12,426,607</b>
Acquisitions	127,524	2,036,332	374,451	2,538,307	101,453	-	2,639,760
Reclassifications	5,268	1,500,230	41,920	1,547,418	(1,550,481)	(11,912)	(14,975)
Disposals and write-offs	-	447,722	153,670	601,392	-	-	601,392
Utilisation of reserves	-	423,568	98,457	522,025	-	-	522,025
Depreciation	330,306	1,392,204	243,291	1,965,801	-	-	1,965,801
<b>Balance at 31-12-01</b>	<b>4,930,436</b>	<b>7,281,628</b>	<b>692,706</b>	<b>12,904,770</b>	<b>101,453</b>	<b>-</b>	<b>13,006,223</b>

Table showing the revaluation of tangible fixed assets:

TANGIBLE FIXED ASSETS	Land and buildings	Plant and machinery	Commercial and industrial equipment	Fixed assets in progress	Total
	€	€	€	€	€
<b>Historical cost before revaluation</b>	<b>7,068,135</b>	<b>18,067,895</b>	<b>2,716,682</b>	<b>101,453</b>	<b>27,954,165</b>
Revaluation Law 72/1983	362,072	116,263	3,996	-	482,331
Revaluation Law 413/1991	893,831	-	-	-	893,831
<b>Total revaluations</b>	<b>1,255,903</b>	<b>116,263</b>	<b>3,996</b>	<b>-</b>	<b>1,376,162</b>
<b>Revalued historical cost</b>	<b>8,324,038</b>	<b>18,184,158</b>	<b>2,720,678</b>	<b>101,453</b>	<b>29,330,327</b>

The revaluation shown for "Land and buildings" only refers to buildings.

Changes in reserves for depreciation of tangible fixed assets:

RESERVES FOR TANGIBLE FIXED ASSETS	Land and buildings	Plant and machinery	Commercial and industrial equipment	Material for distribution	Total
	€	€	€	€	€
<b>Reserves at 31-12-00</b>	<b>3,063,297</b>	<b>9,933,894</b>	<b>1,883,138</b>	<b>17,361</b>	<b>14,897,690</b>
Depreciation for the year	330,306	1,392,204	243,291	-	1,965,801
Decreases in the year	-	423,568	98,457	17,361	539,386
<b>Reserves at 31-12-01</b>	<b>3,393,603</b>	<b>10,902,530</b>	<b>2,027,972</b>	<b>-</b>	<b>16,324,105</b>

## *Financial fixed assets*

FINANCIAL FIXED ASSETS	Investments in subsidiary companies €	Investments in associated companies €	Investments in other companies €	Total €
<b>Balance at 31-12-00</b>	<b>17,335,826</b>	-	<b>134</b>	<b>17,335,960</b>
Acquisitions	-	1,857,334	-	1,857,334
Disposals	-	-	-	-
Writedowns	-	-	-	-
<b>Balance at 31-12-01</b>	<b>17,335,826</b>	<b>1,857,334</b>	<b>134</b>	<b>19,193,294</b>

### List of investments in subsidiary and associated companies

Investment in subsidiary company			Investment in associated company		
CENTRO LATTE RAPALLO S.p.A. Via Ninio Bixio, 20/1 - Chiavari (Genoa) headquarters: Via S.Maria del campo, 157 - Rapallo (Genoa)	€	2,600,000	FRASCHERI S.p.A. Via C.Battisti, 29 Bardineto (Savona)	(1)	€ 516,457
Capital stock	€	3,531,067	Capital stock	(1)	€ 486,252
Shareholders' equity	€	164,830	Shareholders' equity	(1)	€ (173,517)
Net income (loss) for the year	€	99.98%	Net income (loss) for the year	(1)	40.00%
Percentage owned		17,335,826	Percentage owned		1,857,334
Amount for investment in Financial Statements	€		Amount for investment in Financial Statements	€	

- (1) Amounts refer to the latest approved Financial Statements at December 31 2000.  
Approval of Financial Statements for the period ended December 31 2001 will take place after approval of the present Financial Statements.

The amount recorded in the Balance Sheet for the investment in Centro Latte Rapallo S.p.A. is in line with the effective economic value of this company as determined by an independent appraisal made at the time of acquisition.

The amount for the investment in the associated company, Frasccheri S.p.A., is consistent with results forecast in the strategic plan established by the Group.

### *Treasury stock*

Treasury stock is recorded at the lesser of acquisition cost, including associated charges, or market value. The latter is defined as the average share price on the Stock Exchange during the last month of the year.

### *Trade receivables*

Trade receivables are the result of normal sales operations and are reported net of respective reserves for writedowns, in particular reserves set up for receivables subject to legal proceedings and those referred to in Art. 25 of Presidential Decree 42/1988 cover the entire amount of such receivables and therefore the book value in assets is zero.

The make-up of these reserves and changes for the year, which were in conformity with accepted accounting and fiscal principles, are shown in the table below.

Receivables from associated companies were the result of normal sales operations between the companies concerned.

<b>Breakdown of accounts receivable by due date</b>					
	Due within 1 year	Due beyond 1 year within 5 years	Due beyond 5 years	Total receivables due beyond 1 year	Total receivables
	€	€	€	€	€
<b>CURRENT ASSETS</b>					
Accounts receivable					
1) trade receivables	8,221,764	-	-	-	8,221,764
2) from associated companies	53,325	-	-	-	53,325
4) from holding company	1,998,664	-	-	-	1,998,664
5) from others	96,836	-	-	-	96,836
<b>TOTAL RECEIVABLES</b>	<b>5,364,177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,364,177</b>
<b>CURRENT ASSETS</b>	<b>15,734,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,734,766</b>

<b>Utilisation of and allocation to provisions for writedown of accounts receivable</b>				
	Balance at 31-12- 00	Increases	Decreases	Balance at 31-12- 01
	€	€	€	€
Provision for risks Art. 71/917				
Taxed provision for writedown of receivables	102,208	-	15,494	86,714
Provision for risks on receivables - 0.5%	140,034	44,549	71,412	113,171
<b>TOTAL FISCAL PROVISION FOR WRITEDOWNS</b>	<b>242,242</b>	<b>44,549</b>	<b>86,906</b>	<b>199,885</b>
Provision for writedown of receivables for negotiated settlements	62,217	-	-	62,217
Provision for writedown of receivables as per Art. 25 DPR 42/1988	23,768	-	416	23,352
<b>TOTAL PROVISION FOR NEGOTIATED SETTLEMENTS</b>	<b>85,985</b>	<b>-</b>	<b>416</b>	<b>85,569</b>
<b>TOTAL</b>	<b>328,227</b>	<b>44,549</b>	<b>87,322</b>	<b>285,454</b>

### ***Other receivables***

Other receivables includes:

receivables for suretyships received as guarantees for payment of supplementary taxes as per Law 486/92 (milk quota)	€	2,714,000
VAT reimbursement due	€	1,593,642
payments to be received	€	177,317
tax reimbursements due	€	170,957
taxes to be compensated	€	500,683
tax credit for withholdings on employee severance indemnity	€	121,287
advances to suppliers	€	36,853
prepaid taxes	€	6,002
deposits	€	13,874
advances on salaries and wages	€	11,437
sundry	€	7,955
advances to INAIL	€	6,253
loans to employees	€	3,917
<b>Total other receivables</b>	<b>€</b>	<b>5,364,177</b>

### ***Prepaid expenses and accrued income***

A breakdown of prepayments and accruals is given in the following table.

<b>Breakdown of prepaid expenses and accrued income</b>		<b>Amounts at</b>
		<b>31-12-011</b>
		<b>€</b>
<b>PREPAYMENTS</b>		
Long-term charges re Sabatini Law		44,977
Long-term charges on financing		35,839
<b>Total long-term charges on financing</b>		<b>80,816</b>
Prepaid expenses		
* suretyships for VAT		94,762
* income taxes		12,720
* commissions on financing		6,838
* advertising and prizes for competitions		6,253
* other costs		2,676
* other personnel costs		2,369
* leasing of machinery		861
* insurance		797
* software fees		599
* maintenance fees		35
<b>Total prepaid expenses</b>		<b>127,910</b>
<b>TOTAL PREPAYMENTS</b>		<b>208,726</b>
<b>ACCRUED INCOME</b>		
* interest on securities		60,245
* interest on bank current accounts		23,760
<b>TOTAL ACCRUED INCOME</b>		<b>84,005</b>
<b>TOTAL PREPAID EXPENSES AND ACCRUED INCOME</b>		<b>292,731</b>

## ANALYSIS OF INDIVIDUAL ITEMS IN LIABILITIES

### Shareholders' equity

#### Share capital

The fully paid-up share capital amounts to 20,600,000 euros, represented by 10,000,000 shares with a par value of 2.06 euros each.

#### Reserve for shareholders' equity

As a result of the shareholders' meeting held on April 30 2001, during the year the net income for 2000 was allocated to the Legal reserve for an amount of 22,745 euros and 132,160 euros to the Extraordinary reserve.

In conformity with the resolution taken by the shareholders' meeting of April 30 2001 concerning the operation to purchase treasury stock, a new "Reserve for purchase of treasury stock" was set up by transferring the value of shares purchased (including relevant commissions) to the Extraordinary reserve.

Following the re-evaluation of treasury stock held in the portfolio by applying the average price for shares in the last month of the year, the difference was transferred from the Reserve for purchase of treasury stock to the Extraordinary reserve, applying accepted accounting principles based on which the Reserve for purchase of treasury stock should be equal to the value of treasury stock held in portfolio.

Changes in shareholders' equity									
	Capital Stock	Share premium reserve	Revaluation reserve	Legal reserve	Treasury stock reserve	Extraordinary reserve	Other reserves	Net income (loss) for the year	Total
	€	€	€	€	€	€	€	€	€
<b>Balance at 31-12-00</b>	<b>20.600.000</b>	<b>14.608.768</b>	<b>196.523</b>	<b>293.993</b>	-	<b>458.715</b>	<b>227.003</b>	<b>454.905</b>	<b>36.839.908</b>
Dividends	-	-	-	-	-	-	-	(300.000)	(300.000)
Reallocations within SE	-	-	-	-	-	(175.088)	(207.907)	-	(382.995)
Alloc. of net income to reserves	-	-	-	22.745	-	132.160	-	(154.905)	-
New reserve for treasury stock	-	-	-	-	382.995	-	-	-	382.995
Net income (loss) for year	-	-	-	-	-	-	-	(125.430)	(125.430)
<b>Total changes during year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22.745</b>	<b>382.995</b>	<b>(42.928)</b>	<b>(207.907)</b>	<b>(580.335)</b>	<b>(428.057)</b>
<b>Balance at 31-12-01</b>	<b>20.600.000</b>	<b>14.608.768</b>	<b>196.523</b>	<b>316.738</b>	<b>382.995</b>	<b>415.787</b>	<b>19.096</b>	<b>(125.430)</b>	<b>36.414.478</b>

The item "Other reserves" refers to the tax credit reserve as per Law 317/91.

### *Reserve for employee severance indemnity*

At December 31 2001 the reserve for employee severance indemnity amounted to 1,558,611 euros net of advances made and allocations to the supplementary pension fund ALIFOND for white-collar and blue-collar employees and PREVINDAI for executives who participate in this initiative.

<b>Utilisation of reserve for employee severance indemnity.</b>				
	<b>Opening balance</b>	<b>Increases and allocations</b>	<b>Decreases and utilisation</b>	<b>Balance at 31-12-01</b>
	€	€	€	€
<b>RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY</b>	<b>1,496,129</b>	<b>255,426</b>	<b>192,944</b>	<b>1,558,611</b>

### *Average number of employees by category*

	<b>Data for the year 2000</b>					<b>Data for the year 2001</b>				
	new hires	left company	changed category	data as at 31-12-00	average employees	new hires	left company	changed category	data as at 31-12-01	average employees
Executives	-	-	-	4	<b>4</b>	1	1	1	5	<b>5.42</b>
Managers	-	-	1	5	<b>5</b>	-	-	0	5	<b>5.00</b>
White-collar	2	-	1	42	<b>40.08</b>	1	3	(1)	39	<b>40.17</b>
Supervisors	-	(1)	-	-	<b>0</b>	-	-	-	-	<b>0.00</b>
Blue-collar	6	(6)	(2)	56	<b>57.42</b>	10	11	-	55	<b>58.25</b>
<b>TOTAL</b>	<b>8</b>	<b>(7)</b>	<b>-</b>	<b>107</b>	<b>106.5</b>	<b>12</b>	<b>15</b>	<b>-</b>	<b>104</b>	<b>108.84</b>

## *Accounts payable*

Below is an analysis of items, with a breakdown by due date, which represent the Company's financial liabilities.

<b>Breakdown of accounts payable by due date</b>					
	<b>Due within 1 year</b>	<b>Due beyond 1 year, within 5 years</b>	<b>Due beyond 5 years</b>	<b>Total due beyond 1 year</b>	<b>Total payables</b>
	€	€	€	€	€
<b>ACCOUNTS PAYABLE</b>					
to banks for mortgages	3,123,654	5,951,876	1,248,792	7,200,668	10,324,322
to banks for overdrafts	957,970	-	-	-	957,970
to other financing sources	43,759	238,893	217,880	456,773	500,532
trade payables	10,337,260	-	-	-	10,337,260
trade payables for plant systems	860,000	1,720,000	-	1,720,000	2,580,000
notes payable (Sabatini Law)	105,220	157,830	-	157,830	263,050
to subsidiary companies	8,809	-	-	-	8,809
to associated companies	16,028	-	-	-	16,028
to tax authorities	139,108	-	-	-	139,108
to social security institutions	194,574	-	-	-	194,574
to others	3,742,368	-	-	-	3,742,368
<b>Total</b>	<b>19,342,973</b>	<b>8,254,376</b>	<b>1,466,672</b>	<b>9,721,048</b>	<b>29,064,021</b>

## *Medium and long-term financing*

Details of medium and long-term bank financing are summarised in the following table.

	in euros
Centrobanca loan disbursed May 14 1998 of the residual debt at December 31 2001 amounted to last instalment due March 20 2013 guaranteed by a mortgage on property in Via Filadelfia, 200 - Turin for a total of 5,681,026	2,582,284 2,241,422
Banca di Roma loan disbursed October 2 2000 of residual debt at December 31 2001 amounted to last instalment due October 2 2005	1,549,371 1,549,371
Banca Intesa BCI loan disbursed October 17 2000 of residual debt at December 31 2001 amounted to last instalment due December 31 2005	2,065,828 1,885,417

Mediobanca loan disbursed May 16 2001 of residual debt at December 31 2001 amounted to last instalment due November 5 2002	1,549,371 1,549,371
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Mediocredito loan disbursed February 12 2001 of residual debt at December 31 2001 amounted to last instalment due March 1 2006	1,549,370 1,549,370
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Mediocredito loan disbursed December 21 2001 of residual debt at December 31 2001 amounted to last instalment due June 21 2003	1,549,371 1,549,371
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The above can be summarised as follows:

	within 1 year	between 1 and 5 years	beyond 5 years	Total
	€	€	€	€
Centrobanca	139,443	853,187	1,248,792	2,241,422
Banca di Roma	-	1,549,371	-	1,549,371
Banca Intesa BCI	574,079	1,311,338	-	1,885,417
Mediobanca	1,549,371	-	-	1,549,371
Mediocredito ( <i>disbursed 12/02/01</i> )	344,304	1,205,066	-	1,549,370
Mediocredito ( <i>disbursed 21/12/01</i> )	516,457	1,032,914	-	1,549,371
	<b>3,123,654</b>	<b>5,951,876</b>	<b>1,248,792</b>	<b>10,324,322</b>

The item "payables to other financing sources" refers to a loan granted by Minindustria on July 17 1996 - Special rotating fund for technological innovation as per Law 46 of February 17 1982 - with a duration of 15 years with repayment over the last 10 years of the term.

The item "notes payable" refers to a leasing contract with right to purchase, in accordance with Law 1329 dated November 28 1965 (Sabatini Law), signed on June 15 1999 by the Company and Mariani S.a.s., supplier of a production system.

Payment is by means of 10 six-monthly notes with the last one falling due on May 30 2004.

The item "payables to tax authorities" includes the following balances:

Payables for employee tax withholdings	€	130,081
payables for tax withholdings for freelance workers	€	9,027
<b>Total payables to tax authorities</b>	<b>€</b>	<b>139,108</b>

The item "payables to social security institutions" comprises payables for contributions due on salaries and wages of full-time employees.

"Other payables" includes:

Payables for supplementary taxes Law 486/92 (milk quota)	€	3,071,487
Credit notes to be issued	€	459,216
Payables for withholdings from milk producers Law 88/88	€	77,697
Other payables	€	76,998
Payables for emoluments to Directors and Statutory Auditors	€	36,661
Payables for deposits received	€	18,915
Payables for employee union dues withheld	€	1,394
<b>Total other payables</b>	<b>€</b>	<b>3,742,368</b>

### *Accrued expenses and deferred income*

The breakdown of these accruals and deferrals is given in the following table.

	31-12-01
	€
<b>DEFERRED INCOME AND ACCRUED EXPENSES</b>	
Deferred income	
* operating grants (FEOGA)	341,810
* contributions from suppliers	33,847
<b>Total deferred income</b>	<b>375,657</b>
<b>ACCRUED EXPENSES</b>	
Accrued expenses	
* accrued employee compensation and related charges	558,187
* interest on bank financing	83,271
<b>Total accrued expenses</b>	<b>641,458</b>
<b>TOTAL DEFERRED INCOME AND ACCRUED EXPENSES</b>	<b>1,017,115</b>

## STATEMENT OF OPERATIONS

### *Financial income and expense*

Details of financial income and expense are reported in the following table.

	31-12-01	a31-12-00
	€	€
<b>FINANCIAL INCOME AND INTEREST</b>		
<b>Income from investments</b>		
other		
* dividends from investments	129,088	129,088
* tax credit on dividends	75,814	75,814
<b>Total income from investments</b>	<b>204,902</b>	<b>204,902</b>
<b>Other financial income</b>		
miscellaneous income		
from others		
* bank interest	268,379	81,955
* interest on securities in portfolio	342,586	92,471
* interest on overdue trade payables	9,048	1,282
* interest on VAT credit	21,275	4,171
* interest on employee loans	537	733
* other	250	-
<b>Total other financial income</b>	<b>642,076</b>	<b>180,611</b>
<b>TOTAL FINANCIAL INCOME</b>	<b>846,978</b>	<b>385,513</b>
<b>FINANCIAL CHARGES AND INTEREST</b>		
<b>Financial charges</b>		
<b>Other financial charges</b>		
from others		
* interest on mortgages and loans	462,993	377,321
* interest on bank overdrafts	90,240	174,792
* dividend warrants	4,056	44,748
* interest to suppliers	14,145	10,022
* charges for guarantees	38,723	30,310
* collection expenses	167	311
* writedown of treasury stock in portfolio	277,907	-
<b>TOTAL FINANCIAL CHARGES AND INTEREST</b>	<b>888,229</b>	<b>637,506</b>

### *Extraordinary income and expense*

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	<b>31-12-01</b>	<b>31-12-00</b>
	€	€
<b>EXTRAORDINARY INCOME</b>		
* contingent assets	142,113	172,834
* extraordinary income from holding company	-	96,836
* gains on disposals	-	14,670
<b>TOTAL EXTRAORDINARY INCOME</b>	<b>142,113</b>	<b>284,340</b>
<b>EXTRAORDINARY EXPENSES</b>		
* contingent liabilities	86,822	15,169
* other extraordinary expenses		315,947
consultancy and legal fees and guarantees	259,214	-
personnel costs for company reorganisation	290,818	-
<b>TOTAL EXTRAORDINARY EXPENSES</b>	<b>636,854</b>	<b>331,116</b>

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Contingent assets mainly concern the FEOGA grant received in December 2001 for 78,886 euros, and the reimbursement of Government license fees for 25,403 euros.

Contingent liabilities includes amounts recorded in relation to promotional grants to large-scale distribution outlets, not recorded as costs in 2000.

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

Below are details by name and position held of emoluments to Directors and Statutory Auditors.

Name and Surname	Position held	Expiry of term (on approval of Financial Statements for the year)	Emoluments for position held	Bonuses and other incentives	Salary
			€		
		(1)			
Luigi LUZZATI	Chairman of the Board	2001	24,790	-	(2) 82,798
Antonio Felice FORCHINO	Vice Chairman of the Board	2001	(2) 56,583	-	-
Riccardo POZZOLI	Executive Vice Chairman and Managing Director	2001 2001	61,975	-	104,311 -
Aroldo LUZZATI	Managing Director	2001	(2) 56,810	-	(2) 92,752
Adele ARTOM	Director	2001	1,033	-	-
Pietro Angelo CERRI	Director	2001	1,317	-	-
Alessandro MARINA	Director	2001	1,033	-	-
Ermanno RESTANO	Director	2001	258	-	-
Germano TURINETTO	Director	2001	775	-	-
Alessandro RAYNERI	Chairman - Board of Stat.Auditors	2002	13,654	-	-
Giovanni D'AMELIO	Auditor	2002	9,172	-	-
Vittoria ROSSOTTO	Auditor	2002	9,419	-	-

(1) expiry refers to the position held in Centrale del Latte di  
Torino & C. S.p.A.

(2) the emoluments and salaries refer to Centrale del Latte di Torino & C. S.p.A.  
and the subsidiary

## **CODE OF SELF-DISCIPLINE**

Centrale del Latte di Torino & C. S.p.A. has adopted the following Code of Self-discipline to implement Corporate Governance, the latter being intended as that system of rules by which companies are managed and controlled.

This code has been extrapolated from the Code of Self-discipline attached to the Report on Corporate Governance of Listed Companies, the recommendations of which have been implemented by the Company unless stated otherwise.

### ***1. Role of the Board of Directors***

The Company is guided by a Board of Directors that meets at regular intervals.  
Board members are nominated by the shareholders' meeting for a term of 3 (three) years.

The Board of Directors:

- reviews and approves the Company's strategic, business and financial plans;
- assigns and revokes delegation to Managing Directors and committees, defining the powers, operating methods and timing - normally quarterly - that those delegated must report to the Board on their activities;
- reviews proposals and consults with the Board of Statutory Auditors to determine compensation for management, emoluments due to single Board members and members of internal committees;
- supervises operating trends, with particular reference to situations of possible conflict of interest, on the basis of information received from Managing Directors and the Internal Audit Committee, and also periodically checks actual results against those planned;
- reviews and approves all significant economic, balance sheet and financial operations;
- checks the adequacy of the Company's general organisational and administrative structure;
- reports to shareholders during shareholders' meetings.

### ***2. Composition of the Board of Directors***

The Board comprises executive and non-executive members.  
The number and standing of non-executive members is such as to ensure that their judgement can have a significant weight in decisions taken by the Board.  
The Board of Directors for the three-year period 1999-2001 comprises:

Executive members

- Luigi LUZZATI Chairman
- Riccardo POZZOLI Executive Vice Chairman and Managing Director
- Aroldo LUZZATI Managing Director

Non-executive members

- Antonio Felice FORCHINO Vice Chairman
- Adele ARTOM Director
- Ermanno RESTANO Director
- Pietro Angelo CERRI Director
- Alessandro MARINA Director
- Germano TURINETTO Director

### ***3. Independent Board members***

A sufficient number of the non-executive members are independent in the sense that:

- the autonomy of their judgement is not conditioned by significant financial relations with the Company, its subsidiaries, executive directors or groups of shareholders' with a controlling interest in the Company;
- they neither directly or indirectly own sufficient shares to enable them to exercise control over the Company, nor are they parties to shareholders' agreements to gain control of the Company.

In the current Board of Directors the following persons are independent members:

- Pietro Angelo CERRI
- Alessandro MARINA
- Germano TURINETTO

### ***4. The Chairman of the Board of Directors***

The Chairman of the Board of Directors convenes the meetings and makes every effort to ensure necessary information and documentation is provided to members before the date concerned so that the latter are able to participate in discussed in an informed manner.

The Chairman coordinates Board activities and chairs the meetings.

### ***5. Information to the Board of Directors***

General Managers and the Audit Committee periodically report to the Board of Directors and Statutory Auditors on activities performed while exercising the powers delegated to them, and also provide information on any atypical or unusual operations which, however, would not normally be reviewed and approved by the Board.

Exactly the same information is provided to both the Board of Directors and Statutory Auditors.

### ***6. Treatment of confidential information***

All Board members are required to keep all information and documents acquired while performing their duties confidential and to adhere to procedures as regards divulging such information and documentation.

In the Board meeting held on December 18 2000 a resolution was passed to allow only the Chairman and Managing Directors to divulge information and documentation concerning the Company, particularly with reference to price sensitive information. The individuals mentioned may make use of the consultancy company assigned to provide financial information.

### ***7. Nomination of Board Members***

Proposals for nomination to the position of Board member, accompanied by a detailed description of the personal and professional qualities of candidates concerned, are deposited at the Company's offices at least ten days before the shareholders' meeting.

The Board of Directors does not believe it necessary to create a nominations' committee within the Board as no problems have arisen to prepare proposals for nomination.

### ***8. Remuneration of Board Members***

The Board of Directors may form an internal remuneration committee within the Board. This committee, comprised mainly of non-executive members, formulates proposals to the Board as regards remuneration of Managing Directors and those who hold special positions, and if requested by the Managing Directors, proposals for criteria to establish the remuneration of top management. Normally the remuneration of Managing Directors and top management includes a part linked to achievement of specific financial results and/or objectives.

The current Board has not nominated a remuneration committee as it intends to extend the activity concerned to all Board members.

In the meeting of March 9 2001 a proposal was adopted to establish variable remuneration for Managing Directors and top management based on the planned results for 2001.

### ***9. Internal Audit***

The Board of Directors recognises the importance of an internal audit system that verifies if internal operating and administrative procedures are followed, in order to ensure operations are conducted in a sound and efficient manner.

The Audit Committee representative assigned to this task does not report to a manager within the operations area but instead gives an account of activities performed to the Managing Directors, Internal Audit Committee and Statutory Auditors.

### ***10 . Internal Audit Committee***

In the meeting held on March 9 2001 the Board established an Internal Audit Committee, the role of which is to act in an advisory capacity and make proposals, comprised of four members, of whom three are non-executive Board members (two of whom are also independents) and also the Audit Committee representative.

These are the members:

- Alessandro MARINA
- Ermanno RESTANO
- Germano TURINETTO

- Giancarlo MORETTO - Audit Committee representative

### ***11. Investor relations***

The Board has nominated Vittorio VAUDAGNOTTI, the Company's Administrative Manager, as the person responsible for investor relations, a role that entails handling relations with shareholders and institutional investors and providing them with documentation and information on the Company.

### ***12. Shareholders' meetings***

Board members encourage and facilitate participation of shareholders in shareholders' meetings. Unless they have other pressing engagements, all Board members participate in shareholders' meetings.

These meetings are an opportunity to provide information on the Company to shareholders in compliance with guidelines governing price sensitive information.

To date the Board has not introduced regulations to provide for the orderly, efficient running of shareholders' meetings as it has been deemed unnecessary to implement such measures.

### ***13. Statutory Auditors***

Proposals to the shareholders' meeting for nomination to the position of Statutory Auditor, accompanied by a detailed description of the personal and professional qualities of candidates concerned, are deposited at the Company's offices at least ten days before the shareholders' meeting.

**ANNUAL REPORT ON COMPLIANCE WITH RECOMMENDATIONS CONTAINED IN  
THE CODE OF SELF-DISCIPLINE FOR LISTED COMPANIES.**

(Section. IA.2.12 of Instructions in Regulations for Organised Markets operated by Borsa Italiana S.p.A.)

### ***Introduction***

Following a resolution passed by the Board of Directors of Centrale del Latte di Torino & C. S.p.A. on December 18 2000, the Company has adopted a Code of Self-discipline for Corporate Governance, the latter being intended as that system of rules by which companies are managed and controlled.

This annual report has been prepared to illustrate the Board's activities during 2001 as regards the Code of Self-discipline and the manner in which the latter has been implemented and applied.

The complete text of this report and the Code of Self-discipline can be found on the Company's Internet site at [www.centralelatte.torino.it](http://www.centralelatte.torino.it)

### ***1. Role and activities of the Board of Directors***

During 2001 the Board of Directors, nominated for a term of office that will expire after approval of Financial Statements for the year 2001 (ordinary shareholders' meeting of April 30 2002), comprised the following members:

Executive members:

- |                    |   |
|--------------------|---|
| - Luigi LUZZATI    | Chairman                                      |
| - Riccardo POZZOLI | Executive Vice Chairman and Managing Director |
| - Aroldo LUZZATI   | Managing Director                             |

Non-executive members:

- |                           |               |
|---------------------------|---------------|
| - Antonio Felice FORCHINO | Vice Chairman |
| - Adele ARTOM             | Director      |
| - Ermanno RESTANO         | Director      |
| - Pietro Angelo CERRI     | Director      |
| - Alessandro MARINA       | Director      |
| - Germano TURINETTO       | Director      |

The Board met 6 (six) times during 2001 to discuss and pass resolutions concerning:

- the draft Consolidated and Company Financial Statements for the year ended December 31 2000;
- quarterly reports;
- the half-yearly report at June 30 2001;
- a proposal to authorise the purchase of treasury stock to be held in portfolio in accordance with Articles 2357 and 2357ter of the Civil Code;
- the request for admission for listing of ordinary shares in the Company in the High Requirement Share Segment (STAR);
- investment projects in industrial plant and equipment;

- the proposal for variable remuneration of Managing Directors and top management based on results indicated as objects for the current year;
- the budget for 2002;
- the Company's participation in privatisation bids for public companies operating in the dairy product sector.

During the Board meetings both the Chairman and Executive General Manager were individually assigned wide powers to agree on all aspects to form an alliance and stipulate shareholders' agreements and consequent preparation of all necessary documents to participate in confidential negotiations for the privatisation of public companies operating in the dairy product sector.

At least 7 (seven) Board members, of whom at least 2 (two) of the 3 (three) independent members, were always present at Board meetings.

The Board of Statutory Auditors always participated in Board meetings with at least 2 (two) of its 3 (three) effective members.

Board members and Statutory Auditors always received reasonably well in advance all information and documentation necessary to express themselves in an informed manner as regards items on the agenda of the single meetings.

## ***2. Independent Board members***

During 2001, there were 3 (three) independent non-executive Board members, intended as being those who(se):

- judgement is not conditioned by significant financial relations with the Company, its subsidiaries, executive directors or groups of shareholders' with a controlling interest in the Company;
- are neither directly or indirectly owners of sufficient shares to enable them to exercise control over the Company, nor are they parties to shareholders' agreements to gain control of the Company.

These persons were:

- Pietro Angelo CERRI
- Alessandro MARINA
- Germano TURINETTO

The term of office of the above mentioned persons, as for other Board members, will expire after approval of Financial Statements for the year 2001 (ordinary shareholders' meeting of April 30 2002).

## ***3. Nomination of Board members***

The new Board of Directors that will guide the Company for the three-year period 2002-2004 will be nominated by the ordinary shareholders' meeting to be held on April 30 2002.

Proposals for nomination to the position of Board member, accompanied by a detailed description of the personal and professional qualities of candidates concerned, must be deposited at the Company's offices at least ten days before the shareholders' meeting.

The Board of Directors does not believe it necessary to create a nominations' committee within the Board as no problems have arisen in the past to prepare proposals for nomination.

#### ***4. Remuneration of Board members***

The Code of Self-discipline, point 8, establishes that the Board of Directors can set up its own internal remuneration committee.

The current Board has not nominated a remuneration committee as it intends to extend the activity concerned to all Board members.

In the meeting of March 9 2001 a proposal was adopted to establish variable remuneration for Managing Directors and top management based on the planned results for 2001.

No stock options plan is foreseen.

#### ***5. Internal Audit Committee***

The Board of Directors recognises the importance of an internal audit system that verifies if internal operating and administrative procedures are followed, in order to ensure operations are conducted in a sound and efficient manner. In the meeting held on March 9 2001 the Board established an Internal Audit Committee, the role of which is to act in an advisory capacity and make proposals, comprised of four members, of whom three are non-executive Board members (two of whom are also independents) and also the Audit Committee representative.

These persons are:

- Alessandro MARINA
- Ermanno RESTANO
- Germano TURINETTO
- Giancarlo MORETTO - Audit Committee representative.

The nominated Audit Committee representative does not report to a manager within the operations area but instead gives an account of activities performed to the Managing Directors, Internal Audit Committee and Statutory Auditors.

In 2001 the Audit Committee met 3 (three) times and the meetings were always attended by the representative, at least (2) two other members of the Audit Committee, at least 2 (two) Statutory Auditors, and a representative of the independent auditors.

During the meetings the representative illustrated his audit activities which involved checking from time to time that procedures and control techniques had been applied correctly as specified in manuals for individual cycles, selected on a sample basis.

The cycles covered by these auditing activities were:

- the sales' cycle;
- the raw materials' purchase cycle;
- the salary and wage payment cycle;
- the treasury cycle.

These audits performed on a sample basis did not reveal any anomalies or exceptions.

One meeting of the Committee included an agenda item concerning sample audits performed on procedures adopted by the subsidiary company, Centro Latte Rapallo S.p.A..

The areas covered by these audits were:

- the sales' cycle;
- the purchase of fresh milk cycle;
- the cycle covering purchase of services and packaging materials;
- the treasury cycle;
- the salary and wage payment cycle.

#### ***6. Treatment of confidential information***

Point 6 of the Code of Self-discipline adopted establishes that all Board members are required to keep all information and documents acquired while performing their duties confidential and to adhere to procedures as regards divulging such information and documentation.

Based on a proposal made by the Managing Directors, in the Board meeting held on December 18 2000 a resolution was passed to allow only the Chairman and Managing Directors to divulge information and documentation concerning the Company, particularly with reference to price sensitive information. The individuals mentioned may make use of the consultancy company assigned to provide financial information.

#### ***7. Relations with shareholders and investors***

Board members encourage and facilitate participation of shareholders in shareholders' meetings. Unless they have other pressing engagements, all Board members participate in shareholders' meetings.

These meetings are an opportunity to provide information on the Company to shareholders in compliance with guidelines governing price sensitive information.

To date the Board has not introduced regulations to provide for the orderly, efficient running of shareholders' meetings as it has been deemed unnecessary to implement such measures.

The Board has nominated Vittorio VAUDAGNOTTI, the Company's Administrative Manager, as the person responsible for investor relations, a role that entails handling relations with shareholders and institutional investors and providing them with documentation and information on the Company.

## **8. Board of Statutory Auditors**

During 2001 the Board of Statutory Auditors comprised the following persons:

Alessandro RAYNERI	Chairman
Giovanni D'AMELIO	Auditor
Vittoria ROSSOTTO	Auditor

At least 2 (two) members of the Board of Statutory Auditors were always present at Board meetings and Audit Committee meetings.

The term of office for members of Board of Statutory Auditors will expire after approval of Financial Statements for the year 2002.

Proposals for nomination of members of the Board of Statutory Auditors, accompanied by a detailed description of the personal and professional qualities of candidates concerned, must be deposited at the Company's offices at least ten days before the shareholders' meeting.

Turin, April 15 2002

**CENTRALE DEL LATTE DI TORINO & C. S.p.A.**  
**Chairman**  
**Luigi LUZZATI**