



## NOTES

### to Financial Statements at December 31 2000

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 euro  
Turin Chamber of Commerce no. 631/77  
VAT no. IT 01934250018

**Format and contents of the Financial Statements**

The financial statements have been prepared in accordance with the provisions of the Civil Code and include the balance sheet (prepared in conformity with indications given in Articles 2424 and 2424bis of the Civil Code) and the income statement (prepared in conformity with indications given in Articles 2425 and 2425bis of the Civil Code), accompanied by the notes.

The purpose of these notes is to provide comments, analyses and, in certain cases, supplementary data to the financial statements and also information required by Article 2427 of the Civil Code, by other provisions of Law Decree 127/1991 or by prior laws. In addition, supplementary information is provided which is believed necessary in order to give a fair and correct representation of the Company's financial situation, even though such information is not required by any specific law.

In compliance with Consob notification no. 98083971 dated October 26 1998, the balance sheet and income statement are also given in euro, converted from lire using the fixed parity, in order to provide clearer and more complete information.

**Evaluation criteria and accounting principles**

In accordance with the provisions of Article 2426 of the Civil Code, the evaluation criteria used to prepare the financial statements do not differ from those used for the prior year, except as regards the evaluation of the subsidiary company, Centro Latte Rapallo S.p.A., that has been evaluated on the basis of Article 2423, paragraph 4 of the Civil Code and which is referred to in the notes under the heading "shareholdings".

Accounts payable in foreign currency have been 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.

Accounts receivable are stated at their estimated realisable value.

Accounts payable are stated at their nominal value.

Inventories of finished products are evaluated on the basis of their direct production cost plus the operations cost directly related to the products concerned. Inventories of products marketed, raw materials, supplementary materials and consumables have been evaluated at the average purchase cost prevailing during the year, in accordance with the provisions of Article 59, paragraph 3bis of the consolidated act.

Securities that are not considered as fixed assets have been evaluated:

at purchase cost, including related expenses, if the average value over the past month has been higher than the purchase price;

at the average value for the past month if the value was less than the purchase cost.

Revenues and costs are reported in the financial statements on the basis of the period to which they pertain by means of relevant accruals, prepayments or deferrals.

It is confirmed that no financial charges have been made during the year to amounts reported as assets in the balance sheet.

Furthermore:

- the memorandum accounts contain all commitments existing at the end of the year;
- the breakdown of revenues by geographical area is not significant inasmuch as it has been performed at regional level and in Liguria;
- there is no income other than dividends on the shareholdings, as prescribed by Article 2425 no. 15 of the Civil Code;
- no adjustments or accruals on the basis of regulations of a purely fiscal nature have been made;
- and, lastly, the Company has not issued any preference shares, bonds convertible into shares, securities or similar stocks.

**Infra-group operations**

During the course of the year operations with the subsidiary company, Latte Rapallo S.p.A., have been conducted at normal market conditions.

**Intangibles fixed assets**

Intangible fixed assets are recorded at purchase cost and amortised on a straight-line basis.

All such assets are amortised over five years with the exception of advertising costs, which are amortised over their useful life, estimated as being three years, and trademarks, which are amortised at an annual rate of 5%, and therefore over 20 years, bearing in mind their value to the Company.

Costs relating to the listing the Company's shares on the Italian Stock Exchange have also been recorded as an asset. An annual rate of amortisation of 20% has been applied and in the year reported the relevant amount has been calculated pro-rata on the basis of the months between the initial date of listing and the end of the financial year, namely, 2/12ths.

<b>Analysis of intangible fixed assets at December 31 2000</b>						
(in thousands of lire)						
	Historical Cost	Reserve for amortisation	Balance at 31/12/99	Acquisit.n	Amort.n	Balance at 31/12/00
<b>I - INTANGIBLE FIXED ASSETS</b>						
1) Share listing costs	0	0	0	2,999,456	99,982	2,899,474
2) Research and development costs	3,559,255	3,300,409	258,846	20,838	143,167	136,517
New product advertising costs	145,264	47,937	97,327	326,276	157,422	266,181
3) Industrial patents and intellectual property rights	542,853	298,081	244,772	144,878	117,082	272,568
4) Franchises, licenses, trademarks and similar rights	1,500,539	75,290	1,425,249	5,715	75,327	1,355,637
<b>TOTAL</b>	<b>5,747,911</b>	<b>3,721,717</b>	<b>2,026,194</b>	<b>3,497,163</b>	<b>592,980</b>	<b>4,930,377</b>

<b>Tangible fixed assets</b>
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Tangible fixed assets are recorded at purchase cost plus any directly related charges. The year-end balances are shown net of accumulated depreciation.

The value of these assets includes the revaluations indicated in the specific table below covering this aspect.

Depreciation recorded in the income statement is calculated on a straight-line basis at rates considered representative of the estimated useful life of the assets concerned, and reduced by 50% for assets acquired during the course of the financial year.

The depreciation rates applied are consistent with those indicated for tax purposes in the Ministerial Decree dated December 31 1988 for assets acquired from financial year 1989 onwards, and Ministerial Decree dated October 29 1974 as regards those acquired in prior years, as is shown in the table for homogeneous groups of assets.

Work in progress and down payments included in tangible fixed assets are:

- the capital expenditure of 2,601,650,093 for general plant and machinery concerning the new PET bottling line which was installed, although not in operation, at the close of the financial year;
- the pasteurisation system control unit amounting to 20,000,000 lire;
- the fresh milk packaging plant for an amount of 285,000,000 lire;
- restructuring and extension costs of 55,800,000 for the sales outlet in Via Filadelfia 220.

In accordance with the Civil Code and also applying Article 67 of the consolidated act, no depreciation was calculated on any of the above capital expenditures.

No accelerated depreciation has been calculated or added to reserves.

During the course of the year the Company has elected to record the cost of capital goods with a unit price of less than one million lire as expenses, on the basis of the option covered in Article 67 of Presidential Decree 917/86. The amount for such goods purchased in financial year 2000 was 361,160,825 lire.

As prescribed in Article 10 of law no. 72 dated March 19 1983, no monetary or economic revaluations have been made other than the mandatory ones prescribed by Laws no. 576 dated December 2 1975 and no. 72 dated March 19 1991 (see table below).

Normal maintenance and repair costs are written off to the income statement in the year they are sustained, whereas those of an extraordinary nature are capitalised.

Tangible fixed assets recorded as work in progress are included at cost plus any charges directly associated with them.

<b>Analysis of tangible fixed assets at December 31 2000</b>									
(in thousands of lire)	Historical Cost	Revaluations	Reserve for depreciation	Balance at 31/12/99	Acquisitions	Disposals/ write-offs	Use of reserves	Depreciation	Balance at 31/12/00
<b>II - TANGIBLE FIXED ASSETS</b>									
1) Land & buildings	12,335,505	2,431,767	5,318,815	9,448,457	1,093,194			612,555	9,929,096
2) Plant & machinery	25,879,934	225,117	17,106,157	8,998,894	3,178,631	55,070	55,070	2,183,614	9,993,911
3) Ind., commercial & office equipment	5,139,786	7,737	3,704,487	1,443,036	177,992	566,210	564,586	506,362	1,113,042
5) Work in progress & down payments					3,025,217				3,025,217
<b>TOTAL</b>	<b>43,355,225</b>	<b>2,664,621</b>	<b>26,129,459</b>	<b>19,890,387</b>	<b>7,475,032</b>	<b>621,280</b>	<b>619,656</b>	<b>3,302,531</b>	<b>24,061,266</b>

**Amortisation and depreciation rates used for fixed assets**

The table below summarises the amortisation and depreciation rates used for fixed assets.

The asset "land" is not subject to depreciation.

Items recorded under "work in progress and down payments" are not included as they refer to fixed assets that are not yet effectively used for production purposes.

<b>Amortisation and depreciation rates used for fixed assets</b>			
	Amortisation and depreciation rates		Duration in years
	per M.D. 31/12/1974 %	per M.D 31/12/1988 para. 10 %	
<b>I - INTANGIBLE FIXED ASSETS</b>			
1) Set-up & extension costs	20.00	20.00	5
2) Research & development costs	20.00	20.00	5
3) Advertising costs	33.33	33.33	3
4) Patents and intellectual property	20.00	20.00	5
5) Franchises, licenses, trademarks and similar rights	5.00	5.00	20
6) Goodwill	20.00	20.00	5
7) Other			
* Share listing costs		20.00	5
<b>II - TANGIBLE FIXED ASSETS</b>			
1) Land & buildings			
* land			
* buildings	4.00	4.00	25
2) Plant & machinery			
* general	7.50	10.00	10
* special	14.00	16.00	6
3) Industrial, commercial & office equipment			
* instruments and tools	20.00	20.00	5
* furniture and normal office equipment	12.00	12.00	8
* electronic equipment	18.00	20.00	5
* vehicles and internal transport equipment	20.00	20.00	5
* motor cars	25.00	25.00	4

**Revalued assets**

The table below summarises assets subject to revaluation.

Amounts indicated for the item "land and buildings" only refer to buildings.

Amounts are shown gross before depreciation and include changes during the financial year.

No revaluations were made during the past financial year.

<b>Revalued assets as at December 31 2000</b>					
(in thousands of lire)	Original historical cost	Revaluation per Law 72/1983	Revaluation per Law 413/1991	Total revaluations made	Revalued historical cost
<b>B) FIXED ASSETS</b>					
II - Tangible fixed assets					
1) Land & buildings	13,428,699	701,069	1,730,698	2,431,767	15,860,466
2) Plant & machinery	29,003,495	225,117		225,117	29,228,612
3) Industrial, commercial and office equipment	4,751,568	7,738		7,738	4,759,306
5) Work in progress & down payments	3,025,217				3,025,217
<b>TOTAL</b>	<b>50,208,979</b>	<b>933,924</b>	<b>1,730,698</b>	<b>2,664,622</b>	<b>52,873,601</b>

**Changes in reserves for amortisation of intangible fixed assets**

The table below summarises the changes in reserves for amortisation of intangible fixed assets during the year ended December 31 2000.

<b>Changes in reserves for amortisation of intangible fixed assets</b>				
(in thousands of lire)	Reserves for amortisation at 31/12/99	Amortisation in financial year	Write offs in financial year	Reserves for amortisation at 31/12/00
Research & development And advertising costs				
a) research & development costs	927,450	143,167		1,070,618
c) new product advertising costs	47,937	157,422		205,359
Patents & intellectual property rights	298,081	117,082		415,164
Franchises, licenses, trademarks, etc.	75,290	75,327		150,617
Share listing costs	0	99,982		99,982
<b>TOTAL RESERVES FOR INTANGIBLE FIXED ASSETS</b>	<b>1,348,758</b>	<b>592,980</b>		<b>1,941,740</b>

**Changes in reserves for depreciation of tangible fixed assets**

The table below summarises the changes in reserves for depreciation of tangible fixed assets during the year ended December 31 2000.

<b>Changes in reserves for depreciation of tangible fixed assets</b>				
(in thousands of lire)	Reserves for depreciation at 31/12/99	Amortisation in financial year	Write offs in financial year	Reserves for depreciation at 31/12/00
<b>LAND AND BUILDINGS</b>	5,318,815	612,555	0	5,931,370
<b>PLANT AND MACHINERY</b>				
* general	2,833,108	426,910	0	3,260,018
* specific	14,273,049	1,756,705	55,070	15,974,684
<b>TOTAL PLANT AND MACHINERY</b>	<b>17,106,157</b>	<b>2,183,615</b>	<b>55,070</b>	<b>19,234,700</b>
<b>INDUSTRIAL, COMMERCIAL AND OFFICE EQUIPMENT</b>				
* instruments and tools	682,204	84,221	1,475	764,950
* furniture and normal office equipment	680,596	69,317	1,279	748,634
* electronic equipment	1,448,847	201,814	420,886	1,229,775
* vehicles	704,594	51,087	110,280	645,401
* motor cars	188,247	99,923	30,666	257,504
<b>TOTAL INDUSTRIAL, COMMERCIAL AND OFFICE EQUIPMENT</b>	<b>3,704,488</b>	<b>506,362</b>	<b>564,586</b>	<b>3,646,264</b>
<b>OTHER ASSETS</b>				
* material for distribution	33,616	0	0	33,616
<b>TOTAL RESERVES FOR TANGIBLE FIXED ASSETS</b>	<b>26,163,076</b>	<b>3,302,532</b>	<b>619,656</b>	<b>28,845,950</b>

**List of investments**

The amount recorded in the balance sheet as regards Centro Latte Rapallo S.p.A. reflects the effective worth of this company, as evidenced by an independent audit performed at the time of acquisition.

The purpose of the investment in the CELPI consortium is to give the Company access to electrical power at free-market conditions, whereas that in Unionfidi Piemonte relates to financing obtained in the past

<b>List of investments at December 31 2000</b>					
(in thousands of lire)	Share Capital	Shareholders' equity	Profit/loss for the period	% holding	Shareholders' equity in balance sheet
III - Financial fixed assets					
1) Investments in:					
b) Subsidiary companies:					
Centro Latte Rapallo S.p.A. Via Nino Bixio 20/1 Chiavari	5,000,000	6,767,944	275,831	99.98	33,566,840
d) other companies:					
Unionfidi Piemonte					250
Soc. Consortile arl CELPI					10
<b>TOTAL</b>					<b>33,567,100</b>

**Breakdown of accounts receivable on the basis of due date**

The item "trade receivables" includes receivables relating to normal sales operations and is shown net of provisions for writedowns, the breakdown of which is given in a specific table below.

Accounts receivable from the subsidiary company, Centro Latte Rapallo S.p.A., concern normal sales operations between the two companies during the financial year.

The breakdown of the item "other receivables" is as follows:

- amount due from the Tax Authorities for V.A.T. of 4,749,558,000 lire;
- IRPEG and ILOR tax for a total of 331.019.000 lire;
- entries for guarantees received as surety for payments of the supplementary funds prescribed by Law 468/92 relating to dairy product campaigns for the periods 1995/96 - 1996/97 - 1997/98 - 1998/99 - 1999/00, amounting to 5,000,927,375 lire;
- Advance payments for IRPEG and IRAP taxes of 917,208,000 lire;
- IRPEG and IRAP tax prepayments of 29,140,000 lire;
- Withholding tax credits on employee severance indemnity of 255,243,566 lire;
- Tax credits on dividends of 146,795,635 lire;

- Withholding tax on interest received of 42,845,609 lire;
  - Advance payments for INAIL contributions of 11,703,886 lire;
  - Loans to employees of 11,566,000 lire;
  - Various security deposits amounting to 28,826,943 lire;
  - Miscellaneous receivables amounting to 10,596,064 lire.

<b>Breakdown of accounts receivable on the basis of due date</b>					
(in thousands of lire)					
	Short-term receivables	Beyond 1 and within 5 years	Long-term receivables	Total receivables beyond 1 year	Total receivables
C) CURRENT ASSETS					
II - Accounts receivable					
1) trade receivables	14,958,335				14,958,335
2) from subsidiary companies	2,650,024				2,650,024
4) from holding company	187,500				187,500
5) from others	11,535,430				11,535,430
<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>29,331,289</b>				<b>29,331,289</b>

**Changes in  
provisions for  
writedowns of  
accounts  
receivable**

Changes in the provision for writedowns of accounts receivable during the year, recorded in the balance sheet as a direct deduction from the nominal value of trade receivables, were in accordance with accepted accounting and fiscal principles.

In particular, provisions made for disputed accounts receivable and those covered by Article 25 of Presidential Decree 42/1988 have been totally and directly deducted from the relevant asset values and are therefore reported at zero value in the balance sheet.

<b>Utilisation of and allocations to provisions for writedowns of accounts receivable</b>				
(in thousands of lire)				
	Balance at 31/12/99	Increases	Decreases	Balance at 31/12/00
* Provision for writedown of taxed accounts receivable	167,902	30,000	0	197,902
* Provision for writedowns of accounts receivable 0.5%	196,649	79,427	4,933	271,143
<b>TOTAL FISCAL PROVISION FOR WRITEDOWNS</b>	<b>364,551</b>	<b>109,427</b>	<b>4,933</b>	<b>469,045</b>
* Provision for writedown of disputed accounts receivable	131,480	61	11,073	120,468
* Provision for writedown of accounts receivable Art. 25 PD 42/1988	46,022	0	0	46,022
<b>TOTAL PROVISION FOR WRITEDOWN OF DISPUTED AND EX ART. 25 PD 42/88 ACCOUNTS RECEIVABLE</b>	<b>177,502</b>	<b>61</b>	<b>11,073</b>	<b>166,490</b>
<b>TOTAL</b>	<b>542,053</b>	<b>109,488</b>	<b>16,006</b>	<b>635,535</b>

### **Changes in shareholders' equity**

The table below summarises the changes in shareholders' equity during the year ended December 31 2000 and were the result of the following actions.

- Resolution of the shareholders' meeting held May 9 2000 to allocate net profit for 1999 as follows: 10,724,734 lire to the legal reserve and 203,769,935 lire to the extraordinary reserve..
- Resolution of the extraordinary shareholders' meeting of the Company held on July 18 2000 to convert the share capital from lire to euro, with conversion of the nominal share value from 4,000 lire rounded down to 2.06 euro that, as a consequence, reduced the share capital to 14,677,500 euro (28,420 million lire) and resulted in a credit of the excess to the legal reserve for an amount of 80 million lire, equal to 41,522 euro.
- On November 3 2000 and following the Italian Stock Exchange notification no. 1288 dated October 12 2000 and Consob notification no 76766 dated October 17 2000, the Company's shares were listed on the Stock Exchange. As a result of a global offering of 3,449,500 shares, of which. 2,875,000 were newly issued at a price of 6.80 euro including a premium of 4.74 euro, the share capital of the Company increased from 14,677,500 euro to 20,600,000 euro.

<b>Changes in shareholders' equity</b>				
(in thousands of lire)				
	Balance at 31/12/99	Increases and Allocations	Decreases and utilisation	Balance at 31/12/00
<b>A) SHAREHOLDERS' EQUITY</b>				
I - Share capital	28,500,000	11,467,559	80,397	39,887,162
II - Share premium reserve	1,900,000	26,386,519		28,286,519
III - Revaluation reserve	380,521			380,521
IV - Legal reserve	478,128	91,122		569,250
VII - Other reserves	1,123,967	203,770		1,327,737
IX - Net profit	214,495	880,819	214,495	880,819
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>32,597,111</b>	<b>39,029,789</b>	<b>294,892</b>	<b>71,332,008</b>

**Breakdown of  
revaluation  
reserve and other  
reserves**

<b>Breakdown of revaluation reserve and other reserves</b>	
(in thousands of lire)	
	Balance at 31/12/00
<b>A) SHAREHOLDERS' EQUITY</b>	
<b>III) Revaluation reserve</b>	
* revaluation reserve per Law 413/1991	380,521
<b>VII) Other reserves</b>	
* extraordinary reserve	888,196
* taxed reserve	402,565
* tax credit reserve per Law 317/91	36,976
<b>Total revaluation and other reserves</b>	<b>1,708,258</b>

**Breakdown of  
share capital**

The following table summarises number and nominal value of shares

<b>Number and nominal value of each category of shares</b>						
	<b>SITUATION AT 31/12/99</b>		<b>CHANGES IN THE YEAR</b>		<b>SITUATION AT 31/12/00</b>	
	Number of shares	Nominal value lire	Number of shares	Nominal value	Number of shares	Nominal Value euro
<b>* Ordinary shares</b>	<b>28,500,000</b>	<b>1,000</b>				
1 for 4 share consolidation and conversion of nominal value from lire to euro (Extraordinary shareholders' meeting 18/07/00)			7,125,000	<b>2.06 euro</b>		
Public issue and listing on the Italian Telematic Stock Exchange November 3 2000			2,875,000	<b>2.06 euro</b>		
<b>* Ordinary shares</b>					<b>10,000,000</b>	<b>2.06</b>

**Utilisation of and  
allocations to  
provisions for  
risks and charges**

The following table summarises changes in provisions for risks and charges in the year ended December 31 2000.

As forecast, during the course of the 2000 financial year the provision for prior year income taxes was utilised, given that tax assessments for the years 1994-1995-1996-1997-1998 were finalised.

<b>Utilisations of and allocations to provisions for risks and charges</b>				
(in thousands of lire)	Balance at 31/12/99	Increases and Allocations	Decreases and utilisation	Balance at 31/12/00
<b>B) PROVISIONS FOR RISKS AND CHARGES</b>				
2) For current year taxes	0	0	0	0
3) Other provisions	200,000	0	200,000	0
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES</b>	<b>200,000</b>	<b>0</b>	<b>200,000</b>	<b>0</b>

**Utilisation of and allocations to the provision for employee severance indemnity**

The table below summarises changes in the provision for employee severance indemnity during the financial year ended December 31 2000.

The column "increases" includes allocations made for personnel employed as at December 31 2000, in addition to the revaluation of the provision itself.

Advances against employee severance indemnity made during the course of 2000 are included in the column "decreases".

The changes indicated include allocations to and utilisation of the provision during the year and are therefore inclusive of employment terminated during the financial year itself.

The provision is in conformity with Article 2120 of the Civil Code and has been updated to reflect regulations applying to our sector as regards the position of individual employees in the workforce.

<b>Utilisation of and allocations to provision for employee severance indemnity</b>				
(in thousands of lire)	Balance at 31/12/99	Increases and Allocations	Decreases and utilisation	Balance at 31/12/00
<b>C) PROVISION FOR EMPLOYEE SEVERANCE INDEMNITY</b>	<b>2,763,939</b>	<b>481,728</b>	<b>348,758</b>	<b>2,896,909</b>

**Breakdown of accounts payable on the basis of due date**

Details of medium and long-term bank loans are as follows:

- Loan granted by San Paolo IMI on April 2 1998 of 600,000,000 lire. Debt outstanding at December 31 2000 amounts to 124,968,220 lire. Last instalment due on April 2 2001.
- Loan granted by Centrobanca on May 14 1998 of 5,000,000,000 lire. Debt outstanding at December 31 2000 amounts to 4,594,000,000 lire. Last instalment due on March 20 2013. The above loan is guaranteed by a mortgage on the building located in Via Filadelfia 220, Turin, in the amount of 11,000,000,000 lire.
- Loan granted by Banca di Roma on October 2 2000 of 3,000,000,000 lire. Debt outstanding at December 31 2000 amounts to 3,000,000,000 lire. Last instalment due on October 2 2005.
- Loan granted by Banca Commerciale Italiana on October 17 2000 of 4,000,000,000 lire. Debt outstanding at December 31 2000 amounts to 4,000,000,000 lire. Last instalment due on December 31 2005.

During the financial year the loan granted by San Paolo IMI on February 3 1997 was terminated in advance by paying off the residual debt amounting to 1,658,938,874 lire, with a simultaneous request for cancellation of the mortgage on properties owned by the holding company, Finanziaria Centrale del Latte di Torino S.p.A.

As a result of the above, the situation at December 31 2000 can be summarised as follows:

(in thousands of lire)		<b>Within 12 months</b>	<b>between 1 and 5 years</b>	<b>Beyond 5 years</b>
1 inst.	San Paolo IMI	124,968		
4 inst.	Centrobanca	254,000		
2 inst.	Comit	709,000		
20 inst.	Centrobanca		1,548,000	
8 inst.	Comit		3,291,000	
6 inst.	Banca di Roma		3,000,000	
25 inst.	Centrobanca			2,792,000
<b>Total</b>		<b>1,087,968</b>	<b>7,839,000</b>	<b>2,792,000</b>

- The "payable to other financing sources" refers to a loan granted by Minindustria on July 17 1996 - Special Revolving Fund for Technological Innovation as per Law 46 dated February 17 1982 - for a duration of 15 years, with repayments due during the last 10 years of this period. The outstanding debt at December 31 2000 amounts to 969,166,000 lire. Last instalment due on July 17 2012.

- The item "notes payable" refers to a leasing contract with right to purchase, in accordance with Law no. 1329 dated November 28 1965 (Sabatini Law), signed on June 15 1999 by the Company and Mariani S.a.s., which refers to the supply of a mechanisation system.

The residual debt at December 31 2000 amounts to 713,068,468 lire.

Repayment will be by means of 10 half-yearly notes.

Last payment due on May 30 2004.

- The item "tax liabilities" refers to the following entries in the accounts:
 

liabilities for IRPEG and IRAP taxes for the current year	888,000,000 lire
liability for IRPEF tax withheld on employee compensation	222,979,000 lire
liability for withholding tax on Directors' emoluments	5,100,000 lire
liability for withholding tax on professional fees	4,334,780 lire
liabilities for other taxes	305,948,560 lire

When compared with the financial year ended December 31 1999, the item "tax liabilities" no longer includes accrued liabilities for the supplementary amount due under EEC Law 468/92 (milk quota) concerning the dairy campaigns for a number of years.

This liability has been reclassified to "other payables" as indicated in detail below.

- The accounts payable item for social security contributions includes contributions due on salaries and wages.

- The item "other accounts payable" includes:

payables for emoluments to Board Members	12,040,000 lire
payables for emoluments to Statutory Auditors	63,941,400 lire
payables for employee loan repayments to banks	3,430,460 lire
payables for employee union dues withheld	2,686,562 lire
milk producers' withholdings per Law 88/88	150,441,732 lire
miscellaneous payables	44,463,610 lire
EEC supplementary withholding 1995/96 dairy campaign	1,397,280,523 lire
EEC supplementary withholding 1996/97 dairy campaign	302,268,686 lire

EEC supplementary withholding  
1997/98 dairy campaign 1,149,662,519 lire

EEC supplementary withholding  
1998/99 dairy campaign 1,846,628,418 lire

EEC supplementary withholding  
1999/00 dairy campaign 787,656,953 lire

EEC supplementary withholding  
2000/01 dairy campaign 142,153,251 lire

The accounts payables concerning the above supplementary withholdings are not tax liabilities for the Company inasmuch as they are due from individual producers. The Company has received guarantees covering these payables in the amount of 5,000,927,977 and has withheld 624,722,369 lire. It should be noted that as a result of new calculations prepared by the competent authorities, the total amount of fines has reduced considerably.

<b>Breakdown of accounts payable on the basis of due date</b>					
(in thousands of lire)					
	Short-term payables	Beyond 1 and within 5 years	Long-term payables	Total payables beyond 1 year	Total payables
<b>D) ACCOUNTS PAYABLE</b>					
3) to banks					
for mortgages	1,087,968	7,839,000	2,792,000	10,631,000	11,718,968
for overdrafts	2,529,360			0	2,529,360
4) to other financing sources			969,166	969,166	969,166
5) advance payments made	602,219			0	602,219
6) trade payables	21,106,396			0	21,106,396
to suppliers of systems	2,098,876	2,580,000		2,580,000	4,678,876
7) notes payable	203,734	509,335		509,335	713,069
8) to subsidiary companies	22,960				22,960
11) tax liabilities	1,426,362				1,426,362
12) social security contributions.	352,499				352,499
13) other accounts payable	5,902,654				5,902,654
<b>TOTALE ACCOUNTS PAYABLE</b>	<b>35,333,028</b>	<b>10,928,335</b>	<b>3,761,166</b>	<b>14,689,501</b>	<b>50,022,529</b>

**Breakdown of  
accrued income  
and prepaid  
expenses**

Accruals and prepayments have been recorded in the balance sheet on the basis of accounting principles and the year to which they pertain.

<b>Breakdown of accrued income and prepaid expenses</b>	
(in thousands of lire)	Balance at 31/12/00
<b>D) ACCRUED INCOME AND PREPAID EXPENSES</b>	
a) costs	
Long-term financing costs	
* long-term costs for San Paolo IMI financing	4,821
* long-term costs for Centrobanca financing	71,094
* long-term costs Sabatini Law	74,548
<b>Total long-term financing costs</b>	<b>150,463</b>
b) miscellaneous	
Prepaid expenses	
* VAT guarantee policies	141,538
* leasing of machinery	1,667
* maintenance instalments	3,273
* insurance	1,620
* leasing of software	910
* commissions on financing	21,245
* expenses for guarantees	234,533
* advertising expenses	17,055
* other personnel costs	6,084
<b>Total prepaid expenses</b>	<b>427,925</b>
<b>TOTAL PREPAID EXPENSES</b>	<b>578,388</b>
ACCRUED INCOME	
b) accrued income	
* interest on loans	128,705
<b>TOTAL ACCRUED INCOME</b>	<b>128,705</b>
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>707,093</b>

**Breakdown of accrued expenses and deferred income**

Accruals and deferrals have been recorded in the balance sheet on the basis of accounting principles and the year to which they pertain.

<b>Breakdown of accrued expenses and deferred income</b>	
(in thousands of lire)	Balance at 31/12/00
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>	
b) miscellaneous	
Accrued expenses	
* accrued personnel expenses	537,240
* interest on bank financing	60,780
<b>Total accrued expenses</b>	<b>598,020</b>
Deferred income	
* operating grants (FEOGA)	107,774
* grants from suppliers	31,647
<b>Total deferred income</b>	<b>139,421</b>
<b>TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>737,441</b>

**Breakdown of financial income and expenses**

<b>Financial income and interest</b>		
(in thousands of lire)	2000	1999
<b>C) FINANCIAL INCOME</b>		
<b>15) Income from shareholdings</b>		
other		
* dividends from shareholdings	249,950	350
* tax credits on dividends	146,796	
<b>Total income from shareholdings</b>	<b>396,746</b>	<b>350</b>
<b>16) Other financial income</b>		
d) miscellaneous income		
from others		
* bank interest	158,687	14,845
* interest on securities	179,048	0
* interest on overdue trade receivables	2,482	1,843
* interest on VAT reimbursement	8,076	4,450
* interest on employee loans	1,419	976
<b>Total other financial income</b>	<b>349,712</b>	<b>22,114</b>
<b>TOTAL FINANCIAL INCOME</b>	<b>746,458</b>	<b>22,464</b>

**Breakdown of financial charges and interest**

<b>Financial charges and interest</b>		
(in thousands of lire)	2000	1999
<b>C) FINANCIAL CHARGES AND INTEREST</b>		
<b>17) Financial costs</b>		
from holding company		
* costs for guarantees	0	56,975
<b>Total financial costs from holding company</b>	<b>0</b>	<b>56,975</b>
<b>Other financial charges</b>		
from others		
* interest on mortgages and loans	730,596	599,786
* interest on overdrafts	338,445	167,002
* dividend warrants	86,645	
* interest to suppliers (Sabatini Law)	19,406	31,424
* discounts on agrarian bills	0	150,549
* collection expenses	602	414
* costs of guarantees	58,689	28,971
<b>Total other financial charges</b>	<b>1,234,383</b>	<b>978,146</b>
<b>TOTAL FINANCIAL CHARGES AND INTEREST</b>	<b>1,234,383</b>	<b>1,035,121</b>

**Breakdown of extraordinary income**

<b>Extraordinary income</b>		
(in thousands of lire)	2000	1999
<b>E) EXTRAORDINARY INCOME</b>		
a) gains on disposals		
* plant and machinery	218	7,425
* equipment	1,900	5
* furniture and normal office equipment	2	20
* electronic equipment	285	892
* vehicles and internal transport equipment	21,500	33,578
* motor cars	4,500	0
* from sale of shareholding B.Pop.Lodi	0	11,117
<b>Total gains on disposals</b>	<b>28,405</b>	<b>53,037</b>
b) miscellaneous		
* extraordinary income from holding company	187,500	
* contingent asset income	334,654	110,391
<b>TOTAL EXTRAORDINARY INCOME</b>	<b>550,559</b>	<b>163,428</b>

As regards the above income, it should be mentioned that it includes the amount of 251 million lire for the regional capital grant (FEOGA) within the framework of a complex investment plan introduced in the 1997-1998 period for the technological restructuring and updating of the Turin plant.

**Breakdown of extraordinary expenses**

The item "extraordinary expenses" in the table below includes: costs amounting to 475,577,147 lire for the preparation of studies, associated and other costs concerning participation in bids for privatisation of the companies, Società Centrale del Latte di Milano, Centrale del Latte di Vicenza and Centrale del Latte di Salerno; costs amounting to 136,181,900 lire one-time consultancy fees.

<b>Extraordinary expenses</b>		
(in thousands of lire)	2000	1999
<b>E) EXTRAORDINARY EXPENSES</b>		
a) losses on disposals		
* buildings	0	3,840
* plant and machinery	0	60,301
* furniture and normal office equipment	0	898
* electronic equipment	1,614	4,015
Losses on sale of securities	1,985	
<b>Total losses on disposals</b>	<b>3,599</b>	<b>69,054</b>
b) prior year taxes		
* taxes to be assessed	0	254,679
c) miscellaneous		
* contingent liability expenses	29,371	0
* extraordinary expenses	611,759	0
<b>Total miscellaneous</b>		
<b>TOTAL EXTRAORDINARY EXPENSES</b>	<b>644,729</b>	<b>323,733</b>

**Breakdown of  
sundry  
production costs**

<b>Sundry production costs</b>		
(in thousands of lire)		
	2000	1999
<b>SUNDRY PRODUCTION COSTS</b>		
* Current year taxes	328,118	363,799
* Emoluments to directors and statutory auditors	383,541	401,999
* Membership fees	71,837	42,752
* Magazine subscription and books	7,303	8,552
* Gifts	118,103	109,312
* Business expenses	48,400	19,188
* Fines and penalties	1,236	4,188
* Losses on accounts receivable and exchange rate	1,265	1,418
* Grants to ONLUS	15,500	0
* miscellaneous	253	0
<b>TOTAL SUNDRY PRODUCTION COSTS</b>	<b>975,556</b>	<b>951,208</b>

**Average number  
of employees by  
category**

<b>Average number of employees by category</b>										
	<b>Data for 1999</b>					<b>Data for 2000</b>				
	hired 1999	left 1999	category changes	workforce at 31/12/99	Average employees 99	hired 2000	left 2000	category changes	workforce at 31/12/00	average employees 00
Management	0	1	0	4	<b>4.92</b>	0	0	0	4	<b>4.00</b>
Supervisors	1	0	1	4	<b>3.67</b>	0	0	1	5	<b>5.00</b>
Clerical	6	3	(1)	39	<b>37.92</b>	2		1	42	<b>40.08</b>
Intermediate	0	0	1	1	<b>1.00</b>	0	(1)	0	0	<b>0.00</b>
Workers	6	7	(1)	58	<b>59.17</b>	6	(6)	(2)	56	<b>57.42</b>
<b>TOTAL</b>	<b>13</b>	<b>11</b>	<b>0</b>	<b>106</b>	<b>106.68</b>	<b>8</b>	<b>(7)</b>	<b>0</b>	<b>107</b>	<b>106.50</b>

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

Information concerning the emoluments and salaries paid to Board Members and Statutory Auditors is given by position held and name, in accordance with Article 78 of Consob resolution no. 11971 dated May 14 1999.

The Board of Directors, comprising nine members and nominated by the shareholders' meeting held on May 9 1999, will remain effective up to the time of approval of financial statements for the year ending December 31 2001.

The Board of Statutory Auditors, comprising three effective and three supplementary members, will remain effective up to the time of approval of financial statements for the year ending December 31 2002.

(in thousands of lire)	Emoluments from Centrale del Latte di Torino & C. S.p.A.	Salaries from Centrale del Latte di Torino & C. S.p.A.	Emoluments from Centro Latte Rapallo S.p.A.	Salaries from Centro Latte Rapallo S.p.A.
<b>Board of Directors</b>				
* Chairman <b>Luigi LUZZATI</b>	48,000	0	0	146,667
* Vice Chairman <b>Antonio Felice FORCHINO</b>	79,560	0	30,000	0
* Executive Vice Chairman Managing Director <b>Riccardo POZZOLI</b>	120,000	197,501	0	0
* Managing Director <b>Aroldo LUZZATI</b>	60,000	0	50,000	162,445
* Board Member <b>Adele ARTOM</b>	3,500	0	0	0
* Board Member <b>Germano TURINETTO</b>	2,500	0	0	0
* Board Member <b>Pietro Angelo CERRI</b>	2,040	0	0	0
* Board Member <b>Ermanno RESTANO</b>	1,500	0	0	0
* Board Member <b>Alessandro MARINA</b>	2,500	0	0	0
<b>TOTAL</b>	<b>319,600</b>	<b>197,501</b>	<b>80,000</b>	<b>309,113</b>

(in thousands of lire)		<b>Emoluments from Centrale del Latte di Torino &amp; C. S.p.A.</b>
<b>Statutory Board of Auditors</b>		
* Chairman	Alessandro RAYNERI	26,367
* Board Member	Giovanni D'AMELIO	18,970
* Board Member up to May 8 2000	Gianfranco GURLINO	5,956
* Board Member from May 9 2000	Vittoria ROSSOTTO	12,648
<b>TOTAL</b>		<b>63,941</b>