



REPORT ON OPERATIONS

Financial Statements at December 31 2000

Centrale del Latte di Torino & C. S.p.A.
Via Filadelfia 220
10137 Turin - Italy
Tel. +39 011 3420200 - Fax +39 011 3240300
e-mail: posta@centralelatte.torino.it
www.centralelatte.torino.it
Paid-up share capital 20,600,000 euro
Turin Chamber of Commerce no. 631/77
VAT no. IT 01934250018

Foreword

Shareholders,

The year 2000 marked the beginning of a new era in the life of your Company.

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

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

Shareholders,

We submit for your review the financial statements for the year ended December 31 2000, which closed with a net profit of 880,818,893 lire (214,494,669 lire in 1999) after allocating 592,979,774 lire for amortisation of intangible fixed assets (370,813,175 lire in 1999), 3,302,531,355 lire for depreciation of tangible fixed assets, (2,876,418,865 lire in 1999), 109,488,140 lire to the provision for writedown of accounts receivable (82,676,475 lire in 1999), 888,000,000 lire for current year income tax (783,270,000 lire in 1999) and 29,140,000 lire for advance payments of income tax, and 1,682,328,462 lire for advertising and promotional expense in furtherance of the Company's policy to strengthen and expand its market position.

**Reclassified
income
statement**

(millions of lire)	Dec. 31 2000		Jun. 30 2000		Dec. 31 2000	
<i>Value of production</i>						
Revenues from sales and services	84,087	98.7%	41,376	99.3%	76,788	99.1%
Changes in inventories	261	0.3%	23	0.1%	(36)	0.0%
Other revenues and income	823	1.0%	267	0.6%	759	1.0%
Value of production	85,171	100.0%	41,666	100.0%	77,511	100.0%
<i>Production costs</i>						
Services	(16,465)	-19.3%	(8,167)	-19.6%	(14,154)	-18.3%
Raw materials	(52,915)	-62.1%	(25,242)	-60.6%	(48,349)	-62.4%
Other operating costs	(976)	-1.1%	(450)	-1.1%	(951)	-1.2%
Value added	14,816	17.4%	7,807	18.7%	14,057	18.1%
Personnel costs	(8,489)	-10.0%	(4,245)	-10.2%	(8,286)	-10.7%
Gross operating margin (EBITDA)	6,327	7.4%	3,562	8.5%	5,770	7.4%
Writedown of accounts receivable	(109)	-0.1%	(65)	-0.2%	(83)	-0.1%
Amortisation and depreciation of fixed assets	(3,896)	-4.6%	(1,840)	-4.4%	(3,247)	-4.2%
Operating profit (EBIT)	2,322	2.7%	1,657	4.0%	2,440	3.1%
Financial income	746	0.9%	401	1.0%	22	0.0%
Financial expenses	(1,234)	-1.4%	(504)	-1.2%	(1,035)	-1.3%
Extraordinary income	551	0.6%	291	0.7%	163	0.2%
Extraordinary expenses	(645)	-0.8%	(200)	-0.5%	(593)	-0.8%
Pre-tax profit	1,740	2.0%	1,645	3.9%	998	1.3%
Income tax on current year earnings	(888)	-1.0%	(291)	-0.7%	(783)	-1.0%
Other non-deductible taxes		0.0%	(266)	-0.6%	0	0.0%
Income tax paid in advance	29	0.0%		0.0%		0.0%
Total net profit (loss)	881	1.0%	1,088	2.6%	214	0.3%
Minority interest profit (loss)	0	0.0%	0	0.0%	0	0.0%
Net profit (loss)	881	1.0%	1,088	2.6%	214	0.3%

(thousands of euro)	Dec. 31 2000		Jun. 30 2000		Dec. 31 1999	
<i>Value of production</i>						
Revenues from sales and services	43,428	98.7%	21,369	99.3%	39,658	99.1%
Changes in inventories	135	0.3%	12	0.1%	(19)	0.0%
Other revenues and income	425	1.0%	138	0.6%	392	1.0%
Value of production	43,987	100.0%	21,519	100.0%	40,031	100.0%
<i>Production costs</i>						
Services	(8,503)	-19.3%	(4,218)	-19.6%	(7,310)	-18.3%
Raw materials	(27,329)	-62.1%	(13,036)	-60.6%	(24,970)	-62.4%
Other operating costs	(504)	-1.1%	(232)	-1.1%	(491)	-1.2%
Value added	7,652	17.4%	4,032	18.7%	7,260	18.1%
Personnel costs	(4,384)	-10.0%	(2,192)	-10.2%	(4,280)	-10.7%
Gross operating margin (EBITDA)	3,268	7.4%	1,840	8.5%	2,980	7.4%
Writedown of accounts receivable	(57)	-0.1%	(34)	-0.2%	(43)	-0.1%
Amortisation and depreciation of fixed assets	(2,012)	-4.6%	(950)	-4.4%	(1,677)	-4.2%
Operating profit (EBIT)	1,199	2.7%	856	4.0%	1,260	3.1%
Financial income	386	0.9%	207	1.0%	12	0.0%
Financial expenses	(638)	-1.4%	(260)	-1.2%	(535)	-1.3%
Extraordinary income	284	0.6%	150	0.7%	84	0.2%
Extraordinary expenses	(333)	-0.8%	(103)	-0.5%	(306)	-0.8%
Pre-tax profit	898	2.0%	850	3.9%	515	1.3%
Income tax on current year earnings	(459)	-1.0%	(150)	-0.7%	(405)	-1.0%
Other non-deductible taxes		0.0%	(137)	-0.6%	0	0.0%
Income tax paid in advance	15	0.0%		0.0%		0.0%
Total net profit (loss)	455	1.0%	562	2.6%	111	0.3%
Minority interest profit (loss)	0	0.0%	0	0.0%	0	0.0%
Net profit (loss)	455	1.0%	562	2.6%	111	0.3%

Financial operations

Financial operations of the Company were marked by an increase in turnover from 76,788 million lire in the year ended December 31 1999 to 84,087 million lire for the current year, representing an increment of 9.50%.

Already the half-yearly report for the period ended June 30 2000 showed an increase of 7.30% and the following half year confirmed and improved this growth, even though the third quarter was heavily affected by population reduction in urban areas during the months of July and August, months traditionally dedicated to summer holidays.

Despite this seasonal factor the Company's marketing strategy to diversify its product range enabled the reduction in milk consumption to be offset by a notable increase in sales of other products.

Particular mention must be made of the salad range that was launched at the end of last February and immediately met with consumer acceptance. In fact salads alone account for 12% of sales in the "other product" segment for an overall value of 2,218 million lire.

• Sales revenues

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

(millions of lire)	Dec. 31 2000		Dec. 31 1999		Change	
					absolute	%
Fresh milk	40,511	48.2%	37,144	48.4%	3,367	9.1%
UHT milk	23,378	27.8%	22,037	28.7%	1,341	6.1%
Yoghurt	3,051	3.6%	3,176	4.1%	(125)	-3.9%
Other	17,147	2.4%	14,431	18.8%	2,716	18.8%
Total	84,087	100%	76,788	100%	7,299	9.5%

Fresh milk

Sales of fresh milk show an increase of 9.1% over the year ended December 31 1999. While on the one hand this result takes into account a list price increase of 4.5% made in April, there was also a growth over 1999 of 0.65% in the quantity of product sold, and this, in spite of a drop in domestic consumption of milk during the period concerned.

Long shelf-life (UHT) milk

There was a positive trend in consumption of UHT milk and the Company benefited from this with a 5.8% increase in turnover compared with the year ended December 31 1999.

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

Two other new types of long shelf-life milk - "high-digestibility milk" and "biological milk" - were introduced during 2000 in response to consumer demand.

Growth in quantity of UHT milk sold during the course of 2000 was much more marked, with an increase of 6.1% over the previous year.

Yoghurt

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

And so for the Company it remains a niche product, which for the year in question showed a drop in turnover of 3.9% and 8.53% in terms of quantity. Plans have already been laid for a repositioning and relaunch of this product in 2001.

Other products

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

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

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

The annual growth for this segment was 18.8% and means that "other products" are progressively making a greater contribution to total turnover.

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

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

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

• *Other revenues*

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

(millions of lire)	Dec. 31 2000	Dec. 31 1999	Change	
			absolute	%
Rents received	143,000	135,740	7,260	5.3%
Sales of recovered, scrapped and consumable materials	250,615	113,012	137,603	121.8%
Contributions from suppliers	309,112	307,360	1,752	0.6%
Revenues from compensation	27,249	34,524	(7,275)	-21.1%
Services performed for holding company	0	108,000	(108,000)	-100.0%
Total	729,976	698,636	31,340	4.5%

• *Operating costs*

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

(millions of lire)	Dec. 31 2000			Dec. 31 1999			Change	
		% of net revenues	% of total costs		% of net revenues	% of total costs	Absolute	%
Raw, supplementary and consumable materials and goods	52,915	62.9%	63.9%	48,349	63.0%	64.4%	4,566	9.4%
Services	16,293	19.4%	19.7%	13,966	18.2%	18.6%	2,327	16.7%
Leasing and rental of third-party assets	172	0.2%	0.2%	188	0.2%	0.3%	(16)	-8.5%
Personnel costs	8,489	10.1%	10.2%	8,287	10.8%	11.0%	202	2.4%
Amortisation of intangible fixed assets	593	0.7%	0.7%	371	0.5%	0.5%	222	59.8%
Depreciation of tangible fixed assets	3,303	3.9%	4.0%	2,876	3.7%	3.8%	427	14.8%
Writedown of accounts receivable	109	0.1%	0.1%	83	0.1%	0.1%	26	31.9%
Sundry production costs	976	1.2%	1.2%	951	1.2%	1.3%	25	2.6%
Total production costs	82,850	98.5%	100.0%	75,071	97.8%	100.0%	7,779	10.4%

Raw, supplementary and consumable materials and goods

As the table indicates the cost of raw materials and goods rose by 9.4% over the prior year whereas turnover, as mentioned, grew by 9.5%.

(millions of lire)	Dec. 31 2000			Dec. 31 1999			Change	
		% of net revenues	% of total costs		% of net revenues	% of total costs	Absolute	%
Purchases of milk	36,667	43.6%	69.3%	34,708	45.2%	71.8%	1,959	5.6%
Purchases of other raw foodstuffs	376	0.4%	0.7%	345	0.4%	0.7%	31	9.0%
Purchases of marketed products	5,708	6.8%	10.8%	3,561	4.6%	7.4%	2,147	60.3%
Packaging materials	8,275	9.8%	15.6%	8,088	10.5%	16.7%	187	2.3%
Supplementary and consumable materials	1,889	2.2%	3.6%	1,649	2.1%	3.4%	240	14.6%
Total costs	52,915	62.9%	100.0%	48,351	63.0%	100.0%	4,564	9.4%

By comparison with the previous year the incidence of purchase cost of the raw material "milk" diminished. In fact, despite the growth in turnover and tensions experienced in the agricultural sector - particularly as regards milk production - the purchase cost from the Company's main producers (that quantitatively represents 73% of total milk processed) went down by 9.28 lire per litre, or 1.3%.

This was achieved while maintaining the high quality of milk purchased, confirmed by the fact that quality-linked premiums granted to producers were 3.7% higher than for the previous year.

It should be noted, on the other hand, that the cost of milk purchased on the open market increased by 15.65 lire per litre, or 2.2%, when compared with the previous year.

The Company strategy to broaden its sales by diversifying turnover led to an increase in purchases of marketed end-products. This particularly applied to salads which were not part of turnover in the year ended December 31 1999 but that amounted to 1,619 million lire or 28.4% of costs for this type of product in financial year 2000.

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

The total increase in inventory values compared with the previous year-end was 584 million lire.

Costs for services

(millions of lire)	Dec. 31 2000			Dec. 31 1999			Change	
		% of net revenues	% of total costs		% of net revenues	% of total costs	absolute	%
Transport for purchases	84	0.1%	0.5%	82	0.1%	0.6%	2	2.4%
Transport for sales	7,032	8.4%	43.2%	6,474	8.4%	46.4%	558	8.6%
Electrical power	681	0.8%	4.2%	619	0.8%	4.4%	62	10.0%
Potable water	174	0.2%	1.1%	200	0.3%	1.4%	(26)	-13.0%
Natural gas	469	0.6%	2.9%	372	0.5%	2.7%	97	26.1%
Studies and consultancy	412	0.5%	2.5%	169	0.2%	1.2%	243	143.8%
Cleaning services	225	0.3%	1.4%	244	0.3%	1.7%	(19)	-7.8%
Industrial services	616	0.7%	3.8%	601	0.8%	4.3%	15	2.5%
External maintenance	858	1.0%	5.3%	613	0.8%	4.4%	245	40.0%
Other industrial services	203	0.2%	1.2%	187	0.2%	1.3%	16	8.6%
Advertising-Sponsorship	1,193	1.4%	7.3%	1,047	1.4%	7.5%	146	13.9%
Misc. business services	582	0.7%	3.6%	234	0.3%	1.7%	348	148.7%
Sales promotion contribut.n	2,744	3.3%	16.8%	2,407	3.1%	17.2%	337	14.0%
Agents' commission	3	0.0%	0.0%	3	0.0%	0.0%	0	0.0%
Insurance	169	0.2%	1.0%	144	0.2%	1.0%	25	17.4%
Telephone	111	0.1%	0.7%	128	0.2%	0.9%	(17)	-13.3%
Misc. Administrative expense	671	0.8%	4.1%	308	0.4%	2.2%	363	117.9%
Services for personnel	66	0.1%	0.4%	134	0.2%	1.0%	(68)	-50.7%
Total services cost	16,293	19.4%	100,0%	13,966	18.2%	100,0%	2,327	16.7%

Costs for the year of services closely related to turnover rose by virtue of higher production and sales volumes and in particular concerned sales-related transport costs which went up by 8.6%.

Certain cost items warrant a more detailed comment.

- **Electrical power:** the 10% increase over the previous year was partly due to higher production volume but also reflects higher energy costs in general as a result of rising oil prices. The increase would have been much greater had the Company not joined - in September 2000 - a consortium that purchases power on the free market at better conditions than those obtained by non-members of the consortium.
- **Natural Gas:** unfortunately the savings achieved for electrical power were not possible for natural gas, the purchase price per cubic metre of which was largely affected by the same factors that determined the increase in oil prices. The increase for this cost was 26.1% over the previous year.

Studies and consultancy: during the year the Company obtained ISO 9002 certification and the costs associated with this, amounting to 69 million year, were charged entirely to the income statement. For the first time, and as part of an ongoing effort to ensure the best possible quality and safety of milk collected and processed, in 2000 the Company decided to request external laboratories to carry out further checks in this regard, in support of the analyses already performed in its own laboratories. The total cost for this was 70 million lire. A cost of 45 million lire was incurred for consultancy fees in relation to the administrative requirements necessary for obtaining the Piedmont Region FEOGA financing.

- **External maintenance:** as a result of the installation of new packaging lines greater recourse was made to external maintenance services during the start-up phase. This type of machinery requires the intervention of highly specialised personnel from the manufacturer of the system (not located in the vicinity of Turin) with consequently high manpower, living and spare parts costs.
- **Miscellaneous business services:** this item also includes extraordinary consultancy and legal expenses of 242 million lire in connection with finalising tax assessments for the years 1995 - 1996 - 1997 with the competent authorities.
- **Advertising, sponsorship and marketing services:** advertising expenses were increased by 494 million lire in order to provide marketing support for the launch of new product lines and to maintain and strengthen the Company's image. A significant further benefit of this additional advertising investment was the fact that the Company received the Italian advertising sector's "Golden half-minute" Award for its inventive spirit and the unusual nature of the product advertised (fresh eggs).

Leasing and rental of third-party assets

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

Personnel costs

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

A specific table is given on page 33 of the notes which illustrates the trend of average number of employees broken down by category, whereas the table below shows personnel cost by type of activity.

(millions of lire)	Dec. 31 2000		Dec. 31 1999		Change			
	% of net revenues	% of total costs	% of net revenues	% of total costs	Absolute	%		
Direct personnel	1,824	2.2%	21.7%	1,923	2.5%	23.4%	(99)	-57.2%
Indirect personnel	3,799	4.5%	45.2%	3,640	4.7%	44.2%	159	91.9%
Sales personnel	1,580	1.9%	18.8%	1,468	1.9%	17.8%	112	64.7%
Administrative personnel	1,202	1.4%	14.3%	1,201	1.6%	14.6%	1	0.6%
Total costs	8,405	10.0%	100.0%	8,232	10.7%	100.0%	173	2.1%

Amortisation and depreciation

Amortisation of intangible fixed assets rose by 222 million lire as a result of the capitalisation of new product advertising costs and 2/12ths of the annual amortisation of share listing costs. A table reporting the details of intangible fixed assets is given on page 14 of the notes.

Depreciation of tangible fixed assets showed an increase of 426 million lire compared with the year ended December 31 1999. This was the result of depreciation on new capital expenditures and the normal trend for other tangible fixed assets reported in the balance sheet which are summarised and commented in the notes to the financial statements.

Sundry production costs

Comments and a summary for this item are given on page 33 of the notes.

EBITDA

Gross operating margin (EBITDA) increased in absolute terms by 557 million lire or 9.7% when compared with the prior financial year, whereas the margin as a percentage of value of production remained stable (7.4%), so leaving product gross margins unchanged.

EBIT

The operating profit (EBIT) decreased by 118 million lire or 4.8% compared with the year ended December 31 1999, and also when expressed as a percentage of value of production it was eroded by 0.3%.

This reduction can be explained by higher amortisation and depreciation costs of 649 million lire on new capital expenditure (see pages 15 and 16 of the notes).

Financial income and expenses

Details of financial income and expenses are given on page 30 of the notes.

The increase in expenses for mortgages and financing relates to a loan of 6,500 million lire obtained in 1999 from Mediobanca that was repaid in full at the end of 2000 and gave rise to interest of 202 million lire during the period.

As regards financial expenses for bank overdrafts, these increased by only 20 million lire in spite of greater recourse to such facilities and an average 2 percentage point higher interest rate during the year.

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

Extraordinary income and expenses

A breakdown of extraordinary income and expenses is given on pages 31 and 32 of the notes.

Income tax

Income tax on current year profit (IRPEG) has been calculated by applying the reduced rate indicated in Article 2, paragraphs 8 and 10 of Law 133/99 and Law Decree 466/97. The regional tax on productive activities (IRAP) has been calculated at the full rate (4.25%) and in accordance with the methods prescribed.

In consideration of general principles as regards correctness, due care and accrual based accounting (Articles 2423, paragraph 2 and 2bis of the Civil Code), the principle governing allocations to provisions for risks and charges (Article 2424-bis, paragraph 3 of the Civil Code), the principle concerning distribution of profits (Article 2423 of the Civil Code) and, lastly, Consob notification no. 99059010 dated July 30 1999, an amount of 29,140,000 lire was recorded in the accounts for income tax paid in advance with regard to deductible costs on taxable income for future years.

Net profit

Net profit after taxes at the end of the financial year was 880,818,893 lire, an increase of 310.6% over the result for the year ended December 31 1999 of 666,324,224 lire.

**Reclassified
balance
sheet**

(millions of lire)	Dec. 31 2000		Jun. 30 2000		Dec. 31 1999	
Non-current assets						
Technical fixed assets	24,061		21,879		20,074	
Intangible fixed assets	4,930		2,108		2,026	
Shareholdings and securities	33,567		33,567		33,567	
Total non-current assets	62,559	103.1%	57,554	102.2%	55,668	104.6%
Current assets						
Trade receivables	17,608		13,804		14,596	
Inventories	2,899		2,495		2,075	
Accrued income & prepaid expenses	707		563		370	
Other current assets	11,535		15,491		9,913	
Trade payables	(26,521)		(20,169)		(19,231)	
Other payables	(6,857)		(396)		(1,043)	
Accrued expenses & deferred income	(737)		(1,840)		(475)	
Tax liabilities	(1,426)		(11,196)		(8,663)	
Net current assets	(2,793)	-4.7%	(1,249)	-2.2%	(2,457)	-4.6%
TOTALE FUNDS EMPLOYED	59,766	100.0%	56,305	100.0%	53,210	100.0%
Long-term liabilities & provisions						
Provision for employee severance indemnity	2,897		2,866		2,764	
Other provisions	0		657		200	
Total long-term liabilities and provisions	2,897	4.8%	3,523	6.3%	2,964	.,6%
Financial position						
Cash, banks and securities	(29,493)		(1,383)		(2,092)	
Debts due to banks	14,248		19,011		17,771	
Debts due to holding company	0		500		1,001	
Credits due from holding company	(188)		0		0	
Medium/long-term financing	969		969		969	
Net financial position	(14,463)	-24.2%	19,097	33.9%	17,649	33.2%
Shareholders' equity						
Share capital	39,887		28,500		28,500	
Reserves	30,564		4,097		3,883	
Net profit	881		1,088		214	
Total shareholders' equity	71,332	119.4%	33,685	59.8%	32,597	61.3%
TOTAL OWN & MINORITY FUNDS	59,766	100.0%	56,305	100.0%	53,210	100.0%

(thousands of euro)	Dec. 31 2000		Jun. 30 2000		Dec. 31 1999	
Non-current assets						
Technical fixed assets	12,427		11,300		10,368	
Intangible fixed assets	2,546		1,089		1,046	
Shareholdings and securities	17,336		17,336		17,336	
Total non-current assets	32,309	103.1%	29,724	102.2%	28,750	104.6%
Current assets						
Trade receivables	9,094		7,129		7,538	
Inventories	1,497		1,288		1,072	
Accrued income & prepaid expenses	365		291		191	
Other current assets	5,958		8,000		5,119	
Trade payables	(13,697)		(10,416)		(9,932)	
Other payables	(3,542)		(204)		(539)	
Accrued expenses & deferred income	(381)		(950)		(246)	
Tax liabilities	(737)		(5,782)		(4,474)	
Net current assets	(1,442)	-4.7%	(645)	-2.2%	(1,269)	-4.6%
TOTALE FUNDS EMPLOYED	30,866	100.0%	29,080	100.0%	27,481	100.0%
Long-term liabilities & provisions						
Provision for employee severance indemnity	1,496		1,480		1,427	
Other provisions	0		339		103	
Total long-term liabilities and provisions	1,496	4.8%	1,819	6.3%	1,531	5.6%
Financial position						
Cash, banks and securities	(15,232)		(714)		(1,080)	
Indebtedness with banks	7,359		9,819		9,178	
Payables to holding company	0		258		517	
Receivables from holding company	(97)		0		0	
Medium/long-term financing	501		501		501	
Net financial position	(7,470)	-24.2%	9,863	33.9%	9,115	33.2%
Shareholders' equity						
Share capital	20,600		14,719		14,719	
Reserves	15,785		2,116		2,005	
Net profit	455		562		111	
Total shareholders' equity	36,840	119.4%	17,397	59.8%	16,835	61.3%
TOTAL OWN & MINORITY FUNDS	30,866	100.0%	29,080	100.0%	27,481	100.0%

**Financial
report**

(millions of lire)	Dec. 31 2000	Dec. 31 1999
CASH FLOW GENERATED BY OPERATIONS		
Profit (loss) for the period (A)	881	214
<i>Adjustments for items not affecting cash flow</i>		
Amortisation and depreciation	3,896	3,247
Allocations to employee severance indemnity less amount paid out	133	222
Allocations (utilisation) of provisions for risks and charges	(200)	200
<i>Total adjustments for items not affecting cash flow (B)</i>	<i>3,829</i>	<i>3,669</i>
<i>Changes in current assets and liabilities</i>		
Net trade and other accounts receivable	(3,082)	(3,049)
Inventories	(824)	554
Accrued income & prepaid expenses	(335)	150
Trade payables	7,474	4,256
Other accounts payable	5,610	(4,940)
Prepaid expenses and deferred income	262	73
Tax liabilities	(7,236)	4,309
<i>Total changes in current assets and liabilities (C)</i>	<i>1,869</i>	<i>1,353</i>
Total cash flow generated by operations (A+B+C)	6,579	5,236
CASH FLOW GENERATED BY INVESTMENT ACTIVITY		
Net purchase of technical fixed assets	(7,290)	(5,741)
Financial investments	0	(32,056)
(Increases) decreases in intangible fixed assets	(3,498)	(1,883)
Total cash flow generated by investment activity	(10,788)	(39,680)
CASH FLOW GENERATED BY FINANCIAL ACTIVITY		
Changes in medium/long-term financial debt	(2,039)	5,494
Changes in accounts payable to holding company	(1,001)	1,001
Changes in accounts payable to subsidiary companies	21	2
Changes in accounts receivable from holding company	(188)	93
Changes in accounts receivable from subsidiary companies	(1,553)	(173)
Dividends paid		(800)
Reduction (increase) in other fixed asset activity	(12,648)	
Increase in share capital	37,854	27,000
Total cash flow generated by financial activity	20,446	32,617
Increase (decrease) in cash and bank accounts	16,237	(1,827)
CASH AND BANKS AT BEGINNING OF FINANCIAL YEAR	(1,922)	(95)
CASH AND BANKS AT END OF FINANCIAL YEAR	14,315	(1,922)
<i>(excluding short-term payables for mortgages and financing)</i>		

(thousands of euro)	Dec. 31 2000	Dec. 31 1999
CASH FLOW GENERATED BY OPERATIONS		
Profit (loss) for the period (A)	455	111
<i>Adjustments for items not affecting cash flow</i>		
Amortisation and depreciation	2,012	1,677
Allocations to employee severance indemnity less amount paid out	69	115
Allocations (utilisation) of provisions for risks and charges	(103)	103
<i>Total adjustments for items not affecting cash flow (B)</i>	<i>1,978</i>	<i>1,895</i>
<i>Changes in current assets and liabilities</i>		
Net trade and other accounts receivable	(1,592)	(1,575)
Inventories	(426)	286
Accrued income & prepaid expenses	(173)	77
Trade payables	3,860	2,198
Other accounts payable	2,897	(2,551)
Prepaid expenses and deferred income	135	38
Tax liabilities	(3,737)	2,225
<i>Total changes in current assets and liabilities (C)</i>	<i>965</i>	<i>699</i>
Total cash flow generated by operations (A+B+C)	3,398	2,704
CASH FLOW GENERATED BY INVESTMENT ACTIVITY		
Net purchase of technical fixed assets	(3,765)	(2,965)
Financial investments	0	(16,556)
(Increases) decreases in intangible fixed assets	(1,807)	(972)
Total cash flow generated by investment activity	(5,572)	(20,493)
CASH FLOW GENERATED BY FINANCIAL ACTIVITY		
Changes in medium/long-term financial debt	(1,053)	2,837
Changes in accounts payable to holding company	(517)	517
Changes in accounts payable to subsidiary companies	11	1
Changes in accounts receivable from holding company	(97)	48
Changes in accounts receivable from subsidiary companies	(802)	(89)
Dividends paid		(413)
Reduction (increase) in other fixed asset activity	(6,532)	0
Increase in share capital	19,550	13,944
Total cash flow generated by financial activity	10,560	16,845
Increase (decrease) in cash and bank accounts	8,386	(943)
CASH AND BANKS AT BEGINNING OF FINANCIAL YEAR	(992)	(49)
CASH AND BANKS AT END OF FINANCIAL YEAR	7,393	(992)
<i>(excluding short-term payables for mortgages and financing)</i>		

**Financial
management**

Financial situation

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

(millions of lire)	Dec. 31 2000	Dec. 31 1999
Net non-current assets	62,559	55,668
Shareholders' equity	71,332	32,597
Net financial position	14,276	(17,649)
Shareholders' equity / Net non-current assets	114.02%	58.56%

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

The main capital expenditures were for plant and machinery (for 7,475 million lire), while the net financial position at year-end was positive as opposed to negative at the end of the previous year. This substantial improvement was due to liquidity generated as a result of the share listing on the Italian Telematic Stock Exchange (shares were listed starting November 3 2000). These resources, temporarily invested in securities not considered as financial fixed assets, will be utilised by the Company as it pursues its planned acquisition policy over the coming years.

The Company also made early repayment in full of a loan granted by San Paolo IMI as already mentioned on page 26 of the notes.

The Company's total net financial position is illustrated in the following table.

(millions of lire)	Dec. 31 2000	Dec. 31 1999
Cash, banks and securities	29,493	2,092
Indebtedness with banks	(14,248)	(17,771)
Indebtedness with holding company	0	(1,001)
Indebtedness with other sources of financing	(969)	(969)
Net financial position	14,276	(17,649)

As already mentioned on page 26 of the notes, the Company obtained two loans - 3 billion lire from Banca di Roma and 4 billion lire from Banca Commerciale Italiana - without the need to provide guarantees or mortgages.

Trend for net working capital

The table below summarises the trend for net working capital

(millions of lire)	Dec. 31 2000	Dec. 31 1999
Trade receivables	17,608	14,596
Inventories	2,899	2,075
Accrued income and prepaid expenses	707	370
Other current assets	11,533	9,913
Trade payables	(26,521)	(19,231)
Other payables	(6,857)	(1,043)
Accrued expenses and deferred income	(737)	(475)
Tax liabilities	(1,426)	(8,663)
Net working capital	(2,793)	(2,458)

Working capital at December 31 2000 shows a decrease of 335 million lire compared with the situation at December 31 1999. There was a considerable increase in trade payables that was largely due to capital expenditure for machinery, which for 2000 amounted to 7,475 million lire (see details on page 16 of the notes), whereas trade receivables also rose, in part as a result of the higher turnover recorded for the year. The increase in accrued revenues reflects interest due but not paid on securities and bank deposits. Accrued liabilities reflect interest due on overdrafts, charged during 2001 but referring to financial year 2000.

The changes in tax liabilities and other accounts payable are the result of a reclassification of entries made in past years for the EEC supplementary dairy campaign charge (details are given on page 27 of the notes). Other accounts payable also include amounts due but not yet paid to large-scale distribution outlets for promotional campaign incentives.

Cash flow trend

(millions of lire)	Dec. 31 2000	Dec. 31 1999
Cash flow generated by operations	6,579	5,236
Cash flow from investment activities	(10,788)	(39,680)
Cash flow from financial activities	20,446	32,617
Cash flow for the period	16,237	(1,827)

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

**Main
financial
data**

FINANCIAL DATA				
(millions of lire)	Dec. 31 2000		Dec. 31 1999	
REVENUES	85,171	100.0%	77,511	100.0%
of which from product sales	84,087	98.7%	76,788	99.1%
ADDED VALUE	14,816	17.4%	14,057	18.1%
GROSS OPERATING MARGIN (EBITDA)	6,327	7.4%	5,770	7.4%
OPERATING MARGIN (EBIT)	2,322	2.7%	2,440	3.1%
PRE-TAX PROFIT	1,740	2.0%	998	1.3%
NET PROFIT (LOSS)	881	1.0%	214	0.3%
BALANCE SHEET AND FINANCIAL DATA				
(millions of lire)	Dec. 31 2000		Dec. 31 1999	
TOTAL ASSETS	124,989		84,713	
TOTAL FUNDS EMPLOYED	59,766		53,210	
SHAREHOLDERS' EQUITY	71,332		32,597	
NET FINANCIAL INDEBTEDNESS	14,276		(17,649)	
CASH FLOW (profit+amortisation+depreciation)	4,776		3,461	
FINANCIAL INDICATORS				
	Dec. 31 2000		Dec. 31 1999	
RETURN ON INVESTMENT (ROI)	3.8%		4.6%	
RETURN ON EQUITY (ROE)	1.2%		0.7%	
RETURN ON SALES (ROS)	2.8%		3.2%	
FINANCIAL INDEPENDENCE INDEX	57.0%		38.5%	
ACCOUNTS RECEIVABLE TURNOVER	76		69	
INVENTORY TURNOVER	20		16	
Workforce (average for year)	106		107	
REVENUE PER EMPLOYEE (millions of lire)	793		718	
OPERATING PROFIT PER EMPLOYEE (millions of lire)	22		23	

FINANCIAL DATA				
(thousands of euro)	Dec. 31 2000		Dec. 31 1999	
REVENUES	43,987	100.0%	40,031	/12/
of which from product sales	43,428	98.7%	39,658	99.1%
ADDED VALUE	7,652	17.4%	7,260	18.1%
GROSS OPERATING MARGIN (EBITDA)	3,268	7.4%	2,980	7.4%
OPERATING MARGIN (EBIT)	1,199	2.7%	1,260	3.1%
PRE-TAX PROFIT	898	2.0%	515	1.3%
NET PROFIT (LOSS)	455	1.0%	111	0.3%
BALANCE SHEET AND FINANCIAL DATA				
(millions of lire)	Dec. 31 2000		Dec. 31 1999	
TOTAL ASSETS	64,551		43,751	
TOTAL FUNDS EMPLOYED	30,866		27,481	
SHAREHOLDERS' EQUITY	36,840		16,835	
NET FINANCIAL INDEBTEDNESS	7,373		(9,115)	
CASH FLOW (profit+amortisation+depreciation)	2,467		1,787	
FINANCIAL INDICATORS				
	Dec. 31 2000		Dec. 31 1999	
RETURN ON INVESTMENT (ROI)	3.8%		4.6%	
RETURN ON EQUITY (ROE)	1.2%		0.7%	
RETURN ON SALES (ROS)	2.8%		3.2%	
FINANCIAL INDEPENDENCE INDEX	57.0%		38.5%	
ACCOUNTS RECEIVABLE TURNOVER	76		69	
INVENTORY TURNOVER	20		16	
Workforce (average for year)	106		107	
REVENUE PER EMPLOYEE (thousands of euro)	410		371	
OPERATING PROFIT PER EMPLOYEE (thousands of euro)	11		12	

Company 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.

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

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

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

**Significant
facts
occurring
after the end
of the
financial
year**

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

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

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

Instead in the month of January 2001 the Company acquired a 40% holding in Frascheri S.p.A., a company headquartered in Bardineto (Savona) with warehouse facilities in Borghetto S. Spirito and Imperia. The operation involved a purchase of shares and a reserved increase in share capital for a total payment of 3,592 million lire.

This has therefore marked the beginning of the Company's planned expansion with a presence of its products and trademark in the western area of Liguria and bordering areas of southern Piedmont. Cooperation with Frascheri S.p.A. will also lead to optimisation of production and improved margins of efficiency and profitability.

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

Conclusions

To the shareholders,

we would ask you to approve the financial statements at December 31 2000, the relevant notes and this report, apportioning the net profit of 880,818,893 lire as follows:

- | | |
|--|------------------|
| - 5% to the Legal Reserve | Lire 44,040,945 |
| - to the Extraordinary Reserve | Lire 255,896,948 |
| - Dividend of 0.03 euro per share for
10,000,000 shares, equal to 300,000 euro
to be paid on May 24 2001 | Lire 580,881,000 |

**Chairman of the Board of Directors
Luigi LUZZATI**