Consolidated Financial Statements as at 31 December 1999

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Consolidated financial statements as at 31 December 1999

Balance sheet - Assets

(in millions of Lire)	*31.12.1999*	*31.12.1998*
B) Fixed assets		
I. Intangible		
1) Formation and start-up costs	18,494	17,420
2) Cost of research, development and advertising	3,767	5,859
3) Cost of industrial patents and rights for the use intellectual property	2,681	670
4) Concessions, licences and brand names	60,566	8,435
5) Goodwill	13,667	3,710
5 bis) Consolidation differences	121,286	148,982
6) Intangible fixed assets under development and advances	4,137	4,984
7) Other intangible fixed assets	28,451	28,453
	253,049	218,513
II. Tangible		
1) Land and buildings	435,910	270,189
2) Plant and machinery	256,802	164,297
3) Industrial and commercial equipment	10,105	7,658
4) Other tangible fixed assets	26,416	21,978
5) Tangible fixed assets under development and advances	28,166	178,177
	757,399	642,299
III. Financial		
1) Stockholdings in		
a) subsidiaries	52,313	20,210
b) associated companies	4,859	16,393
d) other companies	6,915	6,610
	64,087	43,213
2) Loans		
a) to subsidiaries		
- within 12 months	1,468	
- over 12 months	870	1,621
b) to associated companies		
- within 12 months	9	9
d) to others		
- within 12 months	1,930	1,528
- over 12 months	27,219	25,915
	31,496	29,073
3) Other securities	2,165	41,036
4) Treasury stock		6,180
	97,748	119,502
Total fixed assets (B)	1,108,196	980,314

	31.12.1999	31.12.1998
C) Current assets		
I. Inventories		
1) Raw materials, supplies and consumables	24,240	18,192
2) Products in progress and semi-finished products	12,505	10,048
4) Finished products and goods purchased for resale	296,110	245,357
5) Advances	1,268	350
	334,123	273,947
II. Receivables		
1) Trade receivables		
- within 12 months	382,126	293,111
- over 12 months	912	5,253
	383,038	298,364
2) From subsidiaries		
- within 12 months	4,543	13,221
3) From associated companies		
- within 12 months	15,955	3,079
5) From others		
- within 12 months	103,500	127,722
- over 12 months	11,402	7,516
	114,902	135,238
	518,438	449,902
III. Financial current assets		
4) Other stockholdings	106	577
5) Treasury stock (total nominal value at 31.12.1999 Lire 1,297,000,000)	5,306	
6) Other securities	209	3,050
	5,621	3,627
IV. Cash and cash equivalents		
1) Bank and post office accounts	58,456	100,691
2) Cheques on hand	1,625	823
3) Cash on hand	1,741	1,243
	61,822	102,757
Total current assets (C)	920,004	830,233
D) Accrued income and prepaid expenses		
- miscellaneous	4,874	6,662
Total accrued income and prepaid expenses (D)	4,874	6,662
Total assets (A+B+C+D)	2,033,074	1,817,209

Consolidated financial statements as at 31 December 1999

Balance sheet - Net equity and liabilities

(in millions of Lire)	*31.12.1999*	*31.12.1998*
A) Net equity		
I. Capital stock	140,620	140,620
II. Share premium reserve	208,543	210,746
IV. Legal reserve	5,833	3,804
V. Reserve for treasury stock	5,306	6,180
VII. Other reserves		
Consolidation reserve	6,623	9,364
Others	3,071	
VIII. *Profit (loss) brought-forward*	(669)	(27,473)
IX. Group's share of profit (loss) for the year	30,024	24,339
Total Group net equity	399,351	367,580
Minority interest in net equity	2,741	13,295
Minority's share of profit (loss) for the year	157	(112)
Total minority interests	2,898	13,183
Total net equity (A)	402,249	380,763
B) Provision for liabilities and charges		
1) Provision for severance indemnities	1,877	1,673
2) Provision for taxation	11,695	1,214
3) Other	9,477	5,472
Total provision for liabilities and charges (B)	23,049	8,359
C) Staff severance indemnities	52,462	45,633
D) Payables		
1) Bonds		
- within 12 months		3,300
- over 12 months	274,853	250,000
	274,853	253,300
3) Bank loans and overdrafts		
- within 12 months	263,016	377,116
- over 12 months	341,780	172,766
	604,796	549,882
4) Payables to other financial institutions		
- within 12 months	73,913	116,087
- over 12 months	10,037	15,521
	83,950	131,608
5) Advances		
- within 12 months	338	
6) Trade payables		
- within 12 months	430,218	334,844
- over 12 months	2,870	
	433,088	334,844

(in millions of Lire)	31.12.1999	31.12.1998
7) Notes payable		
- within 12 months	1,137	1,000
8) Payables to subsidiaries		
- within 12 months	45,985	2,344
9) Payables to associated companies		
- within 12 months	281	1,107
11) Tax payables		
- within 12 months	21,475	16,900
- over 12 months		2
	21,475	16,902
12) Payables to pension and social security institutions		
- within 12 months	8,647	7,432
13) Other payables		
- within 12 months	66,552	57,182
- over 12 months	1,756	3,747
	68,308	60,929
Total payables (D)	1,542,858	1,359,348
E) Accrued expenses and deferred income		
- miscellaneous	12,456	23,106
Total accrued expenses and deferred income (E)	12,456	23,106
Total liabilities (A + B + C + D + E)	2,033,074	1,817,209

Consolidated financial statements as at 31 December 1999

Memorandum accounts

(in millions of Lire)	*31.12.1999*	*31.12.1998*
1) Real guarantees - sureties		
- subsidiaries	762,075	717,496
- associated companies		1
- affiliated companies	7,602	41,119
- other companies	86,419	173,303
	856,096	931,919
2) Real guarantees - letters of comfort		
- subsidiaries	96,662	115,262
- affiliated companies	500	7,700
- other companies		4,400
	97,162	127,362
3) Indirect guarantees - credit mandates		
- subsidiaries	232,890	95,990
- affiliated companies		10,500
- other companies		8,500
	232,890	114,990
4) Secured guarantees - pledges		
- subsidiaries		2,850
- other companies		5,360
		8,210
5) Other risk and commitments	24,065	29,722
Total memorandum accounts	1,210,213	1,212,203

Consolidated financial statements as at 31 December 1999

Statement of income

(in millions of Lire)	*31.12.1999*	*31.12.1998*
A) Value of production		
1) Revenues from sales and services	2,496,196	1,970,891
2) Changes in inventories of products in progress semi-finished and finished	197,015	17,158
4) Increase in fixed assets produced internally	21,252	15,467
5) Other revenues and income		
- miscellaneous	26,003	31,469
- subsidies	742	1,026
Total value of production (A)	2,741,208	2,036,011
B) Cost of production		
6) For raw materials, supplies, consumables and goods purchased for resale	1,963,993	1,382,262
7) For services	347,927	276,131
8) For the use of third party assets	29,745	22,911
9) For personnel		
a) Salaries and wages	149,147	123,520
b) Social security costs	50,597	42,937
c) Staff severance indemnities	11,302	9,207
d) Other severance indemnities	61	
e) Other costs	749	2,687
	211,856	178,351
10) Amortization and write-downs		
a) Amortization of intangible fixed assets	27,617	17,321
b) Amortization of tangible fixed assets	51,146	42,777
d) Provision for bad debts and write-downs of other current assets	9,567	9,382
	88,330	69,480
11) Changes in inventories of raw materials, supplies, consumables and goods purchased for resale	(25,424)	(20,470)
12) Provision for risks	5,222	2,967
13) Other provisions	272	126
14) Sundry administration costs	26,855	25,856
Total costs of production (B)	2,648,776	1,937,614
Difference between value and costs of production (A-B)	92,432	98,397
C) Financial income and expense		
15) Income from stockholdings		
- from subsidiaries	6,397	8,629
- from associated companies	21,501	400
- others	75	259
	27,973	9,288

	31.12.1999	31.12.1998
16) Other financial income		
a) from fixed loans		
- from subsidiaries	43	33
- others	428	1,432
	471	1,465
b) from fixed securities other than stockholdings	333	5,420
c) from current securities other than stockholdings	582	956
d) income other than described above		
- from subsidiaries	31	854
- from associated companies	67	
- others	15,127	27,470
	15,225	28,324
	16,611	36,165
17) Interest and other financial costs		
- paid to subsidiaries	(45)	(9)
- paid to associated companies		(15)
- others	(55,976)	(94,534)
	(56,021)	(94,558)
Total financial income and expense (C)	(11,437)	(49,105)
D) Adjustments to the value of financial assets		
18) Write-ups		
a) of stockholdings		262
19) Write-downs		
a) of stockholdings	(1,181)	(461)
b) of financial fixed assets other than stockholdings	(417)	(899)
c) of current securities other than stockholdings	(931)	
	(2,529)	(1,360)
Total adjustments to the value of financial assets (D)	(2,529)	(1,098)
E) Extraordinary income and expense		
20) Income		
- surplus on sales	6,956	3,722
- miscellaneous	6,424	5,572
	13,380	9,294
21) Expense		
- loss on sales	(258)	(588)
- taxation relating to preceding financial years	(280)	(10)
- miscellaneous	(12,481)	(9,779)
	(13,019)	(10,377)
Total extraordinary items (E)	361	(1,083)
Profit before taxation (A-B+C+D+E)	78,827	47,111
22) Taxation on the profit for the year	(48,646)	(22,884)
26) Net profit for the year		
- Profit (loss) for the year	30,181	24,227
- Minority's share of (profit) loss	(157)	112
Group's share of profit (loss)	30,024	24,339

Notes to the consolidated financial statements

The structure and contents of the consolidated financial statements

The consolidated financial statements for the year 1st January 1999 – 31 December 1999 have been prepared in conformity with the requirements of Decree no. 127/1991, integrated and interpreted on the basis of the accounting principles recommended by the Commission of Accounting Principles of the National Board of "Dottori Commercialisti and Ragionieri" (Tax Advisers, Auditors and Accountants). These principles have been applied to the financial statements as at 31 December 1999 of the Parent Company as well as those of the subsidiary companies included within the scope of the consolidation. The financial statements of the subsidiaries have been reclassified and, if necessary, modified and altered to conform to the accounting principles of the Group and to remove fiscal classifications.

The notes to the consolidated financial statements provide the illustrations, analyses and in some cases, interpretations of the content of the consolidated financial statements and contain the information required by Article 38 of Decree no.127/1991. Moreover, all the complementary information, considered necessary to give a true and fair view of the consolidated financial statements, has been provided even if not required by a specific provision of the law.

The consolidated financial statements as at 31 December 1999 show the information from the preceding year for comparative purposes.

The criteria and method of consolidation

The consolidated financial statements have been prepared using the global integration (line-by-line) method, which consists of aggregating all the assets and liabilities of the Parent Company with those of the consolidated subsidiaries.

The principal consolidation criteria adopted for the application of this method are the following:

- The carrying value of all of the consolidated subsidiaries was eliminated against the relative net equity at the time of the first consolidation (the 1994 financial year) if these existed at that time, or at the time of acquisition if the subsidiary was purchased after 31 December 1994. The resulting negative differences have been charged to a "consolidation reserve". The positive differences have been charged to the consolidated financial statements and, where possible, to the asset element of the relevant company included in the consolidation, or deducted, in the case where the company's activities are such that the goodwill paid would be not be justified by future profitability, from the consolidation reserve. The resulting residual difference is shown under assets as "Consolidation difference". This consolidation difference, with the consent of the Statutory Auditors, is amortized using the straight-line method over a period of between 5 to 25 years (commencing from 1999 the period of amortization does not exceed 20 years), because it is considered reasonable that there will be both future profitability in the sector in which each of the subsidiaries operates, and that they will continue to have a strategic value within the Group. In determining the period of amortization, in particular with regard to the restaurant activities sector, the duration of rental or concession contracts is taken into account. In addition, in view of the extraordinary transactions which took place during the year, and the valuation of the surpluses arising from them, the residual life of the consolidation differences have been, in some cases, re-determined.

- The profits (or losses) arising after the first consolidation were charged in the consolidated balance sheet under the heading "Profits (losses) carried-forward".

- The reciprocal debits or credits and costs or income between consolidated companies, together with the effects of all material transactions, have been eliminated.

- The net equity and minority interests are shown separately under net equity in the consolidated balance sheet, and in the statement of income.

The financial statements of the foreign subsidiaries Cremonini Finance plc and Buona Italia Alimentos ltda were translated into Italian Lire at: the current rate of exchange in effect at the date of the financial statements for current assets and liabilities, and at the historic rate of exchange for net equity and fixed assets and liabilities. The income statement was translated using the average exchange rate for the year. The financial statements of CE France s.a r.l. were translated at the fixed exchange rate for the French Franc as at 31 December 1998.

The scope of the consolidation

The consolidated financial statements as at 31 December 1999 include those of the Parent Company, Cremonini s.p.a., and its subsidiaries (controlled directly, or indirectly, at that date) as provided by Article 2359 of the Civil Code.

A complete list of the companies consolidated as at 31 December 1999, together with the consolidation adjustments with respect to those for the year ended as at 31 December 1998, is attached in Exhibits 5 and 6.

Subsidiaries in liquidation, or otherwise inactive, have been excluded from the scope of the consolidation as the value of their financial statements is individually and collectively immaterial. In particular, the consolidated financial statements as at 31 December 1999 exclude the following subsidiaries:

Cogea Sud s.r.l.
Inalca Fleischhandel Gmbh
Inalca Hellas E.p.e.
Inalca Pol. Spolka. Zoo. in liquidation
Perutnina Marr Yutali s.r.l.
Taormina Catering s.r.l. in liquidation
Pianeta Italia s.r.l.
S.A.M. s.r.l.
Sara s.r.l.
SGD s.r.l.
Fe.Ber. Carni s.r.l.
Gepar ltd in liquidation
Fernie s.r.l. in liquidation
Inalca Angola ltda
Cremonini Restauration s.a.s.
Ge.Mark International D.O.O.
Quality & Service s.r.l.

The stockholding in these companies were valued at cost, with the exception of the stockholding in Fe.Ber Carni s.r.l. and in Gepar ltd, in liquidation, which were consolidated using the net equity method.

The principal changes to the scope of the consolidation in 1999 stem, in part, from the significant corporate and industrial reorganization, which took place during the course of the year and were as follows:

- With effect from 1 September 1999 In.Al.Ca. s.p.a. conferred to Ultrocchi Carni s.p.a. all its beef division slaughtering and processing activities after acquiring 100% control of the latter company by buying the remaining 22.21% of the share capital from third parties. With reference to the acquisition of the Ultrocchi Carni s.p.a.'s shares and the effect of the opening of the new factory at Ospedaletto Lodigiano, the production unit at Santo Stefano Ticino was closed and this was spun-off. The company resulting from the spin-off was then sold to third parties for a surplus equal to Lire 6,396 million. In.Al.Ca then changed its name to Castelvetro s.p.a. while Ultrocchi became Inalca s.p.a.. Castelvetro s.p.a. was merged within Cremonini s.p.a. with accounting and fiscal effect from 1 January 1999. The balance sheet effect of the In.Al.Ca.-Ultrocchi conferment, which took place in the context of a corporate restructuring and territorial replacement of some meat sector activities and the reorganization of this sector, including the closure and transfer to other activities of some plant, with relevant effect on the nature and focus of the business, was maintained. The surplus realized from the conferment of Lire 5,763 million was reclassified in the consolidated financial statements, net of the fiscal effects, in consolidated net equity.

- In the second half of 1999 Cremonini s.p.a. acquired, from the Fiorani brothers, 100% of Guardamiglio Carni s.p.a. (that held a majority interest in Baldi Carni s.r.l.) and Ge.Mark s.r.l.. As stated in Directors' Report the acquisition of these companies was strategic for the beef sector, as they integrated perfectly with the reorganization plans for that division of the Cremonini Group. In accordance with the contractual arrangements and the operative plans for the integration of Guardamiglio and Ge.Mark, already commenced during the course of the first half of 1999, these companies were consolidated for the entire financial year, with the profits of these companies for the first half of the year, totalling Lire 217 million, being adjusted by creating an extraordinary expense of this amount.
- The exclusion from the scope of the consolidation of Gepar ltd in liquidation. This subsidiary sold the shares it held in Marr s.p.a. to Grex s.r.l. during the course of the year, consequently the directors decided to place the company in voluntary liquidation in September 1999, and this is still in progress.
- The consolidation using the line-by-line (global integration) method of Volo Nedda Buffet Stazione Brescia s.r.l., Buffet Stazione Belluno s.r.l. and Gestione Buffet Stazione FF.SS. di Vallini e Leinati s.r.l., companies running buffets at Italian State Railways stations respectively at Brescia, Belluno and Novara, which previously were valued at cost.
- The consolidation using the line-by-line method of Multiservice s.p.a., which produces bread rolls and snacks destined for the fast food market, and Consorzio Centro Commerciale Ingrosso Carni s.r.l., a property company, previously valued at cost. In addition, during the financial year, Cremonini s.p.a. sold its holding in Multiservice s.p.a. to Corte Buona s.p.a. that, also during the course of 1999, acquired the remaining 18% that belonged to an affiliated company at 31 December 1998.
- The consolidation of Buona Italia Alimentos ltda, a South American company making and marketing cured meats, that was not in operation at 31 December 1998.
- The consolidation using the line-by-line method of CE France s.a r.l., involved in logistical services at the Paris station Gare de Lyon, of which company 26% was sold to third parties during the course of the year.
- The consolidation of Copea s.r.l. and Venturi Alfredo s.r.l., operating in the sector of food distribution, acquired from Marr s.p.a. during the course of the year, and S.I.T.A.L. s.r.l., that runs the bar-buffet at Alessandria railway station, acquired from the Parent Company during the financial year.
- The consolidation of Sanremomare S.r.l., formed on 13 May 1999 by Marr s.p.a. for distribution to the catering sector in Liguria and the Côte d'Azur, which acquired this branch of the business from the third party company, Sanremo Mare s.p.a..

The Group's reorganization process also involved a number of other operations that did not have any effect on the scope of the consolidation, as follows:

- during the course of 1999 the controlling interest in Carnemilia s.r.l., which also changed its name to Ges.Car. s.r.l., was transferred at carrying value from Castelvetro s.p.a. to Inalca s.p.a.;
- the purchase of share capital, to achieve a full 100% holding, of the subsidiary Marr s.p.a. that was about 99.89% owned at 31 December 1998; Grex s.r.l., which during the course of the year acquired the shares in Marr held by the Parent Company and Gepar ltd, merged with Marr s.p.a. and simultaneously changed its name to Marr s.p.a. with accounting and fiscal effect from 1 January 1999;
- Azienda Agricola Corticella s.r.l. merged with its subsidiary Azienda Agricola Pro.Mo.Zoo. s.r.l., with accounting and fiscal effect from 1 January 1999;
- The Parent Company, Cremonini s.p.a., in addition to the sale of Multiservice s.p.a. to Corte Buona s.p.a. previously mentioned, sold Islandia s.p.a. to Marr s.p.a. for the purpose of achieving improved efficiency of management in these companies with similar businesses;
- during the course of the financial year Marr s.p.a. also acquired 100% control of the property company Romagna Centro Gross s.r.l..

In the process of consolidating Adria Food S.r.l., in which company the Group held about 94.09% of the share capital at 31 December 1999, the options exercisable before 10 January 2001 for the residual balance of 5.91%, have been taken into account. As these options are held by Marr s.p.a. itself, Marr's directors have already confirmed their willingness to complete the transaction to acquire the voting rights for, and thereby attaining the full benefits of, 100% of the capital stock of Adria Food within the time provided for by the contract.

Accounting principles

The principles used in preparing the consolidated financial statements as at 31 December 1999 were the same as those used for the consolidated financial statements of the previous year.

The more significant valuation criteria utilized in the preparation of the consolidated financial statements and, where necessary, in restating the financial statements of each consolidated subsidiary are as follows.

Intangible fixed assets

Intangible fixed assets are recorded at appraised merged value, or at their purchase or production cost, inclusive of incidental expenses, and amortized over the period of their expected future use.

Formation and start-up costs that are carried-forward over several years are recorded under assets with the approval of the Statutory Auditors, and are amortized over 5 years.

Industrial patent rights and the rights to use intellectual property, principally representing software costs, are amortized over a period of 3 years.

Licences, concessions, brand names and similar rights are amortized over periods varying from five to twenty years or, in some cases, over the duration of the relevant contract.

The goodwill purchased for value, or that arising from the mergers carried out in the previous financial year, has been included as an intangible fixed asset and, with the consensus of the Statutory Auditors, amortized on the basis of its useful life, estimated to be a period of between 5 to 20 years. In fact, considering the nature of restaurant services in station buffets, to which the goodwill principally refers, their strategic worth and past experience indicates a suitable period of amortization, according to the particular activity acquired, to be over 5 years. In particular the amortization of goodwill paid for station buffets purchased is calculated according to the estimated duration of the concession contract.

Consolidation differences are amortized as previously specified. With reference to the 1999 financial year, a part of the consolidation difference, attributable to the acquisition of Marr s.p.a., was reclassified to brand names in order to also reflect in the consolidated financial statements the effects arising from the intra-Group merger of Grex-Marr. For the same reason, the residual life of the value of the consolidation difference, including the part not reallocated to brands, was reduced to a period of 20 years. The residual life of the consolidation difference relating to beef sector companies was also reduced to 20 years to reflect the considerations arising from the conferment of the business branch of Castelvetro s.p.a..

The costs of research and development and advertising are, with the approval of the Statutory Auditors, amortized over periods not exceeding five years.

Intangible fixed assets include the costs relating to the Stock Market flotation, amortized over five years. The criteria adopted differ from that used by the Parent Company in as much as, based on the principles of the Group, the amortization of start-up and expansion expenses commences from the moment from which the benefits of these costs are enjoyed.

Other intangible fixed assets include the costs of the securitization and Eurobond issue, amortized on the basis of the duration of the transactions to which they refer (8 years and 5 years, respectively). Leasehold improvements are amortized at rates commensurate with the duration of each contract.

Tangible fixed assets

Tangible fixed assets are recorded at their appraised merged value or at purchase or production cost, adjusted in relation to their corresponding provisions for amortization. Recorded costs also include incidental expenses, and direct and indirect costs, which are considered as directly attributable to the assets. Using the same criteria cost includes the financial costs incurred on loans to purchase these assets, until they are brought into use. As previously stated tangible fixed assets conferred to Inalca s.p.a., in the context of the corporate and industrial restructuring of the beef sector, were valued in the consolidated financial statements, at the conferred value determined by an independent appraisal.

Some tangible fixed assets were, in previous years, written-up in accordance with the provisions of the law. The value of certain land and buildings includes, in addition, the partial allocation of surpluses paid at the time of acquisition as determined at the time of the first consolidation (1994), or at the time of acquisition if this took place subsequently. The values resulting from these write-ups do not exceed, however, their estimated realizable values.

In the statement of income, fixed assets are depreciated over the expected useful economic lives of the assets concerned, applying the principle of residual useful economic life which we believe is fairly represented by the values listed below. These values are the same as those used in the previous financial year, and are halved in the year in which the assets are recorded for the first time:

- buildings	1 - 4%
- light construction	10 %
- specific and general plant	7.5 - 20%
- industrial and commercial equipment	20 - 25%
- other fixed assets	10 - 40%

In the event that, irrespective of the amortization already recorded, there is a permanent loss in asset value, the relative asset is written-down. If, in the subsequent financial year, it is considered that the reasons for the write-down are no longer valid, then the original value is reinstated, adjusted only by the appropriate amortization.

Normal maintenance costs are debited to the statement of income. Maintenance costs that increase productivity are attributed to the assets concerned and amortized in according to their residual useful life.

Subsidies for technical fixed assets are recorded by directly reducing the investment, or in relation to the amortization of the assets to which they refer.

Financial fixed assets

Investments in non-consolidated subsidiaries (except for Fe.Ber. Carni s.r.l. and Gepar ltd in liquidation which are valued using the net equity method), in other companies, as well as other investments and treasury stock held on a long-term basis, are recorded at their purchase or subscription cost, appropriately written-up in accordance with relevant legal requirements, or written-down if there is a permanent loss in value. The original value is reinstated in the following years if it is considered that the reasons for the write-down are no longer valid.

Investments in associated companies are valued using the net equity method, unless these investments are immaterial in value, in which case they are valued as described in the previous paragraph.

Long-term receivables are recorded at estimated realizable value.

Inventories

Inventories are valued at the lower of purchase or production cost, or, as subsequently described, the estimated realizable market value. Cost is purchase cost, or cost of production including ancillary costs; the realizable market value is calculated taking into account the remaining production costs and the direct costs of sale. Obsolete or slow moving items are written-down according to the estimate of their possible use or sale.

Cost is determined as follows:

- Beef sector: individual specific production run cost or average cost of production for the period according to the degree of transformation;

- Other productive companies, restaurant and distribution divisions use the FIFO method.

Receivables

Receivables are shown at their estimated realizable value taking into account, however, both bad debts already identified and a provision for doubtful debts, estimated by considering each individual debt and past experience.

Financial current assets

Securities and other current assets are valued at the lower of cost or realizable value. Cost is purchase cost including associated expenses, using the FIFO method.

Cash and cash equivalents

Bank accounts and cash balances are shown at nominal value.

Provisions for risks and commitments

Provisions for risks and commitments are established to cover losses or other liabilities known to exist, which at the date of the financial statements cannot be precisely stated. These items are provided for in a prudent manner based on the best possible estimate of these items.

Provisions for staff severance indemnities

Provisions for staff severance indemnities are made to cover the entire commitment to date towards employees, in conformity with current legislation and the collective and corporate labour contracts and taking into consideration all forms of continuous remuneration.

The provision includes the total of all employee indemnities due at the date of the balance sheet, net of advances made. This provision is subject to indexation.

Payables

These are shown at nominal value.

Accruals and prepayments

Accruals and prepayments are accounted for according to the period to which they refer.

Commitments, guarantees and risks

Commitments and guarantees are indicated in the memorandum accounts at their contractual values.

Risks deemed certain or likely to result in financial liabilities are included in the provision for risks by amounts corresponding to best estimates of the value of these liabilities.

Contingent risks that may only eventually result in financial liabilities are described when and where appropriate in these notes and are not covered by corresponding provisions.

Recognition of costs and income

Incomes from services to third parties are recorded according to the period that these services cover and incomes of a financial nature are recorded in the period to which they refer. Costs are recorded in the period to which they refer.

Sales incomes and purchase costs are recorded on passage of ownership, generally the date of delivery.

Dividends

Dividends are accounted for when they are declared, which usually coincides with the financial period in which they are received.

Dividend tax credits are accounted for in the period in which the dividends are received.

Taxation on profits

Current taxation is based on a realist estimate of the amount payable according to the prevailing fiscal laws. The debit shown under “tax payables” is net of advances and tax credits.

Deferred taxation is based on the existing timing differences between amounts shown in the financial statements and the fiscal values (global allocation method) and the deferred tax effects of consolidation adjustments. The provision for deferred taxation is accounted for within the provision for taxation. Deferred tax credits are only accounted for when there is a reasonable certainty of recovery and are classified under other receivables or else, where possible, used to reduce the deferred taxation provision.

Foreign currency translation

Receivables and payables in foreign currency, normally part of current assets/liabilities, other than Euro area transactions and which are not covered by a forward exchange contract for exchange risk, are normally converted into Italian Lire using the rate of exchange on the date of the transaction. At the end of the financial year, outstanding assets or liabilities in foreign currencies are converted into Italian Lire at the rate applicable at balance sheet date. The differences, positive or negative, between the exchange rates at which these items were recorded and the values of these at the end of the year, is credited or charged to the statement of income.

Securitization transaction

The securitization agreement, commenced in December 1994 and renewed in July 1997 (maturing in 2004) provides for the sale, without recourse, of trade receivables of up to a maximum of Lire 210 billion in aggregate on a rolling weekly basis, (together with a stand-by facility of Lire 70 billion, not utilized during the financial year) by the subsidiaries Corte Buona s.p.a., In.Al.Ca. s.p.a. (until August 1999), Marr s.p.a. and Ultrocchi Carni s.p.a. (starting from September 1999 as Inalca s.p.a.), to the factoring company CRC s.p.a., a subsidiary of East West Holding ltd. These receivables are subsequently sold, without recourse, to Golden Castle Euro Finance ltd, a subsidiary of Royal Exchange Trust Company ltd.

Cremonini s.p.a. neither directly nor indirectly controls, either through a third party or by means of a securities company, the factoring company CRC s.p.a., or any of the aforesaid foreign companies. The role of Cremonini s.p.a. is that of mandatory for the presentation of these trade receivables on behalf of its subsidiaries, and for the encashment of the net proceeds of the sales. Cremonini s.p.a. provides services to CRC s.p.a.; that is to say, it keeps the accounting records and manages the entire transfer of receivables.

Receivables sold to CRC s.p.a. during the course of 1999 totalled about Lire 910 billion. These notes to the consolidated financial statements provide further information regarding the items resulting from these transactions.

Other information

At the reference date of these financial statements, following an enquiry initiated by the Milan Magistrates relative to an alleged corruption episode involving food products suppliers, a Director of Inalca – who was at the time of the period under investigation General Manager of a company subsequently acquired by the Group - and a manager of Marr, were subjected to restrictions on their freedom. The episodes mentioned are thought to have taken place in the early part of the nineties.
At the time of writing, neither of the persons mentioned above is any longer subject to these restrictions.

At the reference date of these financial statements, a preliminary enquiry, by the Modena Magistrates, was taking place involving the Chairman and Managing Director of Castelvetro s.p.a. (previously In.Al.Ca. s.p.a.), and some employees of that company, relating to alleged illegal acts, that happened in the period 1993 – 1995.

At the reference date of these financial statements a preliminary enquiry, by the Modena Magistrates, was taking place involving the Chairman of Cremonini s.p.a., relative to alleged false financial transactions of Alfa 95 s.p.a., in liquidation, with certain third party operators, during the period 1994 – 1995. This may have repercussions on the merged company, Castelvetro s.p.a..

These procedures are in the phase of preliminary investigation and, at today's date, no facts have arisen which could indicate that either the companies concerned, or the Group, are subject to incurring any significant liabilities.

Even if the consequential effects of the enquiries described, and the actions taking place are taken into account, the financial statements as at 31 December 1999 of the Parent Company are correct from a formal and substantial point of view and the consolidated financial statements as at 31 December 1999 provide a correct view of the Group's financial position.

Exemption in terms of the 4th paragraph of Article 2423 of the Civil Code

The exemptions provided for by the 4th paragraph of Article 2423 of the Civil Code have not been applied.

Figures expressed in the consolidated financial statements

The figures in the consolidated financial statements are all shown in millions of Lire to facilitate reading and comprehension of the results.

Subsequent events occurring after year end

The significant events, which have occurred after 31 December 1999, are detailed in the Directors' Report.

Comments on the principal items of the consolidated balance sheet

ASSETS

Fixed assets

Appropriate Exhibits are attached of the three fixed asset classes (intangible, tangible and financial) indicating for each heading the historic cost, previous provisions for depreciation and previous write-ups or write-downs. Also shown are the movements during the financial year and the final balances, as well as the total amount of revaluation (write-ups) as at the end of the year.

Intangible fixed assets

(in millions of Lire)

	31.12.1999	*31.12.1998*
Formation and start-up costs	18,494	17,420
Cost of research, development and advertising	3,767	5,859
Costs of industrial patents and rights for the use of intellectual property	2,681	670
Concessions, licenses and brand names	60,566	8,435
Goodwill	13,667	3,710
Consolidation differences	121,286	148,982
Intangible fixed assets under development and advances	4,137	4,984
Other intangible fixed assets	28,451	28,453
Total	253,049	218,513

Details of “formation and start-up costs” are as follows:

(in millions of Lire)

	31.12.1999	*31.12.1998*
Costs of altering the Articles of Association and formation costs	2,409	1,089
Expenses for the Stock Market flotation	12,939	16,238
Other minor costs	3,146	93
Total	18,494	17,420

The increase under this heading is related to the cost of the statutory and corporate modifications sustained by Group companies for the extraordinary operations commented upon in the Directors’ Report and, in part, to the start-up cost of the new Inalca factory at Ospedaletto Lodigiano.

Details of “cost of research, development and advertising” are as follows:

(in millions of Lire)

	31.12.1999	*31.12.1998*
Costs of television advertising	2,993	4,938
Other advertising, research and development costs	774	921
Total	3,767	5,859

The televisionadvertising item represents costs sustained by the subsidiary Corte Buona s.p.a., both for the 1999 and 1998 financial years. This was for a campaign to launch new products and the relative effect on sales volumes are expected in the next few years. For this reason the costs have been capitalized and amortized over 5 years in relation to the anticipated future advantages of the campaign. The decrease, other than the amortization for the period results from the conferment In.Al.Ca.-Ultrocchi.

The increase in "industrial patents and rights for the use of intellectual property" is due principally to the change in the scope of consolidation and to the costs of software and know-how, some of which has been produced internally.

The item "concessions, licences and brand names" includes, principally, brands and patents with a net value of Lire 59,569 million. This value increased over the year mainly because of the reallocation to brands of the consolidation differences (Lire 47,500 million net of the year's amortization) relative to Marr, based on the effects which this also had on its own financial statements, resulting from the merger of Marr s.p.a. with Grex s.r.l. In addition a further increase of Lire 10,941 million, net of the year's amortization, relates to the higher value attributed to the "Montana" brand, and other minor items, conferred to the new Inalca by Castelvetro s.p.a..

"Goodwill" increased during the period due principally to the effect of reclassification of "intangible fixed assets under development and advances" of the goodwill arising on the acquisition of a business from Discom s.p.a. for Lire 3,924 million at the end of 1998, but with effect from 1 January 1999. Other increases resulted from acquisitions of businesses, principally in the distribution and restaurant sectors.

The "consolidation differences" represent the excess of the expenses sustained for the acquisition of stockholdings in consolidated subsidiaries over the current net equity value at the time of the first consolidation (1994), or at the time of acquisition if this took place subsequently.

The increase for the period relates to a change in the scope of consolidation as previously commented. Details of movements in consolidation differences, for the Group's principal business sectors, are as follows:

(in millions of Lire)

	31.12.1998	*Net incr./decr.*	*Reclass.*	*Other movem.*		*Amort.*	*31.12.1999*
Restaurant activities	17,062	3,964	-	-		(1,361)	19,665
Distribution	112,119	5,289	(50,000)	11,520	(a)	(3,936)	74,992
Production – Beef	3,784	17,531	-	-		(772)	20,543
Production – Other	4,337	1,872	-	-		(275)	5,934
Other sectors	11,680	-	-	(11,520)	(a)	(8)	152
Total	148,982	28,656	(50,000)	-		(6,352)	121,286

(a) the consolidation difference shown by Gepar ltd was attributable to the stock in this company held by Marr s.p.a. Following the sale of Marr's shares to Grex s.r.l., therefore, the consolidation difference was attributed to Marr itself.

The reclassification column shows the consolidation difference relative to Marr s.p.a. which was reclassified to brands on the basis of the valuation used in its own financial statements at the time of its merger during 1999 within Grex s.r.l. (now Marr s.p.a.).

The heading "intangible fixed assets under development and advances" has decreased due principally to the reclassification to "goodwill" previously mentioned, while it has increased mainly due to the cost of plant and improvements in progress, for restructuring the sales network of Islandia s.p.a. (Lire 2,451 million).

The heading "other intangible fixed assets" includes the expenses sustained in connection with the securitization of trade receivables, expiring in 2004 (Lire 3,873 million). Also included are the expenses for the Eurbond issue by the subsidiary Cremonini Finance plc (Lire 3,410 million). The residual value, representing the increase for the period, is almost entirely comprised of improvements to assets belonging to third parties where the restaurant and distribution divisions' activities are located. These costs are amortized in equal annual instalments over the duration of the relative rental contracts.

Tangible fixed assets

(in millions of Lire)

	31.12.1999	*31.12.1998*
Land and buildings	435,910	270,189
Plant and machinery	256,802	164,297
Industrial and commercial equipment	10,105	7,658
Other tangible fixed assets	26,416	21,978
Tangible fixed assets under development and advances	28,166	178,177
Total	757,399	642,299

Please refer to the Exhibit 2 attached for details of the movements during the year.

The principal change in tangible fixed assets results from the reclassification, from tangible assets under development, of the Inalca factory at Ospedaletto Lodigiano (about Lire 166 billion), which commenced operation during the years, as well as other further costs for this factory incurred during the period (about Lire 60 billion).

It should be noted that the conferment In.Al.Ca.-Ultrocchi, resulted in the asset value increasing by about Lire 15,420 million.

The remaining increases in tangible fixed assets are for normal replacements and about Lire 61 billion arising from the change in the scope of the consolidation.

The tangible fixed assets are pledged against loans granted as follows:

(in millions of Lire)

	31.12.1999	*31.12.1998*
Inalca s.p.a.	50,000	315,000
Ultrocchi Carni s.p.a.	-	2,222
Cons. Centro Comm.le Ingrosso Carni s.r.l.	14,724	-
Ital-Ristoro s.r.l.	24,000	-
Marr s.p.a.	15,005	2,505
Ca.Ma. s.r.l .	50,000	28,800
Adria Food s.r.l.	3,100	3,100
Romagna Centro Gross s.r.l.	-	7,605
Elba Alimentari s.r.l.	-	1,863
Guardamiglio Carni s.p.a.	32,800	-
Corte Buona s.p.a.	103,434	103,434
Polis s.r.l.	20,000	20,000
Total	413,063	484,529

In addition, there are liens of Lire 75 billion over the plant and machinery of the subsidiary Inalca s.p.a..

During the year, financial costs charged to tangible fixed assets totalled Lire 7,271 million as follows:

(in millions of Lire)

	31.12.1999	*31.12.1998*
Land and buildings	7,271	619
Tangible fixed assets under development	-	9,850
Total	7,271	10,469

This represent interest on loans effectively utilized for the construction of fixed assets up to the time these assets are put into use. An amount of Lire 6,799 million relates to the Ospedaletto Lodigiano factory.

The historic cost of tangible fixed assets shown in the consolidated financial statements was written-up due to laws on inflation indexation, as follows:

(in millions of Lire)

	31.12.1999	*31.12.1998*
Land and buildings(Law 72/83, 576/75 and 413/91)	281	6,380
Plant and machinery (Law 72/83)	-	2,065
Industrial and commercial equipment (Law 72/83)	-	82
Total	281	8,527

The write-up of assets in terms of the relevant laws has been largely re-absorbed by the valuation on the appraisal basis of assets conferred to Inalca.

On consolidation the surplus arising on the elimination of stockholdings against the respective net equities was, in part, attributed to land and buildings; this was credited to buildings (about Lire 38,229 million, net of the respective amortization - Lire 30,181 million as at 31 December 1998) and Lire 10,814 million to land (Lire 10,025 million as at 31 December 1998). The increase relative to the attribution to buildings derives principally from the consolidation of Guardamiglio Carni s.p.a., Consorzio Centro Commerciale Ingrosso Carni s.r.l., Baldi Carni s.r.l. and Marr s.p.a.'s acquisition of the residual stockholding of Romagna Centro Gross s.r.l.. The attribution to land and buildings of consolidation difference increased with the consolidation of Guardamiglio Carni s.p.a. and reduced because, the effect of the merger of Az. Agr. Pro.Mo.Zoo. s.r.l. within Az. Agr. Corticella s.r.l., this was almost entirely charged within the financial statements of the latter.

Financial fixed assets

Stockholdings

The principal changes over the year are detailed in Exhibit 4 and 6. Exhibit 5 shows information required by item no. 5 of Article 2427 of the Civil Code.

The principal movements in stockholdings in subsidiary companies result from the change in the scope of consolidation and reclassification of the holding in Fernie s.r.l., in liquidation. Because of a further acquisition, control of the latter company was obtained at 31 December 1999. Further changes resulted from the write-down of holdings due to enduring losses in value of holdings in companies in liquidation, and the formation of the following:

– Inalca Angola ltda that markets Inalca's products (canned and chilled meat) in Angola;

– Cremonini Restauration s.a.s., operating in the restaurant sector in France;
– Quality & Service s.r.l., a door-to-door distribution concessionaire.

The change in value of stockholdings in associated companies was due principally to the sale of holdings in companies that were no longer considered strategic to the Group's activities. In particular the reductions arose from:
– the sale of all the stock held in Ristochef s.p.a., that generated a surplus equal to Lire 19,530 million;
– the sale of all the stock held in Ligabue Catering s.p.a., for a surplus equal to Lire 1,423 million;
– the acquisition of a stockholding in A.O. Konservni that produces canned meat in Russia. Inalca s.p.a. is the principal supplier of raw material to the latter company;
– the reclassification to subsidiaries of Fernie s.r.l., in liquidation, of which a 60% share was held at 31 December 1999.

The principal variation that took place over the year in other stockholdings represents the subscription of Lire 434 million for the increase in share capital of Emil-Ro Factor s.p.a. of which the holding at 31 December 1999 was 12.50%. The decreases represent the write-down and sale of minority stockholdings.

Receivables

Receivables from susbsidiaries

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months		
Gepar ltd in liquidation	1,368	-
Ge.Mark International D.O.O.	100	-
Total within 12 months	1,468	-
Due between 1 to 5 years		
CE France s.a r.l.	-	600
SGD s.r.l.	870	870
Buffet St. di Belluno s.r.l.	-	150
Cogea Sud s.r.l.	-	1
Total between 1 to 5 years	870	1,621
Total	2,338	1,621

These amounts, shown at nominal value, refer to interest-free financing.

The changes result exclusively from the change in the scope of the consolidation.

Other receivables

(in millions of Lire)	*31.12.1999*	*31.12.1998*
Due within 12 months		
Sundry and other loans	2,230	1,828
Provision for bad debts	(300)	(300)
Total within 12 months	1,930	1,528
Due over 12 months		
Int.-bearing loan to E.W.H.	5,500	5,500
Deposit to CRC	15,190	15,190
Due from the State Treasury	983	882
Tax credit on T.F.R.	3,652	3,593
Others	1,894	750
Total over 12 months	27,219	25,915
Total	29,149	27,443

These are recorded at estimated realizable value and include Lire 239 million for amounts due over 5 years.

The items "Interest-bearing loan to East West Holding" and "Deposit to CRC" are connected with the cession of trade receivables and these sums guarantee the securitization programme.

"Tax credits on T.F.R." are related to the tax credits introduced by Law no.140 of 28 May 1997 regarding tax withholdings from severance indemnities (T.F.R.).

Other securities

(in millions of Lire)	*31.12.1998*	*Incr./(Decr.)*	*Other mov.*	*31.12.1999*
B.N.L. bonds – 15.07.2003	38,881	(38,881)	-	-
B.N.L. bonds – 1994/2004	1,085	(1,085)	-	-
B.N.L. bonds – 1992/2002	1,070	(1,070)	-	-
Banca di Roma bonds	-	1,000	-	1,000
C.C.T. 01.01.2000	-	-	1,140	1,140
B.T.P. 01.03.2001 12.5%	-	-	25	25
Total	41,036	(40,036)	1,165	2,165

The decrease relates to the reimbursement of bonds during the first half-year as noted in the notes to the consolidated financial statements as at 31 December 1998.

Other movements refer to the change in the scope of the consolidation. The above mentioned bonds, valued at the lower of acquisition cost and estimated realization value as at 31 December, give the following rate of interest:

- Banca di Roma bonds 5.80%
- C.C.T. 01.01.2000 3.96%
- B.T.P. 01.03.2001 fixed rate 12.5%

It should be noted that the C.C.T. were pledged as security for a mortgage received whilst the B.T.P. are still pledged to the State Railway Company.

Current assets

Inventories

(in millions of Lire)

	31.12.1999	31.12.1998
Raw materials, supplies and consumables	24,240	18,192
Products in progress and semi-finished products	12,505	10,048
Finished products and goods purchased for resale	296,110	245,357
Advances	1,268	350
Total	334,123	273,947

Inventories are not pledged or subject to other restrictions on ownership. These are valued at cost as previously described. The valuation does not materially differ from a current cost method valuation.

The change, principally in finished products and goods, relates to the distribution and beef sectors, as well as the change in the scope of consolidation (about Lire 12,977 million).

Receivables

Trade receivables

(in millions of Lire)

	31.12.1999	31.12.1998
Trade receivables due within 12 months	405,811	313,787
Trade receivables due between 1 to 5 years	552	5,253
Trade receivables due over 5 years	360	
Provision for bad debts	(23,685)	(20,676)
Total	383,038	298,364

The increase results principally from the change in the scope of the consolidation (about Lire 77 billion).

The movements in the provision for bad debts are as follows:

(in millions of Lire)

	31.12.1998	Provision	Utilized	Other mov.	31.12.1999
Provision for bad debts	16,713	9,401	(5,878)	703	20,939
Prov. for disputed debts	3,963	167	(1,248)	(136)	2,746
Total	20,676	9,568	(7,126)	567	23,685

Other movements refer principally to the change in the scope of the consolidation.

Receivables from subsidiaries

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months		
CE France s.a r.l.	-	240
Cogea Sud s.r.l.	4	-
Pianeta Italia s.r.l.	6	-
Fe.Ber. Carni s.r.l.	-	32
Inalca Angola ltda	957	-
Inalca Hellas e.p.e.	2,527	4,215
S.A.M. s.r.l.	259	199
SGD s.r.l.	189	67
Cremonini Restauration s.a.s.	3	-
Gepar ltd in liquidation	595	-
Cons. Centro Commerciale Ingrosso Carni s.r.l.	-	8,331
Other	3	360
Provision for bad debts	-	(223)
Total within 12 months	4,543	13,221
Due over 12 months	-	-
Total	4,543	13,221

The significant reduction is mainly due to the change in the scope of the consolidation.

Receivables from associated companies

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months		
Agape Card s.r.l.	144	62
Ristochef s.p.a.	-	1,241
Ligabue Catering s.p.a.	-	123
Compagnia delle Spezie s.a r.l.	1,023	1,570
A.O. Konservni	14,794	-
Other	-	83
Provision for bad debts	(6)	-
Total within 12 months	15,955	3,079
Due over 12 months	-	-
Total	15,955	3,079

The large increase relates to Inalca's expansion in Russia, through the associated company A.O. Konservni.

Other receivables

(in millions of Lire)	*31.12.1999*	*31.12.1998*
Due within 12 months		
Due from the State Treasury	41,739	31,376
Advances to suppliers	28,340	16,916
Short-term loans	1,834	3,059
Due from factoring companies	1,348	43,723
Due for cost reimbursement	1,306	5,119
Due from insurance company	3,875	2,920
Receivables from Ministry of Finance	152	347
Due from agents	2,263	1,372
Ministry of Agriculture for FEOGA and others	4,704	1,778
Others	18.132	21,305
Provision for bad debts	(193)	(193)
Total within 12 months	103,500	127,722
Due over 12 months		
Due from the State Treasury	6,727	3,279
Due from factoring companies	3,513	2,863
Others	1,162	1,374
Total over 12 months	11,402	7,516
Total	114,902	135,238

The short-term amount due from the State Treasury principally concerns compensation credits for Value Added Tax and direct income tax. Due from the State Treasury over 12 months includes Lire 537 million due over 5 years.

The increase in advances to suppliers principally relates to advances to Inalca's foreign suppliers.

The receivables from factoring companies reduced due principally to the effect of the encashment of receivables existing as at 31 December 1998, as detailed in the notes to the consolidated financial statements at that date.

The heading "due for cost reimbursement" at the end of the year principally included the reimbursement of excess costs of the securitization transaction, now significantly reduced with respect to the previons year following the application of new parameters.

The amount due from the Ministry of Agriculture for FEOGA and others are subsidies, not yet received, relating to the beef sector.

Other receivables due within 12 months and short-term loans include amounts of Lire 77 million due from affiliated companies.

Further variations mainly refer to the change in the scope of the consolidation.

Financial current assets

Other stockholdings

(in millions of Lire)	*31.12.1998*	*Acquisition*	*Sold*	*Write-down*	*31.12.1999*
C.R. di Parma e Piacenza	417	-	(417)	-	-
Uno Holding s.p.a. in liq.	103	-	-	-	103
Other	57	-	(4)	(50)	3
Total	577	-	(421)	(50)	106

The decrease is due to the sale of stockholdings in Cassa di Risparmio di Parma e Piacenza for a profit of Lire 463 million.

Treasury stock

The movements for the year were the following:

	Number	Total nominal value (in Lire)	Balance sheet value (in Lire)
Held at 31.12.1998	1,000,000	1,000,000,000	6,179,980,100
Purchased	2,497,000	2,497,000,000	11,032,023,218
Write-down	-	-	(905,604,069)
Sold	(2,200,000)	(2,200,000,000)	(11,000,000,000)
Held at 31.12.1999	1,297,000	1,297,000,000	5,306,399,249

Following the finalisation of the agreement for the acquisition of Guardamiglio Carni s.p.a. and Ge.Mark s.r.l. and the transactions in treasury stock carried out, in part, after 31 December 1999, it was considered appropriate to reclassify the stock held as current assets. During the first half of 1999, in fact, the treasury stock was written-down to reflect the value of the subsequent sale of 2,200,000 shares, in terms of the agreement to acquires the above mentioned companies.

Following further purchases of treasury stock at 28 March 2000 a total of 2,965,000 shares were held with a value of Lire 10,634 million.

In addition, on 9 March 2000, 522,000 shares were sold at a price of Lire 5,000 each to third parties, in partial payment of the shares acquired in Castelvetro s.p.a., subsequently merged within Cremonini s.p.a., and in Ultrocchi Carni s.p.a. (now Inalca s.p.a.).

The value shown in the financial statements can be considered as substantially in line with market value, if the subsequent trend in the listed price of the shares is also taken into account.

Others securities

(in millions of Lire)

	31.12.1998	*Increases*	*Decreases*	*31.12.1999*
Mutual fund	200	-	(26)	174
Certificates of deposits	2,850	-	(2,850)	-
State bonds	-	35	-	35
Total	3,050	35	(2,876)	209

The main change was the sale of the certificates of deposit.

Cash and cash equivalents

(in millions of Lire)

	31.12.1999	*31.12.1998*
Bank and post office accounts	58,456	100,691
Cheques on hand	1,625	823
Cash on hand	1,741	1,243
Total	61,822	102,757

The large difference in liquidity is due to the high balance at 31 December 1998 attributable to the effect of the Stock Market flotation at the end of 1998.

Accrued income and prepaid expenses

(in millions of Lire)

	31.12.1999	*31.12.1998*
Accrued subsidies	197	197
Accrued interest on securities and bonds	240	2,508
Sundry accruals	118	281
Total accruals	555	2,986
Prepaid rentals	1,160	316
Prepaid financial expenses	2,210	1,238
Sundry prepayments	949	2,122
Total prepaid expenses	4,319	3,676
Total	4,874	6,662

The prepaid financial expenses include Lire 1,029 million (Lire 52 million at 31 December 1998) for a loan obtained by the subsidiary Inalca s.p.a., which are charged to the income statement over the period of the loan.

NET EQUITY AND LIABILITIES

Net equity

With regard to the changes under this heading please refer to Exhibit 7.

Capital stock

Capital stock as at 31 December 1999 consists of 140,620,000 ordinary shares with a nominal value of Lire 1,000 each, all fully paid and dividend bearing.

Share premium reserve

This reserve constitutes the premium paid by shareholders at the time of the Public Offer in 1998. In compliance with the resolution of the shareholders of Cremonini s.p.a. at the Annual General Meeting held on 29 May 1999, Lire 2,185 million of the reserve was applied during the course of the year to cover previous losses. Furthermore, Lire 4,838 million was utilized, and Lire 4,820 million subsequently reconstituted, against changes in the reserve for treasury stock.

Legal reserve

The legal reserve totalling Lire 5,833 million (Lire 3,804 million as at 31 December 1998) was reconstituted against a decrease in the treasury stock reserve and consists of provisions made in accordance with Article 2430 of the Italian Civil Code, and of Article 24 of Cremonini s.p.a.'s Articles of Association.

Reserve for treasury stock

This is the undistributable reserve covering treasury stock acquired during the 1998 and 1999 fiscal years.

Other reserves

Other reserves include:
- A consolidation reserve of Lire 6,623 million (Lire 9,364 million at 31 December 1998) that is made up from the negative differences arising from elimination of the carrying values of subsidiaries against their relative net equities at the time of the first consolidation or at the time of acquisition or, if this took place subsequently; the decrease in the reserve is attributable to changes in the scope of consolidation;
- other Parent Company reserves that were reconstituted and utilized during the year due to movements in the treasury stock reserve.

No provision for taxation on the reserves included in net equity as at 31 December 1999 has been made, as this was considered unnecessary.

The reconciliation between the Parent Company's net equity and the net equity shown in the consolidated financial statements is outlined below (in millions of Lire):

(in millions of Lire)

	Financial year as at 31.12.1999			*Financial year as at 31.12.1998*		
	Capital stock and reserves	*Profit/ (loss)*	*Net equity*	*Capital stock and reservese*	*Profit/ (loss)*	*Net equity*
Parent Company's net equity and profit/(loss) for the year	371,392	24,249	395,641	365,390	(364)	365,026
Elimination of anticipated amortization which is exclusively for fiscal purposes	3,296	2,300	5,596	3,003	(1,371)	1,632
Valuation of subsidiary and associated companies on the net equity basis	2,323	(2,301)	22	2,966	(643)	2,323
Elimination of inter-company transactions	(15,225)	(266)	(15,491)	(22,743)	3,310	(19,433)
Restating the balance sheets and income statements of consolidated subsidiaries in accordance with Group accounting principles	(1,780)	4,522	2,742	(3,077)	2,379	(698)
Elimination of the carrying value of consolidated subsidiaries:						
- Differences between the carrying value pro-rata to the net equity, net of the effects of intra-Group extraordinary transactions	(168,562)	20,982	(147,580)	(196,485)	7,283	(189,202)
- Pro-rata subsidiary profits (losses)		(11,908)	(11,908)		18,744	18,744
- Surpluses attributable to assets on first consolidation	50,245	(1,202)	49,043	41,183	(977)	40,206
- Consolidation differences	127,638	(6,352)	121,286	153,004	(4,022)	148,982
Total adjustments	*(2,065)*	*5,775*	*3,710*	*(22,149)*	*24,703*	*2,554*
Group's share of net equity and profit/(loss)	369,327	30,024	399,351	343,241	24,339	367,580
Minorities' share of net equity and profit (loss)	2,741	157	2,898	13,295	(112)	13,183
Consolidated financial statements net equity and profit/(loss) for the year	372,068	30,181	402,249	356,536	24,227	380,763

Provision for liabilities and charges

(in millions of Lire)

	31.12.1998	*Provision*	*Utilized*	*Other mov.*	*31.12.1999*
Provision for severance indemnities and similar obligations	1,673	318	(122)	8	1,877
Prevision for taxation	1,214	10,926	(665)	220	11,695
Others	5,472	5,347	(1,196)	(146)	9,477
Total	8,359	16,591	(1,983)	(82)	23,049

Other movements result from the changes in the scope of the consolidation.

The provision for severance indemnities and similar obligations principally comprises the indemnity provision for sales agents of about Lire 1,813 million (Lire 1,601 million as at 31 December 1998).

The provision for taxation is made up of Lire 11,625 million for deferred taxation (Lire 1,149 million as at 31 December 1998), originating from consolidation adjustments and from the fiscal effect of the timing differences between the profit for the financial year and taxable income. Lire 727 million of the provision for deferred taxation arises from the changes in the scope of consolidation.

Other provisions have increased due to the following:
- provision for Lire 2,400 million (balance as at 31 December 1999 equal to Lire 3,400 million) being provision for possible costs in connection with guarantees given, at the time of sale of a company, to third parties in previous years;
- utilization of Lire 500 million and provision of Lire 2,000 million (balance at 31 December 1999 was Lire 2,003 million) for minor disputes and legal cases of Cremonini s.p.a.;
- use (Lire 439 million) of provision to cover losses on stockholdings following the placement in liquidation of the companies to which it referred, and further provisions of Lire 298 million.

The following provisions have remained unchanged:
- Lire 1,000 million which refers to a dispute in connection with a former subsidiary company sold to third parties;
- Lire 900 million for various costs of Cremonini s.p.a. related to unfulfilled contracts.

The remaining provisions are for periodic maintenance, unfulfilled contracts and minor legal cases and disputes, principally in the distribution sector.

Staff severance indemnities

(in millions of Lire)

	31.12.1999	*31.12.1998*
Initial balance	45,633	45,422
Net effect of changes in the scope of consolidation	3,704	-
Utilized during the year	(8,292)	(7,339)
Provided during the year	9,064	9,293
Other movements	2,353	(1,743)
Final balance	52,462	45,633

Payables

Bonds

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months	-	3,300
Due between 1 to 5 years	274,853	250,000
Total	274,853	253,300

The bonds repayable between 1 to 5 years are Italian Lire bonds totalling Lire 240,000 million (net of Lire 10,000 million of bonds acquired on the market during 1999), issued by the subsidiary Cremonini Finance plc. In particular, this London-based subsidiary issued Guaranteed Floating Rating Notes (Eurobonds) on 11 February 1998, today guaranteed by Cremonini s.p.a., Inalca s.p.a. and Corte Buona s.p.a. These bonds were entirely taken up by the international financial markets. The securities are quoted on the Luxembourg Stock Market. The bonds have the following characteristics:

Currency:	Italian Lire
Total amount:	Lire 250 billion
Duration:	5 years with repayment at par on maturity, which is expected to be 11 February 2003
Nominal value of the bonds:	Lire 5 million and Lire 50 million
Issue price:	at nominal value
Interest:	quarterly in arrears from 11 February 1998 to 11 February 2003
Interest rate:	ithe bonds bear interest payable in arrears at Libor three months, plus 2.4%

In exchange for this issue, the subsidiary Cremonini Finance plc provided the Parent Company with a loan of Yen 17.4 billion, at an interest rate of Libor three months. The negative margin between financial income and expense of Cremonini Finance plc, will require a periodic recapitalization of the subsidiary by the Parent Company. Both the companies involved in this transaction have signed swap contracts to cover the exchange rate risk on the differences Lire – Yen with an English financial intermediary, unrelated to Cremonini s.p.a. or to any of the Group companies.

The remaining amount of Lire 34,853 million refers to a bond issue approved by the subsidiary Marr s.p.a. on 18 October 1999, with the following conditions:

Total amount:	Euro 18 million
Duration:	5 years
Date issued:	30 November 1999
Interest:	payable half-yearly commencing from 31.05.2000
Interest rate on first due date:	4.125% annually

The remaining instalment of Lire 3,300 million of the bond issued in 1996 to Finagra s.p.a. was repaid, in advance, in February 1999.

Bank loans and overdrafts

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months	263,016	377,116
Due between 1 to 5 years	208,231	86,127
Due over 5 years	133,549	86,639
Total	604,796	549,882

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

(in millions of Lire)

Description	*Rate of interest*	*Maturity*	*Current portion*	*Portion between 1 to 5 years*	*Portion over 5 years*	*Total as at 31.12.1999*
B.N.L. Cred. Fondiario – Piano Carne	Variable	31/12/13	3,294	16,502	67,187	86,983
I.M.I. Ricerca Applicata	10.75%	01/07/03	869	2,617	-	3,486
I.M.I. Ricerca Applicata	Variable	01/07/03	288	721	-	1,009
Efibanca - 5,582 million	3.85%	30/06/03	686	1,834	-	2,520
Mediocredito Roma 52397 - 25,000 million	Variable	31/12/01	4,578	5,121	-	9,699
Centrobanca	4.00%	30/06/10	-	4,191	5,809	10,000
B.N.A.	Variable	25/08/00	24,000	-	-	24,000
Mediocredito di Roma	Variable	31/12/08	-	42,500	42,500	85,000
Mediocredito Umbria	Variable	28/02/01	5,000	10,000	-	15,000
Banca Popolare Vicenza	Variable	22/12/03	-	25,000	-	25,000
Banco di Napoli	Variable	27/12/04	5	15,000	-	15,005
B.N.L.	Variable	28/05/07	1,500	6,000	3,750	11,250
ICCREA	Variable	31/07/02	8,000	16,000	-	24,000
Credito Agr. No. 60/357291 (with interest subsidies)	15.23% gross	31/12/03	81	327	-	408
Credito Agr. No. 83/356906 (with interest subsidies)	13.83% gross	30/06/04	588	2,801	-	3,389
ISVEIMER no. 21493/3	5.05%	30/11/00	980	-	-	980
Carisbo – Contr. 1007510	Variable	31/12/05	759	3,893	1,234	5,886
Carisbo – Contr. 1017035	Variable	31/12/04	907	4,157	-	5,064
Carim. S.p.A. no. 916	Variable	31/12/06	16	81	54	151
Carim. S.p.A. no. 6088	Variable	11/09/09	44	222	413	679
Carim. S.p.A. no. 917	Variable	31/12/06	65	334	223	622
Carim. S.p.A. no. 2091	Variable	31/12/09	260	1,304	2,429	3,993
Mediocredito	Variable	30/09/00	108	-	-	108
Interbanca	Variable	31/08/02	62	145	-	207
Interbanca	Variable	28/02/03	64	160	-	224
Rolo Banca 1473	Variable	26/05/00	22	-	-	22
B.N.L.	6.882%	30/06/01	621	326	-	947
Banca Pop. E. R.	Variable	18/11/01	1,093	1,207	-	2,300
C.R. Parma e Piacenza	Variable	15/05/05	1,200	9,600	1,200	12,000
Credito Italiano	Variable	02/05/01	-	25,000	-	25,000
Carisbo no. 115489	Variable	31/05/00	92	-	-	92
Unicredito Italiano	Variable	30/09/07	2,500	13,125	8,750	24,375
Total mortgages			57,682	208,168	133,549	399,399
Other loans and current accounts			205,334	63	-	205,397
Total			263,016	218,231	133,549	604,796

As more fully described in the Directors' Report, the increase in total Group indebtedness is principally connected with investments made during the year. The major items being the Ospedaletto Lodigiano factory and acquisitions in the distribution and restaurant sectors.

Short-term bank facilities as at 31 December 1999 were in excess of Lire 868 billion.

Bank guarantees were given for both short and long-term liabilities, as detailed in the memorandum accounts and in the notes on tangible fixed assets.

Loans from other financial institutions

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months		
Mortgages and loans	548	689
Factoring companies	71,186	112,846
Others	2,179	2,552
Total within 12 months	73,913	116,087
Due between 1 to 5 years		
Mortgages and loans	3,652	5,844
Others	-	181
Total between 1 to 5 years	3,652	6,025
Due over 5 years		
Mortgages and loans	6,385	9,496
Total over 5 years	6,385	9,496
Total	83,950	131,608

Details of mortgages and loans from other financial institutions are provided below:

(in millions of Lire)

Description	*Rate of interest*	*Maturity*	*Current Portion*	*Portion between 1 to 5 years*	*Portion over 5 years*	*Total as at 31.12.1999*
M.I.C.A Compost – Lire 1,603 million	1.64%	27/09/09	150	696	1,158	2,004
M.I.C.A ex Icar - Lire 3,280 million	1.58%	16/05/09	242	1,133	1,867	3,242
M.I.C.A P.	1.57% (before rep.)	31/07/12	-	614	1,425	2,039
Ministero dell'Industria no. 2061	2.32% (before rep.)	16/02/08	156	790	1,126	2,072
Ministero dell'Industria no. 0161	2.12% (before rep.)	24/05/10	-	419	809	1,228
Total			548	3,652	6,385	10,585

Loans due to factoring companies refer to the sale, with recourse, of trade receivables.

Trade payables

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months	430,218	334,844
Due over 12 months	2,870	-
Total	433,088	334,844

This balance is principally commercial credit from national suppliers. The increase is in line with the turnover trend and the changes in the scope of the consolidation.

Trade payables include an amount of Lire 1,260 million due to the affiliated company Immobiliare Ci-Erre s.r.l. for the acquisition of the remaining 18% of the share capital of the subsidiary Multiservice s.p.a..

Notes payable

This figure principally represents agricultural bills of exchange issued by the subsidiary Azienda Agricola Corticella s.r.l..

Payables to subsidiaries

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months		
Commercial		
CE France s.a r.l.	-	117
Inalca Hellas e.p.e.	-	150
Inalca Fleischhandel gmbh	20	11
Multiservice s.p.a.	-	971
Financing and others		
Gepar ltd in liquidation	43,284	-
Taormina catering s.r.l. in liquidation	4	-
Fernie s.r.l. in liquidation	982	-
Cremonini Restauration s.a.s.	572	-
Quality & Service s.r.l.	125	
Fe.Ber. Carni s.r.l.	181	210
SGD s.r.l.	76	109
Sara s.r.l.	741	776
Total within 12 months	45,985	2,344
Due over 12 months	-	-
Total	45,985	2,344

The change in the balance as at 31 December 1999 is principally due to the changes in the scope of the consolidation.
Payable to Gepar ltd in liquidation refers to the acquisition, during 1999, of Marr's shares by Grex s.r.l..

Payables to associated companies

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months		
Commercial		
Agape Card s.r.l.	281	30
Ristochef s.p.a.	-	89
Others	-	2
Financing		
Fernie s.r.l. in liquidation	-	986
Total within 12 months	281	1,107
Due over 12 months	-	-
Total	281	1,107

The decrease refers principally to the reclassification to payables to subsidiaries of the amount due to Fernie s.r.l. in liquidation.

Tax payables

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months		
Tax withholdings	7,439	6,214
Substitute and direct taxes	13,773	9,376
Sundry taxes	263	1,310
Total within 12 months	21,475	16,900
Due between 1 to 5 years		
Other	-	2
Total between 1 to 5 years	-	2
Total	21,475	16,902

Payables to pension and social security institutions

(in millions of Lire)

	31.12.1999	*31.12.1998*
Due within 12 months		
Inps/Inail/Scau	7,331	6,213
Inpdai/Previndai/Fasi/Besusso	239	419
Enasarco/FIRR	682	578
Other institutions	395	222
Total within 12 months	8,647	7,432
Due over 12 months	-	-
Total	8,647	7,432

This increase can be attributed principally to the changes in the scope of the consolidation.

Other payables

	(in millions of Lire)	
	31.12.1999	*31.12.1998*
Due within 12 months		
Trade advances and deposits received	6,001	8,837
Staff salaries and holiday pay	20,529	17,442
Payables for arbitration awards	1,300	2,600
Payables for the purchase of stockholdings:		
– Discom s.r.l.	-	4,800
– Marr s.p.a.	1,897	4,554
– Le Cupole s.r.l.	476	1,139
– Uno Holding s.p.a. in liq.	103	103
– Volo Nedda Buffet Staz. Brescia s.r.l.	334	667
– Buffet Stazione Belluno s.r.l.	200	400
– Gest. Buffet FF.SS. di V. e L. s.r.l.	138	585
– S.I.T.A.L. s.r.l.	500	-
– Guardamiglio Carni s.p.a. e Ge.Mark s.r.l.	7,000	-
– Ultrocchi Carni s.p.a.	3,486	-
– Copea s.r.l.	1,750	-
– Adria Food s.r.l.	1,033	-
Other	21,805	16,055
Total within 12 months	66,552	57,182
Due between 1 to 5 years		
Payables for arbitration awards	-	1,300
Payables for the purchase of stockholdings:		
– Copea s.r.l.	700	-
– Adria Food s.r.l.	307	2,445
Guarantee deposit	682	-
Others	67	2
Total between 1 to 5 years	1,756	3,747
Total	68,308	60,929

Lire 4 billion of other payables within 12 months result from the changes in the scope of the consolidation.

Payables to employees include current remuneration outstanding as at 31 December 1999 and provisions relative to deferred remuneration.

The payables for arbitration awards, paid in January 2000, relate to the amount laid down, in arbitration, between the Company and another party for a controversy which arose in previous years.

The guarantee deposit is the amount due to be paid for the shares in the associated Russian company of Inalca.

Accrued expenses and deferred income

(in millions of Lire)

	31.12.1999	*31.12.1998*
Accrued interest on loans	2,556	3,506
Accruals for employee emoluments	1,403	1,279
Sundry accruals	806	759
Total accrued expenses	4,765	5,544
Deferred income for "non-competition" agreement	6,093	10,093
Contributions deferred	1,238	6,508
Sundry deferred income	360	961
Total deffered income	7,691	17,562
Total	12,456	23,106

The deferred income for "non-competition" agreement relates to direct and indirect commitments not to carry out a business defined as "quick service restaurant" in competition against a large partner. Against this commitment, maturing in July 2001, an amount of Lire 20,000 million was received in 1996, which, from an accounting point of view, will be shown as income received in advance and credited to the statement of income pro rata over the duration of the contract.

Comments on the principal items of the memorandum accounts

Direct guarantees - sureties

Sureties include the guarantees provided directly by the Parent Company, in favour of subsidiaries and third parties, to financial institutions for loans or lines of credit. These also include the guarantees for which the Company is jointly and severally committed. These guarantees, given by banks or assurance companies, are for various commercial transactions, Group Value Added Tax compensation and for contract tendering, etc.

Direct guarantees – letters of comfort

Letters of comfort are exclusively concerning guarantees given to financial institutions for the provision of financing, or lines of credit, including simple letters of comfort for:

(in millions of Lire)

	31.12.1999	*31.12.1998*
Subsidiaries	86,612	57,950
Affiliated companies	500	1,700
Others	-	4,400
Total	87,112	64,050

Indirect guarantees – credit mandates

Credit mandates relate to bank overdrafts and credit facilities, for both subsidiaries and third parties, secured by bank guarantees provided by the Parent Company's banks.

Secured guarantees – mortgages and pledges

The mortgages and pledges given against Group loans are indicated in the notes on tangible fixed assets, whilst in the consolidated financial statements as at 31 December 1998 these were shown in the memorandum accounts. To ensure correct comparison of information, the same procedure has been followed for the 1998 figures.

Comments on the principal items of the statement of income

Value of production

Revenues from sales and services

The following is a division of revenues, by geographical area:

(in millions of Lire)

	1999	*1998*
Italy	2,212,555	1,682,881
European Union	202,829	162,880
Outside the European Union	80,812	125,130
Total	2,496,196	1,970,891

For further details on the subdivision by category of activity, please refer to the Directors' Report.

About Lire 392 billion of the increase in revenues from sales and services is attributable to the changes in the scope of the consolidation and, in particular, to the acquisition of the subsidiary Guardamiglio Carni s.p.a..

This item includes balances with affiliated companies as follows:

(in millions of Lire)

	1999
Agricola 2000 s.r.l.	47
Le Cupole s.r.l.	50
Tre Holding s.r.l.	60
Other	183
Total	340

Increase in fixed assets produced internally

The amount as at 31 December 1999 principally refers to expenses connected with the construction of the Inalca factory at Ospedaletto Lodigiano.

Other revenues and income

(in millions of Lire)

	1999	*1998*
Sundry other revenue and income		
Rentals	319	1,027
Insurance reimbursements	3,379	3,340
Supplier bonuses	8,490	6,483
Profit on cession of fixed assets	1,677	2,199
Other costs reimbursement	2,845	5,095
Services, consultancy and other	9,293	13,325
Total sundry other revenue and income	26,003	31,469
Subsidies		
Miscellaneous	742	1,026
Total subsidies	742	1,026
Total	26,745	32,495

Costs of production

Cost of raw materials, supplies, consumables and goods purchased for resale

(in millions of Lire)

	1999	*1998*
Raw materials, consumables and products purchased for resale	1,896,075	1,344,864
Stationery and printed materials	2,544	1,908
Other	65,374	35,490
Total	1,963,993	1,382,262

Costs for services

(in millions of Lire)

	1999	*1998*
Energy consumption	22,943	19,899
Maintenance and repairs	12,365	10,329
Transport	60,261	52,553
Commissions, commercial and distribution services	99,337	77,258
Third party services	24,834	25,334
Purchasing services	16,285	15,658
Outwork	35,003	5,946
Technical, legal, administration and general services	76,899	69,154
Total	347,927	276,131

Costs for the use of third party assets

(in millions of Lire)

	1999	*1998*
Business rentals, royalties and others	15,568	13,701
Lease payments	902	379
Rent of property and other assets	13,275	8,831
Total	29,745	22,911

The costs for the use of third party assets include Lire 1,108 million charged by the affiliated company Le Cupole s.r.l. for rental of an industrial property by Marr.

Personnel costs

(in millions of Lire)

	1999	*1998*
Salaries and wages	149,147	123,520
Social security costs	50,597	42,937
Staff severance indemnities	11,302	9,207
Other severance indemnities	61	-
Other personnel costs	749	2,687
Total	211,856	178,351

This heading includes all personnel costs, provision for holiday pay and the associated social security costs, as well as provision for staff severance indemnities and all other contractual costs.

Costs totalling Lire 28 billion result from the changes in the scope of the consolidation.

As at 31 December 1999 Group employees totalled 3,551, an increase of 345 with respect to 31 December 1998, of which 503 (390 factory staff, 109 office staff, 4 managers) are an effect of the changes in the scope of the consolidation.

The division by category is shown as follows:

	Factory staff	*Office staff*	*Managers*	*Total*
Employees as at 31.12.1998	2,451	694	61	3,206
Employees as at 31.12.1999	2,681	806	64	3,551
	230	112	3	345
Average no. of employees for the year ended 31.12.1999	2,882	788	65	3,735

Amortization and write-downs

The significant increase in amortisation of intangible fixed assets refers to the costs of the Stock Market flotation (up Lire 3,093 million with respect to 1998) and the amortization of consolidation differences, including that attributable to brands (up Lire 4,830 million with respect to 1998) while that for tangible fixed assets principally refers to the start-up of the Ospedaletto Lodigiano establishment.

Provision for risks

This relates to the provisions made to risk reserves as described under that section.

Sundry administration costs

(in millions of Lire)

	1999	*1998*
Bad debts	4,818	1,373
Taxation and indirect taxes	4,702	4,339
Write-down on sale of CRC	8,890	14,256
Other minor items	8,445	5,888
Total	26,855	25,856

The increase in the provision for bad debts is due to a write-down of a Parent Company receivable deriving from factoring operations acquired in previous years from various subsidiaries. This receivable was entirely written-down during the year due to the unexpected insolvency of the debtor, who had previously agreed to a negotiated settlement of this item.

The write-down on CRC cessions refers to costs sustained by the companies participating in the securitization transaction for the cession, without recourse, of trade receivables to CRC s.p.a.. The reduction of this amount is due to the lower cost of these transactions in 1999.

Financial income and expense

Income from stockholdings

Income from subsidiaries represents the surplus realized by Castelvetro s.p.a. from the sale to third parties of the shares of the company arising from the spin-off of the factory of the former Ultrocchi Carni at Santo Stefano Ticino.

Income from associated companies includes the surplus of Lire 19,530 million from the sale, on 26 October 1999, of the shares held in Ristochef s.p.a. and the surplus of Lire 1,423 million from the sale, on 23 December 1999, of the shares held in Ligabue Catering s.p.a..

Other financial income

(in millions of Lire)

	1999	*1998*
a) From fixed loans – subsidiaries	43	33
a) From fixed loans – others	428	1,432
b) From fixed securities	333	5,420
c) From current securities	582	956
d) From other than described above- subsidiaries	31	854
d) From other than described above- associated companies	67	-
d) From other than described above- others	15,127	27,470
Total	16,611	36,165

The income from securities is interest from State securities and bonds and the reduction in 1999 reflects the fall in the mount held in these investments.

The heading “From other than described above - others” consists of the following:

(in millions of Lire)

	1999	*1998*
Foreign exchange conversion gains	3,834	2,009
Interest and commission from affiliated companies	55	9,449
Other financial income	11,238	16,012
Total	15,127	27,470

The heading “Other financial income” includes about Lire 7.7 billion (about Lire 11.6 billion in 1998) of income from Silver Castle ltd, connected with the Eurobond transaction, described earlier.

Interest and other financial expense

	(in millions of Lire)	
	1999	*1998*
From subsidiaries	45	9
From associated companies	-	15
From others		
Interest payable on mortgages and loans	17,684	27,664
Interest payable on overdraft and other financing	11,811	38,451
Foreign exchange conversion losses	2,644	2,546
Commissions and bank charges	801	1,879
Interest payable on bonds	14,690	19,347
Other financial expense	8,346	4,647
Total	56,021	94,558

Interest payable on overdrafts and other financing includes about Lire 7.7 billion (about Lire 11.6 billion in 1998) paid to third parties for the swap, for exchange risk coverage, of the Yen loan provided by the subsidiary Cremonini Finance plc. This is calculated on the difference between the Yen interest rate and the Lire interest rate.

Interest on bonds is principally the interest on bonds issued by the subsidiary Cremonini Finance plc.

Please refer to the Directors' Report for comments on the fall in financial expense.

Adjustments to the value of financial assets

The write-down of stockholdings results from the valuation, using the net equity method, of associated and subsidiary companies, and the write-down of minority holdings or subsidiaries excluded from the scope of the consolidation. The write-down of current securities, which do not constitute stockholdings, includes Lire 906 million for treasury stock, commented upon under that heading.

Extraordinary income and expense

The profit on sales principally refers to an amount of Lire 6,947 million, being the surplus realized from the sale, to an affiliated company, of land adjacent to the new establishment at Ospedaletto Lodigiano.

Other income is principally made up of the gains made by the Parent Company, amongst which are Lire 840 million for taxation over-provided for the previous year and Lire 311 million being reimbursement of personnel costs relating to previous years. This income also include Lire 1,103 million of deferred tax credits accounted for by some subsidiaries, with respect to the new accounting principle, no. 25, of the National Council of Accountants and Tax Advisers. The residual amount consists of income and cost recoveries from previous periods.

Other expense is principally made up of a write-down by Grex s.r.l. of about Lire 5,596 million, in the context of the merger of Marr s.p.a.. The heading also includes extraordinary expense of the Parent Company (Lire 834 million) connected with the sale of business branches in previous years. The balance is made up of costs referring to prior years.

Taxation on the profit of the year

This heading relates to taxation for the period as follows: I.R.PE.G. Lire 13,574 million, I.R.A.P. Lire 14,713 million, deferred taxation Lire 7,341 million (net of prepaid taxes of Lire 6,096 million) and substitute tax on surpluses of Lire 13,018 million. The effective tax rate on profits (62%) is affected by the provisions for deferred taxation that are considered necessary, following the extraordinary operations carried out during the course of 1999.

Directors' and Statutory Auditors' fees

Directors' emoluments, detailed in the financial statements of the Parent Company, of the Board of Directors and the Statutory Auditors of the Parent Company for the 1999 financial year, members of which also carry out those functions in other Group companies, are as follows:

(in millions of Lire)

	Fees	*Salary*	*Other*	*Total*
Board of Directors	2,845	1,244	-	4,089
Statutory Auditors	339	-	-	339
Total	3,184	1,244	-	4,428

Castelvetro, 29 March 2000

CHAIRMAN
OF THE BOARD OF DIRECTORS
(Cav. Lav. Luigi Cremonini)

Exhibits

The following exhibits contain information additional to that shown in the notes to the consolidated financial statements, of which they form an integral part:

Exhibit 1 - Schedule of the changes in intangible fixed assets for the year ended 31 December 1999;

Exhibit 2 - Schedule of the changes in tangible fixed assets for the year ended 31 December 1999;

Exhibit 3 - Schedule of the changes in financial fixed assets for the year ended 31 December 1999;

Exhibit 4 - List of stockholdings as at 31 December 1999 classified as financial fixed assets;

Exhibit 5 - List of stockholdings in subsidiary and associated companies as at 31 December 1999 (Art. 2427 no. 5 of the Civil Code);

Exhibit 6 - List of changes in the scope of the consolidation as at 31 December 1999 with respect to 31 December 1998;

Exhibit 7 - Schedule of the changes in consolidated net equity for the year ended 31 December 1999;

Exhibit 8 - Statement of consolidated cash flow for the years ended 31 December 1999 and 31 December 1998;

Exhibit 9 - Balance sheet, statement of income and memorandum accounts translated in Euro.

Exhibit 1

Schedule of the changes in intangible fixed assets for the year ended 31 December 1999

(in millions of Lire)	Opening balances Original cost	Opening balances Provision for amort.	Balance 31/12/1998	Net effect of changes in scope of cons.	Purchases	Movements during the year Net decreases	Movements during the year Reclass./ Other mov.	Amortiz.	Closing balances Original cost	Closing balances Provision for amort.	Balance 31/12/1999
Formation and start-up costs	20,654	(3,234)	17,420	71	5,764	(10)	(77)	(4,664)	25,690	(7,196)	18,494
Cost of research, development and advertising	10,265	(4,406)	5,859	40	2,113		(2,263)	(1,982)	7,658	(3,891)	3,767
Cost of industrial patents and rights for the use of intellectual property	3,498	(2,828)	670	206	2,273		538	(1,006)	7,556	(4,875)	2,681
Concessions, licenses and brand names	14,271	(5,836)	8,435	843	302		54,010	(3,024)	67,725	(7,159)	60,566
Goodwill	9,785	(6,075)	3,710	50	2,153		10,227	(2,473)	19,963	(6,296)	13,667
Consolidation differences	199,747	(50,765)	148,982	28,656			(50,000)	(6,352)	175,448	(54,162)	121,286
Intangible fixed assets under development and advances	4,984		4,984	295	4,367	(4)	(5,505)		4,137		4,137
Other intangible fixed assets	63,909	(35,456)	28,453	946	7,211	(6)	(37)	(8,116)	69,838	(41,387)	28,451
Total	327,113	(108,600)	218,513	31,107	24,183	(20)	6,883	(27,617)	378,015	(124,966)	253,049

Exhibit 2

Schedule of the changes in tangible fixed assets for the year ended 31 December 1999

(in millions of Lire)	Opening balances				Net effect		Movements during the year			Closing balances			
	Original cost	Write-up/ (down)	Provision for amort.	Balance 31/12/1998	of changes in scope of cons.	Purchases	Net decreases	Reclass./ Other mov.	Amortiz.	Original cost	Write-up/ (down)	Provision for amort.	Balance 31/12/1999
Land and buildings	310,653	6,380	(46,844)	270,189	33,548	30,783	(3,365)	116,322	(11,567)	464,377	281	(28,748)	435,910
Plant and machinery	291,190	2,065	(128,958)	164,297	17,573	38,833	(5,971)	71,419	(29,349)	314,260		(57,458)	256,802
Industrial and commercial equipment	28,951	82	(21,375)	7,658	1,426	5,409	(337)	(722)	(3,329)	24,877		(14,772)	10,105
Other tangible fixed assets	64,067		(42,089)	21,978	2,899	10,782	(4,419)	2,077	(6,901)	69,159		(42,743)	26,416
Tangible fixed assets under develop. and advances	178,177			178,177	3,621	22,527	(2,316)	(173,843)		28,166			28,166
Total	873,038	8,527	(239,266)	642,299	59,067	108,334	(16,408)	15,253	(51,146)	900,839	281	(143,721)	757,399

Exhibit 3

Schedule of the changes in financial fixed assets for the year ended 31 December 1999

(in millions of Lire)	Opening balances				Movements during the year					Closing balances	
	Original cost	Write-up	Write-down	Balance 31/12/1998	Increases	Decreases	Write-up	Write-down	Reclass./ other mov.	Balance 31/12/1999	of which: Write-up
Holdings in subsidiary and associated companies valued using the net equity method:											
- subsidiaries	488	262		750				(183)	47,720	48,287	68
- associated companies	13,324	3,270	(1,211)	15,383	2,892	(13,448)		(19)		4,808	
Holdings in subsidiary and associated companies valued at cost:											
- subsidiaries	20,177		(717)	19,460	2,829	(27)		(572)	(17,664)	4,026	
- associated companies	1,010			1,010	15				(974)	51	
Holdings in other companies	6,610			6,610	693			(357)	(31)	6,915	
Total stockholdings	**41,603**	**3,532**	**(1,928)**	**43,213**	**6,429**	**(13,475)**		**(1,139)**	**29,051**	**64,087**	**68**
Loans:											
- to subsidiaries	1,621			1,621					717	2,338	
- to associated companies	9			9						9	
- to others	27,443			27,443	3,915	(827)		(228)	(1,154)	29,149	
Total loans	**29,073**			**29,073**	**3,915**	**(827)**		**(228)**	**(437)**	**31,496**	
Other securities	**41,036**			**41,036**	**1,000**	**(41,036)**			**1,165**	**2,165**	
Treasury stock	**6,180**			**6,180**					**(6,180)**		
Total	**117,898**	**3,532**	**(1,928)**	**119,502**	**11,344**	**(55,338)**		**(1,359)**	**23,599**	**97,748**	**68**

Exhibit 4

List of stockholdings as at 31 December 1999 classified as financial fixed assets

(in millions of Lire) Name	Percentage holding	Opening value	Purchased or subscribed	Sold	(Write-down)/ Write-up	Other movements	Percentage holding	Closing value
Subsidiaries:								
Bonora Distribuzione s.r.l. in liq.	100.00	15			(342)	327		
Buffet Stazione di Belluno s.r.l.	100.00	750				(750)		
Buona Italia Alimentos ltda	85.00	12				(12)		
C.T.A. s.r.l. in liq.	100.00				(110)	110		
CE France s.a r.l.	100.00	101		(27)		(74)		
Cogea Sud s.r.l.	99.00	30					99.00	30
Consorzio Centro Comm.le Ingrosso Carni s.r.l.	77.05	8,975				(8,975)		
Cremonini Restauration s.a.s.			1,336				92.00	1,336
Fe.Ber. Carni s.r.l.	100.00	750			(168)		100.00	582
Fernie s.r.l. in liq.						975	60.00	975
Ge.Mark International D.O.O.						70	65.00	70
Gepar ltd in liquidation					(15)	47,720	99.99	47,705
Gestione Buffet Stazione FF.SS. di V. e L. s.r.l.	100.00	1,060				(1,060)		
Inalca Angola ltda			55				51.00	55
Inalca Fleischhandel Gmbh	90.00	52				2	90.00	54
Inalca Hellas E.P.E.	95.00	318				(110)	95.00	208
Inalca Pol. Spolka. Zoo. in liq.	100.00	3			(3)		100.00	
Multiservice s.p.a.	82.00	5,740	1,260			(7,000)		
Perutnina - Marr s.r.l. in liq.	60.00						60.00	
Pianeta Italia s.r.l.	99.00	49				1	99.00	50
Quality & Service s.r.l.			178				99.00	178
S.A.M. s.r.l.	100.00	90			(79)		100.00	11
Sara s.r.l.	98.00	977					98.00	977
SGD s.r.l.	50.00	82					50.00	82
S.I.I. Italia s.r.l. in liquidation	100.00	40			(38)	(2)		
Taormina Catering s.r.l. in liq.	60.00						60.00	
Volo Nedda Buffet Stazione Brescia s.r.l.	100.00	1,165				(1,165)		
Total subsidiaries		20,209	2,829	(27)	(755)	30,057		52,313
Associated companies								
Agape Card s.r.l.	30.00	25					30.00	25
A.O. Konservni			2,892				25.00	2,892
Compagnia delle Spezie s.a r.l.	50.00	7					50.00	7
Fernie s.r.l. in liq.	40.00	960	15			(975)		
Immobiliare Athena s.p.a.	34.00	1,935			(19)		34.00	1,916
Ligabue Catering s.p.a.	20.00	8,978		(8,978)				
Ristochef s.p.a.	32.00	4,470		(4,470)				
Serra della Spina s.r.l.	33.33	18				1	33.33	19
Total associated companies		**16,393**	**2,907**	**(13,448)**	**(19)**	**(974)**		**4,859**
Other companies:								
Emilia Romagna Factor s.p.a.		1,500	434					1,934
Futura s.p.a.		1,162						1,162
Nuova Campari s.p.a.		3,000						3,000
Other		948	259		(357)	(31)		819
Total other companies		6,610	693		(357)	(31)		6,915
Total stockholdings		43,212	6,429	(13,475)	(1,131)	29,052		64,087

List of stockholdings in subsidiary and associated companies as at 31 December 1999 (Art. 2427 no. 5 of the Civil Code)

(in millions of Lire)

Name	Registred office	Capital stock (in millions of Lire if not otherwise stated)	Net profit (loss) for the year ended 31.12.99	Net equity as at 31.12.99	Percentage held as at 31.12.99	Effective holding at 31.12.99	Carryng value (A)	Pro quota of the net equity held (B)	Difference (A) - (B)	Holding company at 31.12.99	Percentage held as at 31.12.98	Effective holding at 31.12.98	Notes
Companies consolidated using to global integration method:													
Adria Food s.r.l.	S.Michele al Tagliamento (VE)	650	328	728	94.09%	100.00%	N/A - consolidated line-by-line			Marr s.p.a.	74.09%	100.00%	(a)
Albatros - Eurotrade s.r.l.	Santarcangelo di Romagna (RN)	190	636	1,735	100.00%	100.00%	N/A - consolidated line-by-line			Marr s.p.a.	100.00%	100.00%	
Alisea soc. cons. a r.l.	Impruneta (FI)	90	223	1,291	55.00%	55.00%	N/A - consolidated line-by-line			Marr s.p.a.	55.00%	55.00%	
Az. Agr. Corticella s.r.l.	Spilamberto (MO)	180	(683)	(503)	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Baldi Carni s.r.l.	Jesi (An)	3,700	455	5,344	67.00%	67.00%	N/A - consolidated line-by-line			Guardamiglio Carni s.p.a.	-	-	
Battistini Elviro s.r.l.	Cesenatico (FO)	34	281	1,651	100.00%	100.00%	N/A - consolidated line-by-line			Marr s.p.a.	100.00%	100.00%	
Buffet Stazione di Belluno s.r.l.	Belluno	20	(38)	20	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Buona Italia Alimentos ltda	San Paolo (Brazil)	Reales 50,000	(342)	(288)	85.00%	85.00%	N/A - consolidated line-by-line			Corte Buona s.p.a.	85.00%	85.00%	
C.E.I.BE.C. s.r.l.	Castelvetro (MO)	900	(468)	20.698	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Ca.Ma. s.r.l.	Modena	50	52	5,749	100.00%	100.00%	N/A - consolidated line-by-line			C.E.I.BE.C. s.r.l.	100.00%	100.00%	
CE France s.a r.l.	Paris (France)	FF 350,000	186	252	74.00%	74.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Compagnia delle Spezie s.r.l.	Gattatico (RE)	2,000	(982)	1,022	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Cons.Centro Comm.le Ingrosso Carni s.r.l.	Bologna	3,000	205	3,317	77.82%	77.67%	N/A - consolidated line-by-line			Crem. s.p.a.:77.05%, Ges.Car. s.r.l.:0.77%	77.82%	77.67%	
Copea s.r.l.	S. Giovanni in Marignano (RN)	1,500	231	3,483	76.00%	76.00%	N/A - consolidated line-by-line			Marr s.p.a.	-	-	
Corte Buona s.p.a.	Gazoldo degli Ippoliti (MN)	78,000	3,566	82,925	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Cremonini Finance plc	London (Great Britain)	GBP 50,000	(6,322)	(659)	100,.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Cremonini s.p.a.	**Castelvetro (MO)**	**140,620**	**24,249**	**395,641**	**Parent Company**						**Parent Company**		
Elba Alimentari s.r.l.	Portoferraio (LI)	1,200	74	1.078	100.00%	100.00%	N/A - consolidated line-by-line			Marr s.p.a.	100.00%	100.00%	
Ge.Mark s.r.l.	Guardamiglio (LO)	20	(219)	138	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	-	-	
Ges.Car. s.r.l. (ex Carnemilia s.r.l.)	Castelvetro (MO)	650	80	738	80.00%	80.00%	N/A - consolidated line-by-line			Inalca s.p.a.	80.00%	80.00%	
Gestione Buffet Stazione FF.SS. di V. e L. s.r.l.	Novara	20	81	109	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Guardamiglio Carni s.p.a.	Guardamiglio (LO)	12,570	(703)	14,289	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	-	-	
Immobiliare Ciclamino s.r.l.	Modena	200	(861)	(661)	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Inalca s.p.a.	Castelvetro (MO)	290,000	(4,424)	304,130	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Interjet s.r.l.	Castelvetro (MO)	3,000	(325)	1,678	100.00%	100.00%	N/A - consolidated line-by-line			Crem. s.p.a:80%; Marr s.p.a.:20%	100.00%	100.00%	
Islandia s.p.a.	Castelvetro (MO)	6,500	(6,312)	3,688	100.00%	100.00%	N/A - consolidated line-by-line			Marr s.p.a.	100.00%	100.00%	
Ital-Ristoro s.r.l.	Castelvetro (MO)	200	(537)	(310)	100.00%	100.00%	N/A - consolidated line-by-line			C.E.I.BE.C. s.r.l.	100.00%	100.00%	
Marr - Sames s.r.l.	Santarcangelo di Romagna (RN)	200	440	1,625	100.00%	100.00%	N/A - consolidated line-by-line			Marr s.p.a.	100.00%	100.00%	
Marr Alisurgel s.r.l.	Santarcangelo di Romagna (RN)	290	(183)	1,464	97.00%	97.00%	N/A - consolidated line-by-line			Marr s.p.a.	97.00%	97.00%	
Marr s.p.a.	Rimini	49,450	3,464	114,612	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	99.89%	99.89%	
Merigel s.r.l.	Monchiero (CN)	20	(441)	(211)	55.00%	55.00%	N/A - consolidated line-by-line			Islandia s.p.a.	55.00%	55.00%	
Multiservice s.p.a.	Castelnuovo R. (MO)	1,250	650	5,778	100.00%	100.00%	N/A - consolidated line-by-line			Corte Buona s.p.a.	82.00%	82.00%	
Polis s.r.l.	Castelvetro (MO)	60	(107)	8,125	100.00%	100.00%	N/A - consolidated line-by-line			C.E.I.BE.C. s.r.l.	100.00%	100.00%	
Progettazioni Industriali s.r.l.	Castelvetro (MO)	20	(433)	(401)	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	
Romagna Centro Gross s.r.l.	Santarcangelo di Romagna (RN)	6,378	243	12,289	100.00%	100.00%	N/A - consolidated line-by-line			Marr s.p.a.	66.24%	66.24%	
S.I.A.S. Società Italiana Appalti e Servizi s.p.a.	Santarcangelo di Romagna (RN)	500	134	1,415	100.00%	100.00%	N/A - consolidated line-by-line			Marr s.p.a.	100.00%	100.00%	
S.I.T.A.L. s.r.l.	Alessandria	20	(6)	19	100.00%	100;00%	N/A - consolidated line-by-line			Cremonini s.p.a.	-	-	
Sanremomare s.r.l.	Santarcangelo di Romagna (RN)	190	(21)	169	100.00%	100.00%	N/A - consolidated line-by-line			Marr s.p.a.	-	-	
Staff Service s.r.l.	Castelvetro (MO)	150	84	188	100.00%	100.00%	N/A - consolidated line-by-line			Progettazioni Industriali s.r.l.	100.00%	100.00%	
Venturi Alfredo s.r.l.	Cesenatico (FO)	30	297	2,910	100.00%	100.00%	N/A - consolidated line-by-line			Marr s.p.a.	--	-	
Volo Nedda Buffet Stazione Brescia s.r.l.	Brescia	23	172	167	100.00%	100.00%	N/A - consolidated line-by-line			Cremonini s.p.a.	100.00%	100.00%	

Exhibit 5 *continued*

Name (in millions of Lire)	Registred office	Capital stock (in millions of Lire if not otherwise stated)	Net profit (loss) for the year ended 31.12.99	Net equity as at 31.12.99	Percentage held as at 31.12.99	Effective holding at 31.12.99	Carryng value (A)	Pro quota of the net equity held (B)	Difference (A) - (B)	Holding company at 31.12.99	Percentage held as at 31.12.98	Effective holding at 31.12.98	Notes
Stockholdings valued on the net equity method:													
Fe.Ber. Carni s.r.l.	Castelvetro (MO)	190	(169)	580	100.00%	100.00%	580	580	-	Cremonini s.p.a.	100.00%	100.00%	
Gepar ltd in liquidation	Sliema (Malta)	30,000	17,705	47,705	99.99%	99.99%	47,705	47,705	-	Cremonini s.p.a.	99.99%	99.99%	
Immobiliare Athena s.p.a.	Rimini	1,000	106	1,759	34.00%	34.00%	1,759	1,759	-	Marr s.p.a	34.00%	34.00%	
A.O. Konservni	Stavropol (Russia)	3	1,244	3,391	25.00%	25.00%	2,892	848	(2,044)	Inalca s.p.a.	-	-	
Stockholdings valued at cost:													
Subsidiaries:													
Cogea Sud s.r.l.	Salerno	100	(5)	95	99.00%	99.00%	30	94	64	Cremonini s.p.a.	-	-	
Cremonini Restauration s.a.s.	Paris (France)	EURO 1,500,000	-	--	92.00%	92.00%	1,336	-	-	Cremonini s.p.a.	-	-	(b)
Fernie s.r.l. in liquidation	Modena	2,000	(8)	2,198	60.00%	60.00%	975	1,319	344	Cremonini s.p.a.	40.00%	40.00%	
Ge.Mark International D.O.O.	Zagabria (Croazia)	KN 400,000	-	-	65.00%	65.00%	70	-	-	Ge.Mark s.r.l.	-	-	(b)
Inalca Angola Ltda	Luanda (Angola)	USD 60,000	(25)	-	51.00%	51.00%	55	46	(9)	Inalca s.p.a.	-	-	
Inalca Fleischhandel Gmbh	Dormagen (Germany)	DM 80,000	(8)	51	90.00%	90.00%	54	46	(8)	Inalca s.p.a.	90.00%	90.00%	
Inalca Hellas E.P.E.	Athens (Greece)	GRD 50,200,000	(290)	21	95.00%	95.00%	208	20	(188)	Inalca s.p.a.	95.00%	95.00%	
Inalca Pol. Spolka. Zoo. in liquidation	Warsaw (Poland)	ZLOTY 55,500	-	-	100.00%	100.00%	-	-	-	Inalca s.p.a.	100.00%	100.00%	
Perutnina - Marr s.r.l.	Ptuj (Slovenia)	USD 300,000	1	89	60.00%	60.00%	-	-	-	Marr s.p.a	60.00%	60.00%	(d)
Pianeta Italia s.r.l.	Castelvetro (MO)	100	(9)	87	99.00%	99.00%	50	86	36	Cremonini s.p.a.	99.00%	99.00%	
Quality & Service s.r.l.	Andriano (BZ)	180	-	-	99.00%	99.00%	178	-	-	Islandia s.p.a.	-	-	(b)
S.A.M. s.r.l.	Florence	90	(61)	11	100.00%	100.00%	11	11	-	Cremonini s.p.a.	100.00%	100.00%	
Sara s.r.l.	S. Stefano Ticino (MI)	1,000	(5)	1,008	98.00%	98.00%	977	988	11	Inalca s.p.a.	98.00%	76.23%	
SGD s.r.l.	Castelvetro (MO)	160	18	257	50.00%	50.00%	82	129	47	Cremonini s.p.a.	50.00%	50.00%	
Taormina Catering s.r.l. in liquidation	Sant'Angelo in Vado (PS)	20	15	(1,299)	60.00%	60.00%	-	-	-	Marr s.p.a	60.00%	60.00%	(d)(e)
Associated companies:													
Agape Card s.r.l.	Milan	85	350	427	30.00%	30.00%	25	128	103	Cremonini s.p.a.	30.00%	30.00%	(d)
Compagnia delle Spezie s.a r.l.	Paris (France)	FF. 50,000	(471)	(580)	50.00%	50.00%	7	(290)	(297)	Compagnia delle Spezie s.r.l.	50.00%	50.00%	
Serra della Spina s.r.l.	Monacilioni (CB)	21	4	49	33.33%	33.33%	19	16	(3)	Cremonini s.p.a.	33.33%	33.33%	(d)

NOTES

(a) Company acquired in 1998 with the option to acquire 100% control (see "The scope of the consolidation" section for further details).
(b) Figures not available as the companies were formed during 1999. The first financial statements will be for the year ending 31 December 2000.
(c) These capital deficits are covered by provisions.
(d) Figures related to the last financial statements approved (31.12.1998).
(e) Difference between carrying value and net equity deficit is covered by Lire 1,308 million (Lire 785 million is the pro-quota amount) of payables due to Marr s.p.a. which has written down the relevant receivables in previous years.

Exhibit 6

List of changes in the scope of the consolidation as at 31 December 1999 with respect to 31 December 1998

Subsidiaries consolidated using the global integration (line-by-line) method as at 31 December 1998 and no longer within the scope of the consolidation

Name	Registered office	Capital stock (in millions of Lire if not otherwise stated)	Percentage holding at 31.12.98	Effective holding at 31.12.98	Holding company at 31 December 1998	Notes
Gepar ltd	Sliema (Malta)	30,000	99.99%	99.99%	Cremonini s.p.a.	(1)

Subsidiaries consolidated using the global integration method as at 31 December 1999, that fell within the scope of the consolidation for the first time or for which the Group's stockholdings has changed

Name	Registered office	Capital stock (in millions of Lire if not otherwise stated)	Percentage holding at 31.12.99	Effective holding at 31.12.99	Holding company at 31 December 1999	Notes
VOLO NEDDA BUFFET STAZIONE BRESCIA s.r.l.	Brescia	23	100.00%	100.00%	Cremonini s.p.a.	(2)
BUFFET STAZIONE DI BELLUNO s.r.l.	Belluno	20	100.00%	100.00%	Cremonini s.p.a.	(2)
GESTIONE BUFFET STAZIONE FF.SS.DI V. E L. s.r.l.	Novara	20	100.00%	100.00%	Cremonini s.p.a.	(2)
MULTISERVICE s.p.a.	Castelnuovo R. (MO)	1,250	100.00%	100.00%	Corte Buona s.p.a.	(7)
CONS. CENTRO COMM.LE INGROSSO CARNI s.r.l.	Bologna	3,000	77.82%	77.67%	Cremonini s.p.a., Ges.Car. s.r.l.	(2)
CE FRANCE s.a r.l.	Paris (France)	FF 350,000	74.00%	74.00%	Cremonini s.p.a.	(3)
BUONA ITALIA ALIMENTOS ltda	San Paolo (Brazil)	Reales 50,000	85.00%	85.00%	Corte Buona s.p.a.	(4)
MARR s.p.a.	Rimini	49,450	100.00%	100.00%	Cremonini s.p.a.	(5)
COPEA s.r.l.	S. Giovanni in Merignano (RN)	1,500	76.00%	76.00%	Marr s.p.a.	(6)
VENTURI ALFREDO s.r.l.	Cesenatico (FO)	30	100.00%	100.00%	Marr s.p.a.	(6)
SANREMOMARE s.r.l.	Santarcangelo di R. (RN)	190	100.00%	100.00%	Marr s.p.a.	(8)
S.I.T.A.L. s.r.l.	Alessandria	20	100.00%	100.00%	Cremonini s.p.a.	(6)
GUARDAMIGLIO CARNI s.p.a.	Guardamiglio (LO)	12,570	100.00%	100.00%	Cremonini s.p.a.	(6)
BALDI CARNI s.r.l.	Jesi (AN)	3,700	67.00%	67.00%	Guardamiglio Carni s.p.a.	(6)
GE.MARK s.r.l.	Guardamiglio (LO)	20	100.00%	100.00%	Cremonini s.p.a.	(6)
INALCA s.p.a. (ex Ultrocchi Carni s.p.a.)	Castelvetro (MO)	290,000	100.00%	100.00%	Cremonini s.p.a.	(9)
ROMAGNA CENTRO GROSS s.r.l.	Santarcangelo di R. (RN)	6,378	100.00%	100.00%	Marr s.p.a.	(5)

Subsidiaries consolidated using the net equity method as at 31 December 1999 for the first time

Name	Registered office	Capital stock (in millions of Lire if not otherwise stated)	Percentage holding at 31.12.99	Effective holding at 31.12.99	Holding company at 31 December 1999	Notes
Gepar ltd in liquidation	Sliema (Malta)	30,000	99.99%	99.99%	Cremonini s.p.a.	(1)
A.O. Konservni	Stavropol (Russia)	3	25.00%	25.00%	Inalca s.p.a.	

NOTES
(1) Following the sale of the shares in Marr the company became non-operative and for this reason it has been decided to place it into liquidation.
(2) Company acquired at the end of 1998 and valued at cost in the consolidated financial statements as at 31 December 1998.
(3) Company formed during the 1997 which became fully operative in 1998, excluded from the scope of the consolidation at the latter date.
(4) Company formed during the 1998; the first financial statements has been for the year ending 31 December 1999.
(5) The percentage held was increased due to additional acquisitions.
(6) Company acquired during the 1999.
(7) Company acquired during the 1998 (82%) and valued at cost as at 31 December 1998. A further 18% was purchased during the 1999.
(8) Company formed during the 1999.
(9) See "The scope of the consolidation" section for further details.

Exhibit 7

Schedule of the changes in consolidated net equity for the year as at 31 December 1999

(in millions of Lire)	Capital stock	Share premium reserve	Legal reserve	Other reserves including consolidation reserve	Riserve for treasury stock	Profit (loss) brought-forward	Group's share of net profit	Group's share of net equity	Minority interests	Minorities' share of net profits	Minorities' share of net profits	Total
Balance as at 31 December 1998	140,620	210,746	3,804	9,364	6,180	(27,473)	24,339	367,580	13,295	(112)	13,183	380,763
Allocation of the profits for the 1998 financial year		(2,185)				26,524	(24,339)		(112)	112		
Utilization of reserves for treasury stock		(4,838)		(5,288)	10,126							
Reconstitution of reserves due to the reduction of the reserve for treasury stock		4,820	2,029	4,151	(11,000)							
Variations due to changes in percentages in holdings and scope of the consolidation				(2,741)		280		(2,461)	(10,442)		(10,442)	(12,903)
Reclassification of the surplus realized from the conferment of Castelvetro s.p.a.'s business activity into Inalca s.p.a.				4,208			(4,208)					
Consolidated profit (loss) for the year ended 31 December 1999							34,232	34,232		157	157	34,389
Balance as at 31 December 1999	**140,620**	**208,543**	**5,833**	**9,694**	**5,306**	**(669)**	**30,024**	**399,351**	**2,741**	**157**	**2,898**	**402,249**

Exhibit 8

Statement of consolidated cash flow for the years ended 31 December 1999 and 31 December 1998

(in millions of Lire)		31/12/99	31/12/98
A)	Opening short-term indebtedness	(391,691)	(783,578)
B)	Cash flow for the year		
	Profit (loss) for the year	30,024	24,339
	Amortization		
	– intangible fixed assets	27,617	17,321
	– tangible fixed assets	51,146	42,777
	(Gain) loss on sale of fixed assets	(339)	(1,854)
	Changes in provision for liabilities and charges	14,690	(3,255)
	Changes in staff severance indemnities	6,829	211
	Profit for the year before changes in working capital	129,967	79,539
	(Increase) decrease in stockholdings classified as current assets	471	1,510
	(Increase) decrease in receivables and other current assets	(68,536)	102,511
	(Increase) decrease in inventories	(60,176)	(30,507)
	Increase (decrease) in payables to suppliers and other payables	154,564	4,426
	Increase (decrease) in accruals and prepayments	(8,862)	(4,630)
		147,428	152,849
C)	Cash flow from (for) investments		
	Investments in fixed assets		
	– intangible	(24,163)	(37,866)
	– tangible	(108,334)	(106,918)
	Net changes in financial fixed assets	21,754	(2,566)
	Effect of changes in the scope of the consolid. in int. and tang. fixed assets	(90,174)	(45,820)
	Effect on intangible and tangible fixed assets of extraordinary operations	(22,136)	
	Sale or reimbursement value of fixed assets	16,742	18,326
		(206,311)	**(174,844)**
D.	Cash flow generated (absorbed) by changes in Group and minority interests' net equity		
	Increase in capital stock		37,000
	Increase in share premium reserve		210,746
	Changes in minority interests	(10,285)	(41,654)
	Other changes	1,747	(319)
		(8,538)	**205,773**
E.	Cash flow from (for) loans		
	Net increase (decrease) in medium-long term bank loans	169,014	(38,985)
	Net increase (decrease) in other medium-long term loans	(5,484)	394
	Increase in bonds	24,853	246,700
		188,383	**208,109**
F.	Cash flow for the year **(B+C+D+E)**	**120,962**	**391,887**
G.	Closing short-term indebtedness	**(270,729)**	**(391,691)**
H.	Extraordinary assignments to stockholders not having a financial effect		
	Reduction in reserves		(19,069)
	Reduction in stockholdings:		
	- in subsidiaries		18,569
	- in associated companies		500

Exhibit 9

Consolidated financial statements as at 31 December 1999 in Euro

Balance sheet - Assets

(in thousands of Euro)	*31.12.1999*	*31.12.1998*
B) Fixed assets		
I. Intangible		
1) Formation and start-up costs	9,551	8,997
2) Cost of research, development and advertising	1,945	3,026
3) Cost of industrial patents and rights for the use of intellectual property	1,385	346
4) Concessions, licences and brand names	31,280	4,356
5) Goodwill	7,058	1,916
5 bis) Consolidation differences	62,639	76,943
6) Intangible fixed assets under development and advances	2,137	2,574
7) Other intangible fixed assets	14,694	14,695
	130,689	112,853
II. Tangible		
1) Land and buildings	225,129	139,541
2) Plant and machinery	132,627	84,852
3) Industrial and commercial equipment	5,219	3,955
4) Other tangible fixed assets	13,643	11,351
5) Tangible fixed assets under development and advances	14,546	92,021
	391,164	331,720
III. Financial		
1) Stockholdings in		
a) subsidiaries	27,017	10,438
b) associated companies	2,510	8,466
d) other companies	3,571	3,413
	33,098	22,317
2) Loans		
a) to subsidiaries		
- within 12 months	758	
- over 12 months	449	837
b) to associated companies		
- within 12 months	5	5
d) to others		
- within 12 months	997	789
- over 12 months	14,058	13,384
	16,267	15,015
3) Other securities	1,118	21,193
4) Treasury stock		3,192
	50,483	61,717
Total fixed assets (B)	572,336	506,290

Exhibit 9 *continued*

	31.12.1999	31.12.1998
C) Current assets		
I. *Inventories*		
1) Raw materials, supplies and consumables	12,519	9,395
2) Products in progress and semi-finished products	6,458	5,189
4) Finished products and goods purchased for resale	152,928	126,716
5) Advances	655	181
	172,560	141,481
II. *Receivables*		
1) Trade receivables		
- within 12 months	197,352	151,379
- over 12 months	471	2,713
	197,823	154,092
2) From subsidiaries		
- within 12 months	2,346	6,828
3) From associated companies		
- within 12 months	8,240	1,590
5) From others		
- within 12 months	53,453	65,963
- over 12 months	5,889	3,882
	59,342	69,845
	267,751	223,355
III. *Financial current assets*		
4) Other stockholdings	55	298
5) Treasury stock (total nominal value at 31.12.1999 Euro 669,844.60)	2,740	
6) Other securities	108	1,575
	2,903	1,873
IV. *Cash and cash equivalents*		
1) Bank and post office accounts	30,190	52,003
2) Cheques on hand	839	425
3) Cash on hand	899	642
	31,928	53,070
Total current assets (C)	475,142	429,779
D) Accrued income and prepaid expenses		
- miscellaneous	2,517	3,441
Total accrued income and prepaid expenses (D)	2,517	3,441
Total assets (A+B+C+D)	1,049,905	938,510

Exhibit 9 *continued*

Consolidated financial statements as at 31 Dicember 1999 in Euro

Balance sheet - Net Equity and liabilities

(in thousands of Euro)	*31.12.1999*	*31.12.1998*
A) Net equity		
I. Capital stock	72,624	72,624
II. Share premium reserve	107,703	108,841
IV. Legal reserve	3,013	1,965
V. Reserve for treasury stock	2,740	3,192
VII. Other reserves		
Consolidation reserve	3,421	4,836
Others	1,586	
VIII. Profit (loss) brought-forward	(346)	(14,188)
IX. Group's share of profit (loss) for the year	15,506	12,570
Total Group net equity	206,247	189,840
Minority interest in net equity	1,416	6,866
Minority's share of profit (loss) for the year	81	(58)
Total minority interests	1,497	6,808
Total net equity (A)	207,744	196,648
B) Provision for liabilities and charges		
1) Provision for severance indemnities	969	864
2) Provision for taxation	6,040	627
3) Other	4,895	2,826
Total provision for liabilities and charges (B)	11,904	4,317
C) Staff severance indemnities	27,094	23,567
D) Payables		
1) Bonds		
- within 12 months		1,705
- over 12 months	141,950	129,114
	141,950	130,819
3) Bank loans and overdrafts		
- within 12 months	135,836	194,764
- over 12 months	176,515	89,226
	312,351	283,990
4) Payables to other financial institutions		
- within 12 months	38,173	59,954
- over 12 months	5,184	8,016
	43,357	67,970

Exhibit 9 *continued*

	31.12.1999	31.12.1998
5) Advances		
- within 12 months	175	
6) Trade payables		
- within 12 months	222,189	172,932
- over 12 months	1,482	
	223,671	172,932
7) Notes payable		
- within 12 months	587	516
8) Payables to subsidiaries		
- within 12 months	23,749	1,211
9) Payables to associated companies		
- within 12 months	145	572
11) Tax payables		
- within 12 months	11,091	8,728
- over 12 months		1
	11,091	8,729
12) Payables to pension and social security institutions		
- within 12 months	4,466	3,838
13) Other payables		
- within 12 months	34,371	29,533
- over 12 months	907	1,935
	35,278	31,468
Total payables (D)	796,820	702,045
E) Accrued expenses and deferred income		
- miscellaneous	6,433	11,933
Total accrued expenses and deferred income (E)	6,433	11,933
Total liabilities (A + B + C + D + E)	1,049,246	938,510

Exhibit 9 *continued*

Consolidated financial statements as at 31 December 1999 in Euro

Memorandum accounts

(in thousands of Euro)	*31.12.1999*	*31.12.1998*
1) Real guarantees - sureties		
- subsidiaries	393,579	370,556
- associated companies		1
- affiliated companies	3,926	21,236
- other companies	44,632	89,504
	442,137	481,297
2) Real guarantees - letters of comfort		
- subsidiaries	49,922	59,528
- affiliated companies	258	3,977
- other companies		2,272
	50,180	65,777
3) Indirect guarantees - credit mandates		
- subsidiaries	120,278	49,575
- affiliated companies		5,423
- other companies		4,390
	120,278	59,388
4) Secured guarantees - pledges		
- subsidiaries		1,472
- other companies		2,768
		4,240
5) Other risk and commitments	12,429	15,350
Total memorandum accounts	625,024	626,052

Exhibit 9 *continued*

Consolidated financial statements as at 31 December 1999 in Euro

Statement of income

(in thousands in Euro)	*31.12.1999*	*31.12.1998*
A) Value of production		
1) Revenues from sales and services	1,289,178	1,017,880
2) Changes in inventories of products in progress semi-finished and finished	101,750	8,861
4) Increase in fixed assets produced internally	10,976	7,988
5) Other revenues and income		
- miscellaneous	13,429	16,252
- subsidies	383	530
Total value of production (A)	1,415,716	1,051,511
B) Cost of production		
6) For raw materials, supplies, consumables and goods purchased for resale	1,014,318	713,879
7) For services	179,689	142,610
8) For the use of third party assets	15,362	11,833
9) For personnel		
a) Salaries and wages	77,028	63,793
b) Social security costs	26,131	22,175
c) Staff severance indemnities	5,837	4,755
d) Other severance indemnities	32	
e) Other costs	387	1,388
	109,415	92,111
10) Amortization and write-downs		
a) Amortization of intangible fixed assets	14,263	8,946
b) Amortization of tangible fixed assets	26,415	22,092
d) Provision for bad debits and write-downs of other current assets	4,941	4,845
	45,619	35,883
11) Changes in inventories of raw materials, supplies, consumables and goods purchased for resale	(13,130)	(10,572)
12) Provision for risks	2,697	1,532
13) Other provisions	140	65
14) Sundry administration costs	13,869	13,354
Total costs of production (B)	1,367,979	1,000,695
Difference between value and costs of production (A-B)	47,737	50,816
C) Financial income and expense		
15) Income from stockholdings		
- from subsidiaries	3,304	4,457
- from associated companies	11,104	207
- others	39	134
	14,447	4,798

Exhibit 9 *continued*

	31.12.1999	31.12.1998
16) Other financial income		
a) from fixed loans		
- from subsidiaries	22	17
- from others	221	740
	243	757
b) from fixed securities other than stockholdings	172	2,799
c) from current securities other than stockholdings	301	494
d) income other than described above		
- from subsidiaries	16	441
- from associated companies	35	
- others	7,812	14,187
	7,863	14,628
	8,579	18,678
17) Interest and other financial costs		
- paid to subsidiaries	(24)	(5)
- paid to associated companies		(8)
- others	(28,909)	(48,822)
	(28,933)	(48,835)
Total financial income and expense (C)	(5,907)	(25,359)
D) Adjustments to the value of financial assets		
18) Write-ups		
a) of stockholdings		135
19) Write-downs		
a) of stockholdings	(610)	(238)
b) of financial fixed assets other than stockholdings	(215)	(464)
c) of current securities other than stockholdings	(481)	
	(1,306)	(702)
Total adjustments of the value od financial assets (D)	(1,306)	(567)
E) Extraordinary income and expense		
20) Income		
- surplus on sales	3,593	1,922
- miscellaneous	3,318	2,878
	6,911	4,800
21) Expense		
- loss on sales	(133)	(304)
- taxation relating to preceding financial years	(145)	(5)
- miscellaneous	(6,446)	(5,050)
	(6,724)	(5,359)
Total extraordinary items (E)	187	(559)
Profit before taxation (A-B+C+D+E)	40,711	24,331
22) Taxation on the profit for the year	(25,124)	(11,819)
26) Net profit, after taxation, for the year		
- Profit (loss) for the year	15,587	12,512
- Minority's share of (profit) loss	(81)	58
Group's share of profit (loss)	15,506	12,570

Statutory Auditors' Report

Stockholders,

The financial statements of the Cremonini Group as at 31 December 1999, which are submitted for your approval, have been prepared in accordance with the requirements of Law Decree no. 127 of 9 January 1991 and the results can be summarized as follows:

I. Consolidated balance sheet	in millions of Lire
Assets	2,033,074
Liabilities	(1,630,825)
Minorities' share of net equity	(2,898)
Group's share of net equity	(399,351)

with a total amount of Lire 1,210,213 million shown in the memorandum accounts.

II. Consolidated statement of income	in millions of Lire
Value of production	2,741,208
Cost of production	(2,648,776)
Financial income and expense	(11,437)
Adjustments to the values of financial assets	(2,529)
Extraordinary income and expense	361
Taxation on the profit for the year	(48,646)
Minorities' share of net profit	(157)
Group's share of net profit	30,024

In their report and the explanatory notes which complete and comment upon the consolidated financial statements, the Board of Directors supplies, in addition to the consolidation criteria (as detailed in Exhibit 5) and the accounting principles which were applied, information on the results of all the Companies included within the consolidation, as well as the facts which characterized the year.

The Statutory Auditors, within the limits of their authority and based on the information provided to them, certify that:
- the consolidated financial statements have been prepared as required by Law Decree. no. 173/1997 and in accordance with CONSOB's recommendations, and that the results correspond with the summarized accounting information of the Parent Company, integrated with that of the subsidiaries included within the scope of the consolidation.

In addition, in conformity with the above mentioned recommendations, the Statutory Auditors also state the following:
- the information supplied by the Board of Directors in its report, with specific reference to transactions with the affiliated companies, is considered complete. In this connection, there were neither indications, nor were conflicts of interest evident, of transactions that were manifestly imprudent or hazardous, that is to say capable of prejudicing the results, net equity or financial situation of the Group;
- during the course of the year, information has been exchanged with Price Waterhouse (now PricewaterhouseCoopers), the firm appointed to audit the financial statements of the Company and the con-

solidated financial statements of the Group. At this date, although the audit report is not yet available, it has been confirmed that the report will give an opinion without any qualifications on the financial statements under examination.

With the anticipated certification by the auditors, it is confirmed that the figures shown in the financial statements agree with the accounting records of the Parent Company and those of the consolidated subsidiaries.

The information transmitted to the Parent Company by its subsidiaries for the preparation of the consolidated financial statements was examined by the auditors of each of these companies, in terms of the audit programme provided.

The Statutory Auditors did not check the financial statements of the subsidiaries.

As is evident from the above, the Statutory Auditors hold the view that the consolidated financial statements of the Cremonini Group as at 31 December 1999 show a correct view of the net equity, the results and financial position of the Parent Company and the companies included within the scope of the consolidation.

Castelvetro di Modena, 6 April 2000

THE BOARD OF STATUTORY AUDITORS

President of the Board of Statutory Auditors
(dr. Alessandro Artese)

Alessandro Artese

Auditor
(dr. Giovanni Zanasi)

Giovanni Zanasi

Auditor
(dr. Franco Colombo)

Franco Colombo

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE N° 58 DATED 24 FEBRUARY 1998

To the shareholders of
CREMONINI SpA

1 We have audited the consolidated financial statements of CREMONINI Group as of 31 December 1999. These consolidated financial statements are the responsibility of CREMONINI SpA's directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion. The financial statements of certain subsidiaries which reflect total assets constituting 4.8 per cent of consolidated assets and sales revenues constituting 10.6 per cent of consolidated sales revenues, have been audited by other auditors who have provided us with their audit reports. Our opinion, as expressed in this audit report, insofar as it relates to the accounts of those companies included in the consolidated financial statements is based on the audit performed by other auditors.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to the report issued by Price Waterhouse SpA, dated 11 May 1999.

3 In our opinion, the consolidated financial statements of CREMONINI Group as of 31 December 1999 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the Group.

Parma, 14 April 2000

PricewaterhouseCoopers SpA

Giovanni Poggio
(Partner)

This report has been translated from the original which was issued in accordance with Italian practice

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