

GABETTI GROUP

DIRECTORS' REPORT ON GROUP OPERATIONS

To the Shareholders,

The reclassified consolidated income statement and condensed balance sheet are presented below.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in millions of lire)	2000	1999	% Change
REAL ESTATE REVENUES AND EXPENSES			
Commissions from real estate trading	81,412	74,931	8.65%
Franchising revenues	7,158	6,286	13.87%
Mortgage loan and lease brokerage revenues	17,872	7,018	154.66%
Real estate consulting and service revenues	3,540	2,125	66.59%
Other income	2,407	2,775	-13.26%
Revenues from real estate sales	6,462	10,435	-38.07%
Cost of real estate sold	(6,245)	(10,539)	-40.74%
Writedown of real estate in inventory	(46)	(467)	-90.15%
Operating costs and expenses	(92,547)	(78,039)	18.59%
OPERATING RESULTS	20,013	14,525	37.78%
FINANCIAL INCOME AND EXPENSES			
Interest income on mortgage loans	22,302	31,194	-28.51%
Interest income on finance leases	675	691	-2.32%
Other income	3,595	2,389	50.48%
Differentials on interest rate swaps	(232)	(1,126)	-79.40%
Financial charges, net	(10,542)	(11,387)	-7.42%
Operating costs and expenses	(9,753)	(13,289)	-26.61%
OPERATING RESULTS	6,045	8,472	-28.65%
GROUP HOLDING COMPANY COSTS			
(net of income)	(10,646)	(10,273)	3.63%
GROSS OPERATING PROFIT FROM ORDINARY OPERATIONS			
	15,412	12,724	21.13%
EXTRAORDINARY INCOME AND EXPENSES			
Extraordinary income	135	0	100.00%
TOTAL EXTRAORDINARY INCOME AND EXPENSES	135	0	100.00%
INCOME BEFORE INCOME TAXES	15,547	12,724	22.19%
INCOME TAXES	(8,560)	(7,096)	20.63%
NET INCOME - GROUP	6,987	5,628	24.15%

CONDENSED BALANCE SHEET

(in millions of lire)

December 31, 2000 December 31, 1999

Mortgage loans receivable from customers (short-term)	125,385	129,746
Finance lease receivables from customers (short-term)	2,603	3,278
Real estate to be sold (from cancelled finance leases)	2,588	6,372
Trading real estate	20,207	22,681
Trade receivables	18,090	12,298
Other payables (short/medium-term), accruals/prepayments	(18,615)	(21,833)
Net working capital	150,258	152,542
Mortgage loans receivable from customers	92,142	129,582
Finance lease receivables from customers	8,252	9,677
Intangible assets, net	6,503	4,243
Tangible assets, net	8,134	8,371
Investments	3,546	1,797
Loans receivable from unconsolidated Group companies	88	145
Other assets	2,029	2,177
Treasury shares and other securities	2,475	3,152
Net fixed assets	123,169	159,144
Employees' severance pay	(13,601)	(12,814)
Invested capital, net of current liabilities	259,826	298,872
Financed by:		
Short-term debt	133,809	144,712
Cash and banks	(8,436)	(9,784)
Medium/long-term debt	56,772	90,629
Net financial debt	182,145	225,557
Minority interests	123	0
Shareholders' equity – Group	77,558	73,315
Total as above	259,826	298,872

The net financial debt of the Group amounting to Lire 182 billion (Lire 226 billion in 1999), should be viewed in relation to the financial assets (mortgage loans and leases) of the Group.

PERFORMANCE OF THE GROUP'S BUSINESS SECTORS

A) Commissions from real estate brokering

In 2000, the sector reported commission revenues of Lire 81.4 billion (Lire 74.9 billion in 1999) with an increase of about 9%.

As part of the strategy for the development of the direct sales network over the territory, the number of branches was increased from 109 to 119.

The plan to consolidate and expand the sales network through franchises continued during the year; the contracts stipulated at December 31, 2000 numbered 298 (261 at December 31, 1999), in addition to 39 preliminary franchise contracts (36 at December 31, 1999).

During the year, revenues from commissions, royalties and insurance contributions from the franchise sales network totaled Lire 7.2 billion (Lire 6.3 billion in 1999).

B) Mortgage loans

During 2000, as occurred to a lesser degree in 1999, mortgage brokering with designated banks, especially Banca Woolwich S.p.A. increased considerably during the year, producing revenues for Lire 17.9 billion (Lire 7.0 billion in 1999) against Lire 523 billion in mortgage loans (Lire 213 billion in 1999).

The existing portfolio of loans made directly up to December 31, 1997 continues to be managed by the Group. The portfolio consists of future loan installments totaling Lire 178 billion at December 31, 2000 (Lire 245 billion at December 31, 1999), of which Lire 125 billion is principal (Lire 168 billion at December 31, 1999).

C) Real estate consulting and service revenues

Real estate consulting and services provided by Patrigest S.p.A., aimed at clientele of excellent standing, consisting mainly of institutional investors and international merchant banks, continues with a strong trend in growth. Revenues recorded in 2000 were Lire 3.5 billion (Lire 2.1 billion in 1999).

D) Loan recoveries and litigation management

Patrigest S.p.A. continues activities for loan recoveries and litigation management with respect to loans covered by mortgages with the twofold objective of accelerating and stepping up the recovery of the Group's loan receivables, and, to extend this business to outside clients, especially to credit institutions carrying non-performing loans. The revenues invoiced to Group companies during the year, equal to Lire 2.3 billion, were eliminated on consolidation and Lire 551 million was invoiced to third-party customers, especially a leading credit institution which entrusted Patrigest with the responsibility to promote attendance at judiciary auctions by potential customers.

E) Management and appreciation of real estate property

In 2000, Patrigest S.p.A. signed an important agreement with a leading international investor for the management and appreciation of prime real estate property worth about Lire 300 billion located in Italy, in Milan, Rome and Palermo.

The part regarding the management of the real estate was entrusted to Patrimonia S.p.A., a property management company acquired in November 2000 by Gabetti Holding S.p.A..

F) Revenues from real estate trading and building promotions

Again in 2000, there were no new deals entered into in this sector; revenues from real estate sales during the year totaled Lire 2.4 billion (Lire 10.2 billion in 1999). The trading real estate inventory at December 31, 2000 amounted to Lire 20.2 billion (Lire 22.7 billion in 1999). The movements in trading real estate inventories are fully described in the notes.

In addition to the above sales, preliminary sales agreements were also stipulated for Lire 2.8 billion.

G) Real estate leases

This business segment refers to the management of outstanding real estate finance leases which total Lire 12 billion at December 31, 2000 (Lire 15 billion at December 31, 1999), of which Lire 9 billion refers to principal including the purchase option (Lire 11 billion at December 31, 1999). Real estate coming from cancelled finance leases was sold during for Lire 4.0 billion.

INFORMATION REGARDING THE “YEAR 2000 PROBLEM”

As regards information on the “year 2000 problem”, reference should be made to the directors’ report on operations of Gabetti Holding S.p.A..

R&D ACTIVITIES

The Group companies, in relation to their business, which is all directly or indirectly connected with the real estate sector, have not engaged in R&D activities.

TREASURY SHARES

No. 260,000 treasury shares were sold during the year for a gain of Lire 1,086 million, recorded in financial income.

At March 29, 2001, there were 813,500 treasury shares in portfolio of par value Lire 1,000 each, equal to 2.542% of share capital, at an average cost of Lire 2,107 per share and a total of Lire 1,713,957,094.

The sale of treasury shares, authorized by the shareholders’ meeting on April 28, 2000, was effected to meet the requirement of the market.

SIGNIFICANT SUBSEQUENT EVENTS AND FUTURE OUTLOOK

As far as significant events subsequent to the end of the year and the future outlook are concerned, reference should be made to the directors' report on operations of Gabetti Holding S.p.A..

In addition, in February 2001, Decree No. 394 of December 29, 2000, became law. It concerns the authentic interpretation of Italian Law No. 108 of March 7, 1996, laying down guidelines for usury, on the basis of which it has been decided that interest in excess of the limit established by the law is to be regarded as usurious at the time such interest is stipulated, regardless of when it is paid.

As a result, loans granted to customers up to December 31, 1997 (when the company ceased this activity) were granted in full compliance with current laws.

With reference to sub-section 2 of the above decree law, which involves the application of a substitution rate for fixed-rate loans, the company is taking timely action to bring its information system in line with the aim of proceeding with the necessary update of the rates.

In this context, it should be said that the number of loans with the characteristics laid down by the legislative decree in question is fairly low and, therefore, their impact on the income statement of 2001 and subsequent years will not be significant.

Milan, March 30, 2001

for the Board of Directors
The Deputy Chairman
(Dott. Elio Gabetti)

GABETTI GROUP

CONSOLIDATED BALANCE SHEET

(in millions of lire)

ASSETS		December 31, 2000	December 31, 1999
A)	SUBSCRIBED CAPITAL UNPAID	0	0
B)	FIXED ASSETS		
I	Intangible assets		
1	Start-up and formation costs	77	64
3	Patents and rights for the use of intellectual properties	882	869
4	Concessions, licenses, trademarks and similar rights	29	33
6	Difference on consolidation	131	0
7	Intangible assets under development and payments on account	144	331
8	Other intangible assets	5.240	2.947
	Total intangible assets	6.503	4.244
II	Tangible assets		
1	Land and buildings	4.291	5.168
4	Other tangible assets	3.843	3.193
5	Tangible assets under construction and payments on account	0	10
	Total tangible assets	8.134	8.371
III	Long-term financial assets		
1	Investments in		
a	subsidiaries	8	8
b	associated companies	1.833	1.789
c	other companies	1.705	0
	Total investments	3.546	1.797
2	Receivables	**	**
b	loans receivable from associated companies	88	88
d	trade finance leases	2.603	10.855
e	trade mortgage loans	125.385	217.527
f	other receivables	40	2.069
	Total receivables	230.539	274.605
4	Treasury shares (total par value of Lire 1,248)	2.475	3.152
	Total long-term financial assets	236.560	279.554
	TOTAL FIXED ASSETS	251.197	292.169

** due within one year

GABETTI GROUP

CONSOLIDATED BALANCE SHEET

(in millions of lire)

ASSETS		December 31, 2000	December 31, 1999
C)	CURRENT ASSETS		
I	Inventories		
4	Real estate to be sold (from cancelled finance leases)	2.588	6.372
6	Trading real estate	20.207	22.681
7	Advances	229	228
	Total inventories	23.024	29.281
II	Receivables		
1	Trade	18.090	12.298
5	Other	6.048	6.327
	Total receivables	24.138	18.625
III	Current financial assets	0	0
IV	Cash and banks		
1	Bank and postal deposits	6.950	8.522
3	Cash	1.486	1.262
	Total cash and banks	8.436	9.784
	TOTAL CURRENT ASSETS	55.598	57.690
D)	ACCRUED INCOME AND PREPAID EXPENSES		
1	Accrued income	61	111
2	Prepaid expenses	2.199	2.874
	TOTAL ACCRUED INCOME AND PREPAID EXPENSES	2.260	2.985
TOTAL ASSETS		309.055	352.844

GABETTI GROUP

CONSOLIDATED BALANCE SHEET

(in millions of lire)

LIABILITIES AND SHAREHOLDERS' EQUITY		December 31, 2000	December 31, 1999
A)	SHAREHOLDERS' EQUITY		
I	Share capital	32.000	32.000
II	Share premium reserve	6.000	6.000
III	Revaluation reserve	189	189
IV	Legal reserve	2.614	2.227
V	Reserve for treasury shares in portfolio	2.475	3.152
VI	Statutory reserves	0	0
VII	Other reserves		
1	Extraordinary reserve	23.757	19.226
5	Other reserves	611	1.426
	Total other reserves	24.368	20.652
VIII	Retained earnings	2.925	3.467
IX	Net income for the year	6.987	5.628
	SHAREHOLDERS' EQUITY - GROUP	77.558	73.315
	MINORITY INTERESTS	123	0
	TOTAL SHAREHOLDERS' EQUITY	77.681	73.315
B)	PROVISIONS FOR LIABILITIES AND CHARGES		
2	For taxes	316	104
3	Other	759	1.474
	TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	1.075	1.578
C)	PROVISION FOR EMPLOYEES' SEVERANCE PAY	13.601	12.814
D)	PAYABLES	**	**
3	Bank debt	56.772	190.581
5	Advances received	1.332	90.629
6	Trade	7.297	235.341
11	Taxes	5.030	1.646
12	Social security contributions	3.812	9.870
13	Other	8.206	6.109
	TOTAL PAYABLES	216.258	3.609
			8.011
E)	ACCRUED LIABILITIES AND DEFERRED INCOME		
1	Accrued liabilities	393	547
2	Deferred income	47	4
	TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	440	551
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	309.055	352.844

** due beyond one year

GABETTI GROUP

CONSOLIDATED BALANCE SHEET

(in millions of lire)

MEMORANDUM ACCOUNTS		December 31, 2000	December 31, 1999
1	GUARANTEES GRANTED		
b	Secured guarantees	95.375	128.452
	TOTAL GUARANTEES GRANTED	<u>95.375</u>	<u>128.452</u>

GABETTI GROUP

CONSOLIDATED INCOME STATEMENT

(in millions of lire)

	2000	1999
A) VALUE OF PRODUCTION		
01 Revenues from sales and services	115.955	99.382
02 Changes in inventories of buildings under construction and destined for sale	(6.258)	(10.546)
05 Other revenues and income	5.224	5.919
TOTAL VALUE OF PRODUCTION	114.921	94.755
B) COSTS OF PRODUCTION		
06 Real estate purchases	33	98
07 Services	43.357	38.211
08 Lease and rent expenses	7.133	6.330
09 Personnel costs		
a salaries and wages	35.628	31.861
b social security contributions	11.333	10.299
c employees' severance pay	2.643	2.259
e other costs	6	4
Total personnel costs	49.610	44.423
10 Depreciation, amortization and writedowns		
a amortization of intangible assets	2.532	1.918
b depreciation of tangible assets	1.314	1.603
d doubtful accounts expense	405	207
Total depreciation, amortization and write downs	4.251	3.728
12 Accruals for liabilities	0	660
14 Other operating expenses	6.664	5.372
TOTAL COSTS OF PRODUCTION	111.048	98.822
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	3.873	(4.067)

GABETTI GROUP

CONSOLIDATED INCOME STATEMENT

(in millions of lire)

	2000	1999
C) FINANCIAL INCOME AND EXPENSES		
15 Investment income		
a From subsidiaries		23
Total investment income	0	23
16 Other financial income		
a Income from receivables held as fixed assets		
4 finance leases	675	691
6 mortgage loans	22.302	31.194
7 other companies	52	57
Total income from receivables held as fixed assets	23.029	31.942
b Income from securities held as fixed assets, not representing equity investments	1.086	0
c Income from securities held as current assets, not representing equity investments	0	84
d Income other than the above		
4 interest and commissions from others, and sundry income	259	660
Total income other than the above	259	660
Total other financial income	24.374	32.686
17 Interest and other financial expenses		
4 other	(10.916)	(13.055)
Total interest and other financial expenses	(10.916)	(13.055)
TOTAL FINANCIAL INCOME AND EXPENSES	13.458	19.654

GABETTI GROUP

CONSOLIDATED STATEMENT OF INCOME

(in millions of lire)

	2000	1999
D) VALUATION ADJUSTMENTS TO FINANCIAL ASSETS		
18 Revaluations		
a of investments	36	72
Total revaluations	36	72
19 Writedowns		
a of investments	(2)	(60)
b of long-term financial assets, not representing equity investments	(1.953)	(2.875)
Total writedowns	<u>(1.955)</u>	<u>(2.935)</u>
TOTAL VALUATION ADJUSTMENTS TO FINANCIAL ASSETS	(1.919)	(2.863)
E) EXTRAORDINARY INCOME AND EXPENSES		
20 Extraordinary income		
b other	135	0
Total extraordinary income	135	0
TOTAL EXTRAORDINARY INCOME AND EXPENSES	135	0
INCOME BEFORE INCOME TAXES	15.547	12.724
22 Income taxes	<u>8.560</u>	<u>7.096</u>
NET INCOME FOR THE YEAR	6.987	5.628

GABETTI GROUP

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

ASSETS		December 31, 2000		December 31, 1999	
A)	SUBSCRIBED CAPITAL UNPAID	0		0	
B)	FIXED ASSETS				
I	Intangible assets				
1	Start-up and formation costs	40		33	
3	Patents and rights for the use of intellectual properties	456		449	
4	Concessions, licenses, trademarks and similar rights	15		17	
6	Difference on consolidation	68		0	
7	Intangible assets under development and payments on account	74		171	
8	Other intangible assets	2.706		1.523	
	Total intangible assets	<u>3.359</u>		<u>2.193</u>	
II	Tangible assets				
1	Land and buildings	2.215		2.669	
4	Other tangible assets	1.985		1.649	
5	Tangible assets under construction and payments on account	0		4	
	Total tangible assets	<u>4.201</u>		<u>4.322</u>	
III	Long-term financial assets				
1	Investments in				
a	subsidiaries	4		4	
b	associated companies	947		924	
c	other companies	881		0	
	Total investments	<u>1.831</u>		<u>928</u>	
2	Receivables	* *		* *	
b	loans receivable from associated companies	45 45		75 75	
d	trade finance leases	1.344 5.606		1.693 6.691	
e	trade mortgage loans	64.756 112.343		67.008 133.932	
f	other receivables	21 1.069		12 1.125	
	Total receivables	<u>119.063</u>		<u>141.823</u>	
4	Treasury shares (total par value of Euros 779)	1.277		1.628	
	Total long-term financial assets	<u>122.173</u>		<u>144.379</u>	
	TOTAL FIXED ASSETS	<u>129.732</u>		<u>150.894</u>	

* * due within one year

GABETTI GROUP

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

ASSETS		December 31, 2000	December 31, 1999
C)	CURRENT ASSETS		
I	Inventories		
4	Real estate to be sold (from cancelled finance leases)	1.337	3.291
6	Trading real estate	10.436	11.714
7	Advances	118	118
	Total inventories	11.891	15.123
II	Receivables		
1	Trade	9.343	6.351
5	Other	3.124	3.268
	Total receivables	12.466	9.619
III	Current financial assets	0	0
IV	Cash and banks		
1	Bank and postal deposits	3.589	4.401
3	Cash	767	651
	Total cash and banks	4.357	5.052
	TOTAL CURRENT ASSETS	28.714	29.794
D)	ACCRUED INCOME AND PREPAID EXPENSES		
1	Accrued income	32	56
2	Prepaid expenses	1.137	1.484
	TOTAL ACCRUED INCOME AND PREPAID EXPENSES	1.167	1.540
TOTAL ASSETS		159.614	182.228

GABETTI GROUP

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

LIABILITIES AND SHAREHOLDERS' EQUITY		December 31, 2000		December 31, 1999	
A)	SHAREHOLDERS' EQUITY				
I	Share capital		16.527		16.527
II	Share premium reserve		3.099		3.099
III	Revaluation reserve		98		98
IV	Legal reserve		1.350		1.150
V	Reserve for treasury shares in portfolio		1.278		1.628
VI	Statutory reserves		0		0
VII	Other reserves				
1	Extraordinary reserve		12.269		9.929
5	Other reserves		316		736
	Total other reserves		12.585		10.665
VIII	Retained earnings (accumulated deficit)		1.511		1.790
IX	Net income for the year		3.608		2.907
	SHAREHOLDERS' EQUITY - GROUP		40.056		37.864
	MINORITY INTERESTS		64		0
	TOTAL SHAREHOLDERS' EQUITY		40.120		37.864
B)	PROVISIONS FOR LIABILITIES AND CHARGES				
2	For taxes		163		54
3	Other		392		761
	TOTAL PROVISIONS FOR LIABILITIES AND CHARGES		555		815
C)	PROVISION FOR EMPLOYEES' SEVERANCE PAY		7.024		6.618
D)	PAYABLES	**		**	
3	Bank debt	29.320	98.427	46.806	121.543
5	Advances received		688		850
6	Trade		3.769		5.097
11	Taxes		2.598		3.155
12	Social security contributions		1.969		1.864
13	Other		4.238		4.138
	TOTAL PAYABLES		111.688		136.647
E)	ACCRUED LIABILITIES AND DEFERRED INCOME				
1	Accrued liabilities		203		282
2	Deferred income		24		2
	TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME		227		284
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			159.614		182.228

** due beyond one year

GABETTI GROUP

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

MEMORANDUM ACCOUNTS		December 31, 2000	December 31, 1999
1	GUARANTEES GRANTED		
	b Secured guarantees	49.257	66.340
	TOTAL GUARANTEES GRANTED	<u>49.257</u>	<u>66.340</u>

GABETTI GROUP

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	2000	1999
A) VALUE OF PRODUCTION		
01 Revenues from sales and services	59.886	51.327
02 Changes in inventories of buildings under construction and destined for sale	(3.232)	(5.447)
05 Other revenues and income	2.698	3.056
TOTAL VALUE OF PRODUCTION	59.352	48.936
B) COSTS OF PRODUCTION		
06 Real estate purchases	17	51
07 Services	22.392	19.734
08 Lease and rent expenses	3.684	3.269
09 Personnel costs		
a salaries and wages	18.400	16.455
b social security contributions	5.853	5.319
c employees' severance pay	1.365	1.167
e other costs	3	2
Total personnel costs	25.620	22.943
10 Depreciation, amortization and writedowns		
a amortization of intangible assets	1.308	990
b depreciation of tangible assets	679	828
d doubtful accounts expense	209	107
Total depreciation, amortization and write downs	2.195	1.925
12 Accruals for liabilities	0	340
14 Other operating expenses	3.442	2.774
TOTAL COSTS OF PRODUCTION	57.352	51.036
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION	2.000	(2.100)

GABETTI GROUP**CONSOLIDATED INCOME STATEMENT**

(in thousands of euros)

	2000	1999
C) FINANCIAL INCOME AND EXPENSES		
15 Investment income		
a From subsidiaries	0	12
Total investment income	0	12
16 Other financial income		
a Income from receivables held as fixed assets		
4 finance leases	350	357
6 mortgage loans	11.518	16.110
7 other companies	26	30
Total income from receivables held as fixed assets	11.893	16.497
b Income from securities held as fixed assets, not representing equity investments	561	0
c Income from securities held as current assets, not representing equity investments	0	43
d Income other than the above		
4 interest and commissions from others, and sundry income	134	341
Total income other than the above	134	341
Total other financial income	12.588	16.881
17 Interest and other financial expenses		
4 other	(5.638)	(6.742)
Total interest and other financial expenses	<u>(5.638)</u>	<u>(6.742)</u>
TOTAL FINANCIAL INCOME AND EXPENSES	6.950	10.151

GABETTI GROUP

CONSOLIDATED STATEMENT OF INCOME

(in thousands of euros)

	2000	1999
D) VALUATION ADJUSTMENTS TO FINANCIAL ASSETS		
18 Revaluations		
a of investments	19	37
Total revaluations	19	37
19 Writedowns		
a of investments	(1)	(31)
b of long-term financial assets, not representing equity investments	(1.009)	(1.485)
Total writedowns	<u>(1.010)</u>	<u>(1.516)</u>
TOTAL VALUATION ADJUSTMENTS TO FINANCIAL ASSETS	(991)	(1.479)
E) EXTRAORDINARY INCOME AND EXPENSES		
20 Extraordinary income		
b other	70	0
Total extraordinary income	70	0
TOTAL EXTRAORDINARY INCOME AND EXPENSES	70	0
INCOME BEFORE INCOME TAXES	8.029	6.572
22 Income taxes	<u>4.421</u>	<u>3.665</u>
NET INCOME FOR THE YEAR	3.608	2.907

GABETTI GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2000 have been prepared in accordance with the provisions of Legislative Decree 127/91, paragraph III, which introduce the VII Directive of the EEC, integrated and interpreted by the accounting principles of the National Boards of Dottori Commercialisti and Ragionieri and, in their absence, those issued by the International Accounting Standards Committee (I.A.S.C.).

STRUCTURE AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of Gabetti Holding S.p.A., the Group holding company, and the companies that it controls, directly or indirectly. The companies included in the scope of consolidation and consolidated line-by-line, and the related percentages of ownership attributable to Gabetti Holding S.p.A. are as follows:

Company Location	Tax code and Companies Reg. No.	Share capital Millions of lire	No. of shares/ quotas	% holding through
Gabetti S.p.A. Milan, C.so Venezia, 5	00815040159	9,000	900,000	100.000 Direct
Gabetti Mutuicasa S.p.A. Milan, Via T. Speri, 8	80053390151	20,000	20,000,000	51.429 Direct 48.571 Gabetti S.p.A.
Patrigest S.p.A. Milan, C.so Matteotti, 9	04508760156	3,000	300,000	100.000 Direct
Agedil S.p.A. Milan, C.so Matteotti, 9	09642250154	Euros 1,500,000	1,500,000	100.000 Direct
Euridice S.r.l. Milan, Via T. Speri, 8	10216730159	20	20,000	100.000 Agedil S.p.A.
Brunilde S.r.l. Milan, C.so Matteotti, 9	07396020153	20	20,000	100.000 Agedil S.p.A.
Patrimonia S.p.A. Milan, Via T. Speri, 8	03712660103	Euros 250,000	250,000	70.000 Direct

As regards, Patrimonia S.p.A., only the balance sheet was consolidated as the company was acquired at the end of the year.

The companies valued using the equity method according to paragraphs 1 and 3 of art. 36 of Legislative Decree No. 127/91 are as follows:

Company Location	Tax code and Companies Reg. No.	Share capital Millions of lire	No. of shares/ quotas	% holding through
Impresa Gadola S.p.A. Milan, Via Tiziano, 21	00846230159	7,000	7,000,000	23.750 Direct
Itinform S.r.l. in liquidation Milan, Via T. Speri, 8	04493520151	20	20,000	70.000 Agedil S.p.A.

The company Itinform S.r.l. in liquidation has been excluded from the scope of consolidation since it is in liquidation.

The following company has been valued at cost (adjusted for any permanent diminution in value):

Company Location	Tax code and Companies Reg. No.	Share capital Millions of lire	No. of shares/ quotas	% holding through
Eracle S.r.l. in liquidation Milan, Via T. Speri, 8	10307620152	20	20,000	50.000 Agedil S.p.A.
Domusclick.com S.r.l. Milan, Gal. Passarella, 1	13099250154	14,866,000	1,040,620	7.000 Direct

The investment in Patrimonia S.r.l. was purchased in November 2000. The extraordinary shareholders' meeting held on November 29, 2000 voted, among other things, to transfer the registered office from Genoa in Via XX Settembre 28/8 to Milan in Via Tito Speri 8, to change the company into a joint stock company, to increase share capital after covering the loss and to translate the share capital into Euros.

The company engages in the promotion, coordination and performance of assistance, consulting and administration services in the real estate sector and also the strategic, administrative and technical management of buildings, real estate complexes and real estate properties of whatever type, nature or destination on its own behalf or on behalf of others.

The holding in Domusclick.com S.r.l. was purchased in December 2000. The company is engaged in the realization and operation of an Internet portal for information and for services supporting the real estate market in Italy; it began operations in 2000. On January 23, 2001, the company acquired 100% of Brainworks S.p.A., owner of the Casaparc.it portal. On the same date, the extraordinary shareholders' meeting voted to change Domusclick.com into a joint stock company and to increase share capital to Lire 18,819 million. After this transaction, our holding is reduced from 7% to 5.5%.

FINANCIAL STATEMENTS USED

The consolidated financial statements have been prepared using the statutory financial statements at December 31, 2000 of the companies included in consolidation, drawn up by the respective boards and approved by the shareholders' meetings, with the exception of the associated company Impresa Gadola S.p.A., whose financial statements at December 31, 1999 were used since those at December 31, 2000 had not yet been approved.

FINANCIAL STATEMENTS INCLUDED IN CONSOLIDATION

The financial statements used in consolidation are the statutory financial statements of the individual companies in consolidation.

Such financial statements have been adjusted to reverse entries made solely for tax purposes, such as accelerated depreciation and portions of accumulated depreciation formed by transferring gains to be reinvested, and also to record the effects on the income statement and balance sheet deriving from the adoption of the finance lease method for recording leases. They have also been reclassified for purposes of comparison within the Group and to conform with the accounting principles adopted by the Group holding company, Gabetti Holding S.p.A., which are in line with those set forth by article 2423 and subsequent articles of the Italian Civil Code and those recommended by CONSOB. The financial statements for the year of Gabetti Mutuicasa S.p.A., prepared according to the provisions of Legislative Decree 87/92, have been adjusted to conform with the provisions of Legislative Decree 127/91, to better represent the business of the Group which performs services associated either directly or indirectly with the real estate sector.

PRINCIPLES OF CONSOLIDATION

- The financial statements of the subsidiaries included in consolidation have been consolidated using the line-by-line method. The accounting value of the investments held by the Group holding company and other companies included in consolidation has been eliminated against the related underlying net equity and the assets, liabilities, costs and revenues of such subsidiaries have been recorded at their full amounts. The differences arising from the elimination of the carrying value of the subsidiaries against the share of the underlying net equity of the same companies at the date of acquisition have been allocated to the consolidated financial statements in the "consolidation reserve" recorded under shareholders' equity, or whenever the difference is due to forecasts of future losses, to the "consolidation provision for risks and future expenses" and eventually used to cover the losses effectively reported by the company; if the difference is positive, it is recorded in "difference on consolidation" in the assets.
- Receivables and payables, costs and revenues from all significant intergroup transactions have been eliminated. Any significant gains deriving from intergroup transactions which have not been realized with third parties at the balance sheet date have been eliminated.

- Companies in liquidation or dormant are excluded from consolidation and valued at cost. Cost is reduced for any permanent diminution in value in the event the companies have reported losses, and the profits are not expected to be sufficient to absorb such losses in the immediate future; the original amount is reinstated when the reasons for the writedown no longer apply.

The reconciliation between the shareholders' equity and the results for the year of Gabetti Holding S.p.A. at December 31, 2000 and the corresponding figures of the consolidated financial statements of the Group are presented in an attachment.

ACCOUNTING PRINCIPLES

The significant accounting principles adopted in the preparation of the financial statements at December 31, 2000, in compliance with article 35 of Legislative Decree 127/91, are stated as follows:

Intangible assets

Intangible assets are recorded at purchase cost, including accessory charges, and amortized on the straight-line method over the period of future benefit.

Tangible assets

Tangible assets are valued at cost, including accessory charges, and depreciated on the straight-line method at the maximum rate allowed by tax laws, which reflect the estimated useful lives of the assets. The rates applied have been reduced by half for additions put into operation during the year.

In the event of a permanent diminution in value, regardless of the depreciation taken to date, the asset is correspondingly written down; if in future years the reasons for the writedown no longer apply, the original amount is reinstated.

Buildings are recorded in the consolidated financial statements at cost which has been revalued in accordance with the monetary revaluation laws 72/1983 and 413/1991.

Long-term financial assets

Investments in unconsolidated subsidiaries are valued using the equity method; other investments are valued at cost and eventually adjusted to take into account any permanent diminution in value; the original value is reinstated in future years if the reasons for the writedown no longer apply.

Receivables are stated at estimated realizable value.

Mortgages receivable from customers are stated at estimated realizable value which takes into account the mortgages on the properties.

Finance lease contracts

Real estate properties under finance lease contracts with third parties are recorded in the consolidated financial statements using the finance method which calls for recording the principal portion of lease payments under receivables and the reversal of the assets and related accumulated depreciation. Under this method, the receivables on the lease contracts are stated at estimated realizable value, taking into account the collateral guarantees given by third parties and the estimated value of the asset covered by the lease.

The portion of lease payments regarding interest is credited to the income statement over the lease term and in relation to the prefixed maturity date, and the principal portion is charged against the residual receivable balance.

Treasury shares

Treasury shares are valued at cost, eventually adjusted to take into account any permanent diminution in value.

Inventories

Real estate is valued at the lower of purchase or construction cost and estimated realizable value in reference to market value.

Receivables (recorded in current assets)

Receivables, like receivables under long-term financial assets, are stated at estimated realizable value.

Provisions for liabilities and charges

Provisions for liabilities and charges are set aside to cover losses or liabilities that are likely to be incurred but uncertain as to the amount or as to the date on which they will arise. The accruals to the provisions reflect the best possible estimates on the basis of available information.

Provision for employees' severance pay

The provision for employees severance pay covers the entire liability due to employees in accordance with existing legislation and collective national labor contracts and company agreements. Such liability is subject to revaluation using indexes.

Payables

Payables are recorded at nominal value.

Costs and revenues

Revenues from sales and services, interest income and expense, as well as other income and expenses for the year, are recorded on the accrual basis.

Dividends and tax credits

Dividends from unconsolidated companies, and related tax credits, are recorded in the year received; tax credits received on dividends from consolidated companies are directly deducted from income taxes.

Income taxes

As set forth by Accounting Principle No. 25 of the National Boards of Dottori Commercialisti and Ragionieri, the income taxes for the year include:

- the accrual for current income taxes for IRPEG and IRAP taxes calculated in accordance with existing laws; Irpeg taxes are reduced by any DIT (dual income tax);
- deferred tax liabilities or deferred tax assets calculated on the timing differences between the amounts attributed to the assets and the liabilities for statutory purposes and for tax purposes;
- adjustments to the balances of deferred taxes to account for a change in tax rates and any new taxes.

Deferred income taxes are calculated, separately for each tax, on the total amount of timing differences by applying the rate that will presumably be in effect at the time such temporary timing differences reverse.

Any deferred tax liabilities or assets are recorded in the financial statement whenever there is a reasonable certainty of reporting sufficient taxable income, within a specific number of years, to cover the timing differences that will reverse in the future.

Translation of balances in foreign currency

Receivables and payables originally expressed in foreign currency are translated into Italian lire at historical exchange rates as of the date of transaction. Exchange differences realized upon collection or payment are recorded in the income statement. When outstanding receivables and payables translated at year-end exchange rates give rise to a net loss, after taking into account eventual hedging agreements, it is recorded in the income statement of the period with a contra-entry to a provision for exchange fluctuations; in the case of a gain, the amount is recorded in the income statement of the period with a contra-entry to accounts receivable.

Interest rate swap contracts

Interest rate swap contracts are used to hedge the interest risk on fixed rate loans. The differentials collected or paid on the basis of such contracts are allocated to the income statement; the related differentials on contracts extending beyond year-end are recorded on the accrual basis in relation to revenues or costs known at that time.

OTHER INFORMATION

Comparison with prior year's figures

Whenever reclassifications are necessary, the previous year's figures are also reclassified for purposes of comparison.

Related party transactions

Related party transactions among Gabetti Group companies are effected at normal market terms. Significant transactions among Group companies in consolidation giving rise to revenues and costs, receivables and payables, are eliminated. Other transactions among unconsolidated Group companies are disclosed in the notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

FIXED ASSETS

For intangible assets, tangible assets and investments in long-term financial assets, specific tables have been prepared and are attached to these notes which present the historical cost, accumulated amortization or depreciation, the movements during the year and the ending balances.

Intangible assets

Start-up and formation costs

Start-up and formation costs are composed of the following:

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Formation and by-law amendment costs	54	44
Share capital increase costs	23	20
Total start-up and formation costs	77	64

Intangible assets show an increase of Lire 39 million due principally to costs connected with amendments to the by-laws. Such costs are amortized over five years. The decrease in the balance is due to the amortization charge for the year of Lire 26 million.

Patents and rights for the use of intellectual properties

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Software	882	869

The balance shows a net change of Lire 13 million due to purchases of Lire 556 million, reclassifications from the category of payments on account of Lire 186 million and the amortization charge of Lire 729 million. Software is amortized over a period of not more than three years for applications software in general and five years for the corporate information systems.

Concessions, licenses, trademarks and similar rights

These assets are composed of costs incurred for filing and protecting trademarks used by the subsidiary Gabetti S.p.A.. This caption shows a reduction of Lire 4 million due to the amortization charge for the year.

- Deferred loan charges over the loan period
- Sundry 5 years

Tangible assets

Tangible assets and related accumulated depreciation are composed as follows:

	Balance Dec. 31, 2000			Balance
	Gross value	Accumulated depreciation	Net book value	Dec. 31, 1999 Net book value
Land and buildings	7,884	(3,593)	4,291	5,168
Other tangible assets	11,941	(8,098)	3,843	3,193
Total	19,825	(11,691)	8,134	8,361
Tangible assets under construction and payments on account	0		0	10
Total	19,825	(11,691)	8,134	8,371

The additional price of Lire 5,234 million paid in 1988 for the purchase of 20% of Gabetti S.p.A. shares was eliminated in 1997 following the sale of the buildings to which the amount was allocated. The buildings have been revalued by Lire 691 million under Law 413/1991.

The analysis of the movements in tangible assets and accumulated depreciation during the year (excluding tangible assets under construction and payments on account) is as follows:

	Gross value	Accumulated depreciation
Balances at December 31, 1999	20,150	11,789
Increase (decrease) during year:		
- additions	1,841	
- depreciation		1,314
- sales and disposals	(2,166)	(1,412)
Balances at December 31, 2000	19,825	11,691

Additions mainly refer to the category "Other tangible assets".

The sales principally regard the building in Milan, Viale Sabotino 28, with an original cost of Lire 1,189 million that was revalued pursuant to Law 413/91 for Lire 409 million; such sales gave rise to a loss, in the consolidated financial statements, of Lire 1 million.

Other tangible assets consist of:

	Gross value	Accumulated depreciation
- Office furniture and equipment	2,609	1,770
- Electronic office machines	3,650	2,540
- EDP, security systems and air conditioners	4,764	3,195
- Motor vehicles	245	84
- Other tangible assets	698	534
Total	11,966	8,123

Depreciation is calculated using the following rates:

Land and buildings	
- buildings	3%
Other assets:	
- office furniture and equipment	12%-15%
- electronic office machines	20%
- EDP, security systems and air conditioners	20%-30%
- motor vehicles	25%
- other tangible assets	20%

Long-term financial assets

Investments in subsidiaries, associated companies and other companies

These are composed of the following:

Investments	Amount	% holding
- Subsidiaries:		
Itinform S.r.l. in liquidation	8	70.00
Total investments in subsidiaries	8	
- Associated companies:		
Impresa Gadola S.p.A.	1,825	23.75
Eracle S.r.l. in liquidation	8	50.00
Total investments in associated companies	1,833	
- Other companies:		
Domusclick.com S.r.l.	1,705	7.00
Total investments in other companies	1,705	
Total investments	3,546	

The changes in investments held have already been described in the “Scope of consolidation”. The changes in the balances are analyzed in an attachment to these notes.

Loans receivable from associated companies

These represent interest-free loans given to associated companies in proportion to the interest held therein, detailed as follows:

	Balance Dec. 31, 2000	Balance Dec. 31, 1999
Eracle S.r.l. in liquidation	88	145
Total loans receivable from associated companies	88	145

Trade finance leases receivable

Trade finance leases receivable from customers may be analyzed as follows:

	Due within 1 year	Due from 2 to 5 years	Due beyond 5 years	Balance Dec. 31, 2000	Balance Dec. 31, 1999
Gross receivables	3,202	5,226	3,026	11,454	13,896
Allowance for default interest	(288)			(288)	(451)
Allowance for risks	(311)			(311)	(490)
Total allowances	(599)			(599)	(941)
Total net receivables	2,603	5,226	3,026	10,855	12,955

Such receivables show a reduction of Lire 2,100 million due to the normal amount of principal repayments according to the contracts.

As for receivables due beyond 5 years, the amount will become fully due by the year 2010.

Gross receivables due within one year include doubtful accounts, net of receivables for default interest, of Lire 342 million, for which steps have been taken to obtain recovery.

Trade mortgage loans receivable

These include receivables from customers for loans on the purchase or renovation of buildings secured by mortgages on the properties, and can be analyzed as follows:

	Due within 1 year	Due from 2 to 5 years	Due beyond 5 years	Balance Dec. 31, 2000	Balance Dec. 31, 1999
Gross receivables	317,645	74,144	23,906	415,695	430,919
Allowance for risks	(8,321)	(4,486)	(1,422)	(14,229)	(13,809)
Allowance for default interest	(183,939)			(183,939)	(157,782)
Total allowances	(192,260)	(4,486)	(1,422)	(198,168)	(171,591)
Total net receivables	125,385	69,658	22,484	217,527	259,328

Receivables, net of default interest, include overdue receivables of Lire 105,618 million.

As for receivables due beyond 5 years, about 88% of the amount will become due by December 31, 2009.

At the end of 2000, the principal portion of receivables due is as follows (in lire):

- principal at fixed rates	81
- principal at indexed rates	60,503
- principal at rates subject to revision	64,486
	<u>125,070</u>

There are no interest rate swap transactions at December 31, 2000.

Other receivables

These mainly represent cash security deposits against lease contracts on the offices used for the Group's business and receivables for IRPEF taxes paid in advance on employees' severance pay according to the law.

Treasury shares

	Balance Dec. 31, 2000	Balance Dec. 31, 1999
Gabetti Holding S.p.A. shares	2,475	3,152

Treasury shares number 1,248,500, equal to 3.902% of share capital, and correspond to an average carrying price per share of Lire 1,983 (Euro 1.024), purchased in accordance with the authorizations granted by the shareholders' meetings.

No. 260,000 treasury shares were sold during the year, realizing gains of Lire 1,086 million, recorded in financial income.

Such shares are held in safekeeping at Banco Ambrosiano Veneto S.p.A., securities account No. 0809915473/06, La Scala branch 099 - Milan.

Market prices of the shares at December 31, 2000 are Lire 6,548 (Euro 3.382) and Lire 8,283 (Euro 4.278) at March 28, 2001.

CURRENT ASSETS

Inventories

Real estate to be sold (from canceled finance leases)

This refers to real estate coming from cancelled finance lease contracts that will be re-leased or otherwise destined as trading real estate. These properties refer to property in:

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Vigevano - Via della Gioia	5	5
Naples - Via Ottaviano	263	276
Rome - Via Pacchiarotti	0	2,211
Milan - Via Larga	1,036	1,095
Rome - Viale del Vignola	570	700
Mazzè - Via Cernaia	0	290
La Maddalena - Località la Ricciolina	308	328
Cameri - Via Matteotti	144	137
Taranto - Viale Virgilio	0	27
Naples - Via Scipione Rovito	21	28
Rome - Via Ottavilla	241	241
Rome - Via D. di Buoninsegna	0	1,034
Total real estate to be sold (from cancelled finance leases)	2,588	6,372

The decrease for the year, equal to Lire 3,784 million, derives from the sale of the buildings in Rome in Via Pacchiarotti for Lire 2,211 million, Rome in Via D. di Buoninsegna for Lire 1,034 million, Mazzè in Via Cernaia for Lire 290 million and Taranto in Viale Virgilio for Lire 27 million and value adjustments made during the period for Lire 222 million.

Trading real estate

These properties are located in:

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Milan, Corso Garibaldi	50	50
Busto Arsizio, Piazza Garibaldi	2,110	2,110
Turin, Via Arsenale	1,389	1389
Genoa, Via del Molo	1,847	2,547
Isola Piana	3,206	3,357
Brescia, Via C. Zima	276	344
Udine, Via Caccia	266	512
Bologna, Via S. Vitale	2,580	2,580

Biella, Via Gramsci	788	788
Milan, Via Messina	0	190
Rescaldina, Via Piave	7,695	8,814
Total trading real estate	20,207	22,681

The net decrease of Lire 2,474 million relates to the sales made during the period which carry a cost of Lire 2,428 million and the writedowns effected for Lire 46 million.

The movements in real estate to be sold (from cancelled finance leases) and trading real estate can be summarized by the following table:

	Real estate to be sold	Trading real estate
Balance at December 31, 1999	6,372	22,681
Cost of sales	(3,562)	(2,428)
Writedowns during year		(46)
Value adjustments	(222)	
Balance at December 31, 2000	2,588	20,207

The following writedowns were also made during the year to real estate to be sold:

Brescia, Via Carlo Zima	45
Rescaldina, Via Piave	1
Total	46

Receivables

Trade receivables

The balance is composed as follows:

	Balance Dec. 31, 2000	Balance Dec. 31, 1999
Customers for real estate commissions	9,146	5,941
Customers for commissions on financial brokerage services	3,146	1,247
Customers for questions in dispute	532	373
Customers for invoices to be issued	2,592	3,566
Other	3,552	1,750
Total	18,968	12,877
Allowance accounts	(878)	(579)
Total net receivables	18,090	12,298

These receivables refer mainly to real estate trading and show an increase of Lire 5,792 million.

“Other” includes receivables referring to real estate valuations and consulting services of Lire 503 million and receivables for royalties of Lire 2,625 million.

Other receivables

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Advances to suppliers	431	243
Tax receivables	4,834	5,601
Receivables from employees	97	106
Sundry	686	377
Total other receivables	6,048	6,327

Such receivables, which are due within one year, are all considered collectible and have therefore not been adjusted.

Tax receivables refer to refund requests for direct taxes of prior years, including interest receivable calculated in accordance with the law.

Cash and banks

Cash and banks at December 31, 2000 show a decrease of Lire 1,348 compared to the prior year.

ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses can be analyzed as follows:

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Accrued income:		
- interest rate swaps	0	64
- finance lease interest	51	39
- other	10	8
Total accrued income	61	111
Prepaid expenses:		
- commissions on financial brokerage	1,332	1,965
- other costs	867	909
Total prepaid expenses	2,199	2,874
Total accrued income and prepaid expenses	2,260	2,985

SHAREHOLDERS' EQUITY

The statement of changes of shareholders' equity is presented in the attachments.

The following is a commentary on the main items of shareholders' equity and related changes.

Share capital

The share capital of the Group holding company totals Lire 32,000 million (par value) and consists of No. 32,000,000 ordinary shares of par value Lire 1,000 each.

Share premium reserve

The share premium reserve was formed following the capital increase authorized on February 14, 1990 through the issue of 4,000,000 share with a share premium of Lire 1,500 for each share. The reserve totals Lire 6,000 million.

Revaluation reserve

The revaluation reserve has been recorded in accordance with Law 413/91 for the revaluation effected on the properties used by Gabetti S.p.A..

Legal reserve

The legal reserve, which amounts to Lire 2,614 million, increased by virtue of the amount set aside in this reserve in accordance with the law.

Reserve for treasury shares in portfolio

The amount of this reserve has been set aside in accordance with art. 2357 ter of the Italian Civil Code and is equal to Lire 2,475 million. It corresponds to the amount of the treasury shares in portfolio, recorded in a specific caption of long-term financial assets. Such reserve is not available for distribution while there are treasury shares in portfolio.

Shareholders' equity – minority interests

At December 31, 2000, a minority interest is held in Patrimonia S.p.A., a consolidated company in which a 70% stake was acquired during the year. Therefore, the minority interest in capital and reserves refer to a 30% interest in Patrimonia S.p.A..

PROVISIONS FOR LIABILITIES AND CHARGES

For taxes

Balance	Balance
Dec. 31, 2000	Dec. 31, 1999
316	104

These mainly refer to deferred taxes calculated on accelerated depreciation and on reinvested gains relating to the investments made in 1987.

The increase mainly refer to the reversal of deferred tax assets during the year.

Other provisions for liabilities and charges

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Provision for investment writedowns	0	47
Other provisions:		
- consolidation provision for risks and future expenses	559	559
- other	200	868
Total provisions for liabilities and charges	759	1,474

The provision for investment writedowns covers the losses of unconsolidated associated companies which became a nil balance during the year.

The consolidation provision for risks and future expenses reflects the differences which arose from the elimination of the carrying value of the investment held in the company Orfeo S.r.l., absorbed by Agedil in 1999, compared to the underlying amount of net equity at the date of acquisition.

The other provisions have been set aside to cover disputes, the outcome of which is not yet possible to determine with certainty; the accrual therefore represents the best possible estimate of potential expenses deriving from such disputes.

PROVISION FOR EMPLOYEES' SEVERANCE PAY

The movements in this account are as follows:

Balance at December 31, 1999	12,814
Utilized to pay indemnities	(1,830)
Utilized to pay advances	(26)
Accrual	2,643
Balance at December 31, 2000	13,601

The total number of employees of the companies included in consolidation, by category, is as follows:

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Managers	14	14
Supervisors	39	38
White collar	506	459
Total	559	511

PAYABLES

Bank debt

Bank debt may be analyzed as follows:

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Short-term	82,762	100,087
Medium/long-term:		
- due within one year	51,047	44,625
- due beyond one year	56,772	90,629
Total medium/long-term	107,819	135,254
Total bank debt	190,581	235,341

Medium/long-term bank debt presented the following movements:

Balance at December 31, 1999	135,254
New loans	26,000
Repayments	(53,435)
Balance at December 31, 2000	107,819

The average interest rate at December 31, 2000 for all the above medium and long-term loans was equal to 6.12%.

Long-term bank debt obligations are as follows:

2001	51,048
2002	15,039
2003	13,083
2004	11,279
2005	7,006
Thereafter	10,364
Total	107,819

The bank debt with regards to Centrobanca S.p.A., Mediocredito Toscano S.p.A. and Mediocredito Lombardo S.p.A., which amount to Lire 60,490 million, is guaranteed by liens on mortgage receivables. The debt payable to I.C.C.R.I., which amounts to Lire 3,068 million, is guaranteed by the pledge of mortgage bills on loans granted to the clientele.

Bank debt include loans for Lire 166 million from Banca Nazionale del Lavoro S.p.A., guaranteed by mortgages on buildings located in Genoa.

Advances received

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Down-payments received from real estate buyers	1,332	1,646
Total advances received	1,332	1,646

Trade payables

These trade payables are mainly in respect of commercial payables for services received during the year by the consolidated companies.

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Trade payables:		
- for invoices received	3,271	4,114
- for invoices to be received	4,026	5,756
Total trade payables	7,297	9,870

The balance shows a decrease of Lire 2,573 million during the year.

Taxes payable

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
- IRPEG taxes	1,241	3,406
- VAT taxes	1,424	208
- Substitute taxes	0	91
- Withholding taxes	1,724	1,528
- Irap taxes	626	848
- Other	15	28
Total taxes payable	5,030	6,109

At the date of December 31, 2000, due to being statute barred, all tax years are considered closed for the Group companies up to December 31, 1994 for income taxes and December 31, 1995 for VAT.

Social security contributions payable

These amount to Lire 3,812 million (Lire 3,609 million at December 31, 1999) and mainly refer to social security contributions payable to INPS and INAIL.

Other payables

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Payables to employees	5,788	5,391
Payables to customers	1,911	2,092
Payables to shareholders	2	1
Other	505	527
Total other payables	8,206	8,011

As additional disclosure, payables to customers refer to deposits made by buyers, sellers and lessees in the real estate sector; the contra-entry to such payables is cash and banks under assets.

There are no payables due beyond five years.

ACCRUED LIABILITIES AND DEFERRED INCOME

These consist of the following:

	Balance	Balance
	Dec. 31, 2000	Dec. 31, 1999
Accrued liabilities:		
- interest rate swaps	0	253
- for short/medium-term loans	114	161
- other	279	133
Total accrued liabilities	393	547
Deferred income:		
- other	47	4
Total deferred income	47	4
Total accrued liabilities and deferred income	440	551

MEMORANDUM ACCOUNTS

Guarantees granted

Secured guarantees

These refer to bills to guarantee bank lines of credit (Lire 95,209 million) and mortgages on properties (Lire 166 million) to guarantee loans.

CONSOLIDATED INCOME STATEMENT

VALUE OF PRODUCTION

Revenues from sales and services

Revenues from sales and services consist of the following:

	2000	1999
Commissions from real estate trading*	79,751	72,790
Valuations and technical assistance *	504	728
Franchising commissions and royalties	7,158	6,286
Revenues from real estate sales	6,462	10,435
Mortgage loan and lease brokerage revenues	17,872	6,950
Real estate valuations	3,540	2,125
Other revenues	668	68
Total revenues from sales and services	115,955	99,382

All revenues were earned in Italy even if invoiced to foreign clients.

Other revenues and income

	2000	1999
Rent income	432	330
Compensation from clients for brokerage services*	1,157	1,413
Expenses recovered from customers	1,661	1,691
Advertising contributions	467	351
Indemnities for extinguishing mortgage loans in advance	327	867
Sundry prior period revenues	1,082	699
Gains on disposal of tangible assets	25	424
Other income	73	144
Total other revenues and income	5,224	5,919
* Revenues from real estate trading, brokerage and related services	81,412	74,931

COSTS OF PRODUCTION

Real estate purchases

Real estate purchases reflect additional costs of Lire 33 million relating to the building units in Rome and Cameri.

Services

These are composed of the following:

	2000	1999
Advertising costs	11,874	11,012
Commissions expense	14,793	10,217
Professional consulting fees	3,724	3,717
Legal consulting fees	2,201	2,536
Remuneration to directors	855	798
Remuneration to statutory auditors	183	197
Mailing, telephone, telex and electricity	3,180	3,087
Insurance	275	210
Personnel-related services	1,680	1,302
Office cleaning	1,037	972
Ordinary repairs and maintenance	843	899
Condominium expenses	49	61
Expenses for services related to trading real estate	453	523
Bank charges	829	1,051
Meetings and training	413	103
Other costs	968	1,526
Total services	43,357	38,211

The remuneration for 2000 due directors and statutory auditors of the Group holding company, also to carry out such functions in other consolidated companies, amounts to Lire 855 million and Lire 183 million, respectively.

Lease and rent expenses

These expenses relate to leases on the offices used for real estate activities. The change compared to the prior year is due to additional agency offices opened during 2000.

Depreciation, amortization and writedowns

The breakdown of these charges is shown on the face of the income statement.

Other operating expenses

Other operating expenses are composed of the following:

	2000	1999
Sundry taxes	2,910	2,460
Stamp taxes	109	113
Consumable stores	1,144	1,072
Loss on receivables	0	11
Prior period expenses	588	839
Other costs	1,913	877
Total sundry operating expenses	6,664	5,372

The increase of Lire 1,292 million is due to higher indirect taxes and entertainment expenses recorded in other costs.

FINANCIAL INCOME AND EXPENSES

Other financial income

From finance leases

	2000	1999
Interest income on building finance leases	665	558
Default interest collected	10	133
Total interest income on finance leases	675	691

From mortgage loans

These are composed as follows:

	2000	1999
Loan interest income from customers	20,124	28,393
Default interest collected	2,178	2,801
Total interest income on mortgage loans	22,302	31,194

From securities held as fixed assets, not representing equity investments

This refers to the gain on the sale of No. 260,000 treasury shares.

From interest and commissions from others, and sundry income

These are composed of the following:

	2000	1999
Bank interest income	40	42
Interest income on swaps	99	432

Other	120	186
Total interest and commissions from others, and sundry income	259	660
Interest and other financial expenses		

Other

These are represented by:

	2000	1999
Bank interest expense	10,501	10,530
Other loan interest expense	0	704
Swaps interest expense	331	1,558
Other financial charges	84	263
Total interest and other financial expenses	10,916	13,055

There are no financial charges capitalized to assets in the balance sheet.

VALUATION ADJUSTMENTS TO FINANCIAL ASSETS

Revaluations of investments

Revaluations of investments refer to associated companies accounted for using the equity method.

Writedowns of investments

Writedowns of investments refer to associated companies accounted for using the equity method.

Writedowns of long-term financial assets, not representing equity investments

These are composed as follows:

	2000	1999
- Accruals for risks on mortgage loans receivable	1,946	2,675
- Accruals for risks on finance leases receivable	7	200
Total writedowns of long-term financial assets not representing equity investments	1,953	2,875

EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income

Extraordinary income includes the release of amounts set aside in prior years in the provision accounts:

	2000	1999
- Other extraordinary gains	135	0
Total extraordinary income	135	0

Extraordinary expenses

There were no extraordinary expenses during the period.

INCOME TAXES

The amount recorded in the financial statements of Lire 13,092 million represents the tax charge for the current year, net of dividend tax credits of Lire 4,744 million; the remaining amount is mainly due to the reversal of deferred tax assets during the year. The income taxes for the year refer to the consolidated companies which ended the year with a taxable income.

Milan, March 30, 2001

For the Board of Directors
The Vice Chairman
(Dott. Elio Gabetti)

SUPPLEMENTARY INFORMATION AND ATTACHMENTS

Reconciliation between the financial statements of the Group holding company and the consolidated financial statements at December 31, 2000	I
Statement of changes in consolidated shareholders' equity	II
Consolidated statement of cash flows	III
Changes in intangible assets	IV
Changes in tangible assets	V
Changes in long-term financial assets	VI

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS OF THE GROUP HOLDING
COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2000
(in millions of lire)

	Net income 2000	Shareholders' equity December 31, 2000
As per Gabetti Holding S.p.A. financial statements	5.647	56.875
	= = = = =	= = = = =
Adjustment to bring carrying value of consolidated companies into line with underlying share of net equity with effect on results for the year	10.001	20.217
Elimination of intergroup dividends	(8.077)	-
Effect of application of finance method to account for leases	(87)	(117)
Elimination of the provision for gains to be reinvested and the portion already attributed to the accumulated depreciation of the subsidiary Gabetti S.p.A.	(257)	753
Reversal of the share of the deficit on merger attributed to buildings, generated by the incorporation of Gabetti Leasing S.p.A. in Gabetti Mutuicasa S.p.A., net net of the depreciation charge for the year and the positive tax effect	52	(249)
Valuation of unconsolidated companies using the equity method	36	94
Other minor consolidation adjustments	(328)	(15)
	- - - - -	- - - - -
As per consolidated financial statements	6.987	77.558
	= = = = =	= = = = =

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2000**
(in millions of lire)

	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Reserve for treasury shares in portfolio	Other reserves	Retained earnings	Net income for the year	Total shareholders' equity
Balances at December 31, 1999	32.000	6.000	189	2.227	3.152	20.652	3.467	5.628	73.315
Appropriation of net income 1999									
- to legal reserve				387				(387)	-
- to other reserves						3.039	(542)	(2.497)	-
- dividends of Lire 90 paid for each of the No. 30,491,500 shares								(2.744)	(2.744)
- released from reserve for treasury shares in portfolio					(677)	677			-
Net income for the year								6.987	6.987
Balances at December 31, 2000	32.000	6.000	189	2.614	2.475	24.368	2.925	6.987	77.558

GABETTI GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of lire)

December 31, 2000 December 31, 1999

A NET SHORT-TERM DEBT - BEGINNING BALANCE	(134.928)	(183.006)
B CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Net income	6.987	5.628
Amortization and depreciation	3.846	3.521
Investment write-downs (revaluations)	(34)	(12)
Change in employees' severance pay	787	1.077
Change in provisions for liabilities and charges	(503)	(1.301)
Change in minority interest	123	-
	11.206	8.913
Decrease (increase) in real estate inventories	6.257	10.127
Decrease (increase) in other receivables accrued income, prepaid expenses and other assets	(4.899)	(3.341)
Increase (decrease) in trade payables other payables and other liabilities	(3.568)	8.900
	8.996	24.599
C CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Investments in fixed assets:		
- intangible assets	(4.791)	(1.849)
- tangible assets	(1.077)	(1.263)
- long-term financial assets	(1.038)	(1.076)
Decrease (increase) in receivables for finance leases	2.100	10.248
Decrease (increase) in mortgage loans receivables	41.801	58.400
Decrease in long-term receivables from Group companies	57	92
Increase (decrease) in medium/long-term loans	(33.857)	(39.611)
	3.195	24.941
D CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
Decrease in medium/long-term loans	108	(73)
Dividends	(2.744)	(1.389)
	(2.636)	(1.462)
E TOTAL CASH FLOWS PROVIDED (USED) (B+C+D)	9.555	48.078
F NET SHORT-TERM DEBT - ENDING BALANCE (A+E)	(125.373)	(134.928)

GABETTI GROUP

CHANGES IN INTANGIBLE ASSETS DURING YEAR ENDED DECEMBER 31, 2000

(in millions of lire)

Beginning balance	Original cost	Revaluations	Accumulated amortization	Writedowns	Balance 1.1.2000	
Start-up and formation costs	125		(61)		64	
Patents and rights for use of intellectual properties	3.369		(2.500)		869	
Concessions, licenses, trademarks and similar rights	45		(12)		33	
Difference on consolidation	-		-		-	
Intangible assets under development and payments on account	331		-		331	
Other	6.632	41	(3.726)		2.947	
Total	10.502	41	(6.299)	-	4.244	
	=====	=====	=====	=====	=====	
Movements during year	Additions	Reclassifications	Disposals	Use of acc. amortization	Amortization	Revaluations
Start-up and formation costs	39	-	-	-	(26)	
Patents and rights for use of intellectual properties	556	186	(341)	341	(729)	
Concessions, licenses, trademarks and similar rights	-		-	-	(4)	
Difference on consolidation	131	-	-	-	-	
Intangible assets under development and payments on account	144	(331)	-	-	-	
Other	3.964	145	(1.218)	1.175	(1.773)	
Total	4.834	-	(1.559)	1.516	(2.532)	-
	=====	=====	=====	=====	=====	=====
Ending balance	Original cost	Revaluations	Accumulated amortization	Writedowns	Balance 12.31.2000	
Start-up and formation costs	164		(87)		77	
Patents and rights for use of intellectual properties	3.770		(2.888)		882	
Concessions, licenses, trademarks and similar rights	45		(16)		29	
Difference on consolidation	131		-		131	
Intangible assets under development and payments on account	144		-		144	
Other	9.523	41	(4.324)		5.240	
Total	13.777	41	(7.315)	-	6.503	
	=====	=====	=====	=====	=====	

GABETTI GROUP

CHANGES IN TANGIBLE ASSETS DURING YEAR ENDED DECEMBER 31, 2000 (in millions of lire)

Beginning balance	Original cost	Revaluations	Accumulated depreciation	Write-downs	Balance 1.1.2000	
- Land and buildings	8.388	1.100	(4.320)		5.168	
- Plant and machinery						
- Industrial and commercial equipment						
- Other	10.661		(7.468)		3.193	
- Assets under construction and payments on account	10				10	
Total	19.059	1.100	(11.788)	-	8.371	
	=====	=====	=====	=====	=====	
Movements during year	Additions	Reclassifications	Disposals	Depreciation	(Writedowns) Reinstatements	Revaluations
- Land and buildings	-		(A) (700)	(176)		(A)
- Plant and machinery						
- Industrial and commercial equipment						
- Other	1.830	10	(52)	(1.138)		
- Assets under construction and payments on account	-	(10)				
Total	1.830	-	(752)	(1.314)	-	-
	=====	=====	=====	=====	=====	=====
(A) Of which						
Original cost			(1.754)			
Revaluation			(409)			
Ordinary depreciation			1.411			
Total			(752)			
			=====			
Ending balance	Original cost	Revaluations	Accumulated depreciation	Writedowns	Balance 12.31.2000	
- Land and buildings	7.193	691	(3.593)		4.291	
- Plant and machinery						
- Industrial and commercial equipment						
- Other	11.941		(8.098)		3.843	
- Assets under construction and payments on account	-				-	
Total	19.134	691	(11.691)	-	8.134	
	=====	=====	=====	=====	=====	

GABETTI GROUP

LIST OF INVESTMENTS AT DECEMBER 31, 2000

(in millions of lire)

	Opening balance	Provision for write-downs	Purchases and subscriptions	Loss covered	Sales/ disposals	Writedowns/ revaluations	Closing balance	Provision for write-downs
Subsidiaries:								
Itinform S.r.l. in liquidation	8					-	8	
Total subsidiaries	8	-	-	-	-	-	8	-
Associated companies:								
Impresa Gadola S.p.A.	1.789					36	1.825	
Eracle S.r.l. in liquidation	-	(47)		57		(2)	8	-
Total associated companies	1.789	(47)	-	57	-	34	1.833	-
Other companies:								
Domusclick.com S.r.l.	-		1.705			-	1.705	
Total other companies	-	-	1.705	-	-	-	1.705	-
Total investments	1.797	(47)	1.705	57	-	34	3.546	-