



# Interim Report on Operations

at September 30, 2010



Company listed on the Italian Stock Exchange since October 6<sup>th</sup>, 2005



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# Financial Highlights

## Income Statement Highlights

(amounts in millions of euros)

PARMALAT GROUP	Cumulative at September 30, 2010	Cumulative at September 30, 2009	3 <sup>rd</sup> quarter 2010	3 <sup>rd</sup> quarter 2009
- NET REVENUES	3,117.0	2,847.4	1,090.8	999.3
- EBITDA	265.0	265.3	90.5	103.7
- EBIT	253.3	356.0	76.6	67.5
- NET PROFIT	200.8	285.5	52.2	36.3
- EBIT/REVENUES (%)	8.0	12.4	7.0	6.7
- NET PROFIT/REVENUES (%)	6.4	10.0	4.7	3.6
<b>PARMALAT S.p.A.</b>				
- NET REVENUES	607.1	618.2	210.1	201.7
- EBITDA	57.1	59.9	20.2	18.4
- EBIT	62.6	193.3	17.9	(1.1)
- NET PROFIT	90.2	228.2	12.5	(0.4)
- EBIT/REVENUES (%)	9.9	30.4	8.2	(0.5)
- NET PROFIT/REVENUES (%)	14.2	35.9	5.7	(0.2)

## Statement of Financial Position Highlights

(amounts in millions of euros)

PARMALAT GROUP	9/30/10	6/30/10	12/31/09
- NET FINANCIAL ASSETS	1,349.3	1,297.6	1,384.6
- ROI (%) <sup>1</sup>	17.3	17.9	37.1
- ROE (%) <sup>1</sup>	8.1	9.0	17.1
- EQUITY/ASSETS	0.7	0.7	0.7
- NET FINANCIAL POSITION/EQUITY	(0.4)	(0.4)	(0.4)
<b>PARMALAT S.p.A.</b>			
- NET FINANCIAL ASSETS	1,382.7	1,380.1	1,486.8
- ROI (%) <sup>1</sup>	13.0	14.0	63.6
- ROE (%) <sup>1</sup>	4.3	5.5	13.4
- EQUITY/ASSETS	0.9	0.9	0.9
- NET FINANCIAL POSITION/EQUITY	(0.5)	(0.5)	(0.5)

<sup>1</sup> These indices were computed based on annualized data for the income statement and average period data for the statement of financial position.

## Operating Performance

Note: The data are stated in millions of euros. As a result, the figures shown for change amounts and percentages could show apparent discrepancies caused exclusively by the rounding of figures.

### Parmalat Group

The global macroeconomic context continued to be characterized by a slow recovery that reflects two different growth rates: sustained improvement in the emerging countries, but limited gains in most advanced economies, owing in part to debt problems in some countries.

In this environment, the Group, even though it operates in what is basically a countercyclical market, performed better in countries outside the European Union, where it also benefited from a favorable translation effect. The only exception was Venezuela, which is affected by economic-financial problems and hyperinflation.

Lastly, even in the fastest growing markets, consumers are continuing to pay special attention to the ratio of price to perceived product quality, requiring the use of extremely well conceived commercial strategies.

In the first nine months of 2010, the Parmalat Group reported higher net revenues than the previous year and EBITDA in line with those earned in 2009.

<i>(in millions of euros)</i>	<b>Cumulative at September 30, 2010</b>	<b>Cumulative at September 30, 2009</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>3,117.0</b>	<b>2,847.4</b>	<b>269.7</b>	<b>+9.5%</b>
<b>EBITDA</b>	<b>265.0</b>	<b>265.3</b>	<b>(0.3)</b>	<b>-0.1%</b>
<i>EBITDA %</i>	8.5	9.3	-0.8 ppt	

<i>(in millions of euros)</i>	<b>Third Quarter 2010</b>	<b>Third Quarter 2009</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>1,090.8</b>	<b>999.3</b>	<b>91.5</b>	<b>+9.2%</b>
<b>EBITDA</b>	<b>90.5</b>	<b>103.7</b>	<b>(13.2)</b>	<b>-12.8%</b>
<i>EBITDA %</i>	8.3	10.4	-2.1 ppt	

The increase in net revenues achieved in the first nine months of 2010 (+9.5% compared with the same period last year) is chiefly the result of the following factors:

- A positive performance in Canada and Australia thanks in part to the consolidation of the Parmalat Food Products operations acquired in July 2009 (change in scope of consolidation);
- The translation effect, which reflects two main developments: the decrease in the value of the euro versus most of the currencies of the countries where the Group operates, which had a positive impact on operating results, and the devaluation of the Venezuelan bolivar, which reduced in part the resulting benefit;
- A decrease in sales volumes, mainly in Venezuela, the choice to streamline the portfolio of lower-margin products in South Africa (UHT milk produced for private labels, fresh fruit juices and pasteurized milk) and lower unit sales in Italy, mainly in the fruit beverage segment due to unfavorable weather conditions, which offset in part the positive effect of the trends discussed above.

EBITDA totaled 265.0 million euros, in line with the 265.3 million euros earned in the first nine months of 2009.



While the Group continues to face strong competitive pressure from other operators and private labels, it nevertheless succeeded in maintaining its profitability, thanks to list price increases and despite a more effective use of commercial and advertising tools.

The data at constant exchange rates and scope of consolidation are as follows:

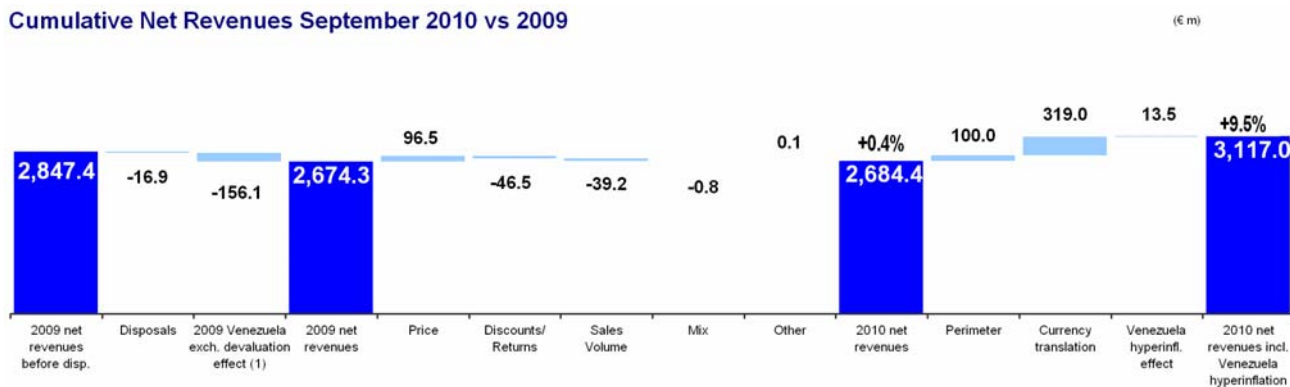
<i>(in millions of euros)</i>	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian.%
<b>Revenues</b>	<b>2,684.4</b>	<b>2,674.3</b>	<b>10.1</b>	<b>+0.4%</b>
<b>EBITDA</b>	<b>234.5</b>	<b>243.9</b>	<b>(9.4)</b>	<b>-3.8%</b>
<i>EBITDA %</i>	<i>8.7</i>	<i>9.1</i>	<i>-0.4 ppt</i>	

A constant scope of consolidation is obtained by excluding the operations acquired in Australia in the third quarter of 2009 and without counting the 2009 contribution of the Nicaraguan operations, which were divested at the end of the year. Moreover, the data for 2009 have been restated to reflect the impact of the change in the official exchange rate that occurred on January 8, 2010, when the Venezuelan government decided to devalue the local currency, resetting the reference exchange rate from 2.15 bolivar fuerte (VEF) to 4.30 VEF for one U.S. dollar.

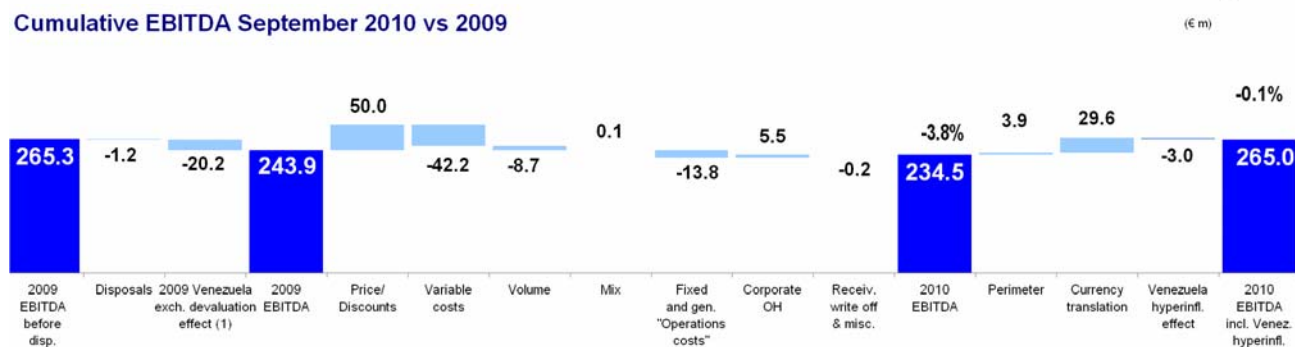
The table with data at constant exchange rates does not reflect the impact of inflation accounting on the Venezuelan operations. Due to Venezuela's high rate of inflation, which exceeded the 100% threshold in the past three years, the data for 2010 have been restated, making the accounting adjustments required by IAS 29, which provides guidelines for restating financial statement balances, except for cash items, by applying a general price index in countries with hyperinflation.

## Like for Like Net Revenues and EBITDA

### Cumulative Net Revenues September 2010 vs 2009



### Cumulative EBITDA September 2010 vs 2009



<sup>(1)</sup> 2009 data restated including the effects of the devaluation of the Bolivar Fuerte versus the US Dollar (4,3 VEF = 1 US\$) occurred on January 8, 2010

## Data by Geographic Region

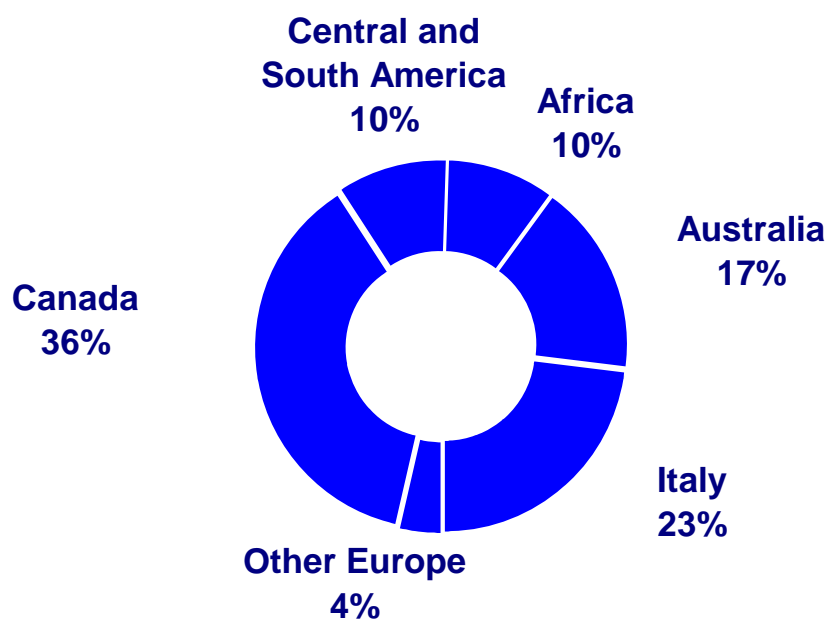
<i>(in millions of euros)</i>	Cumulative at September 30, 2010			Cumulative at September 30, 2009		
	Revenues	EBITDA	EBITDA %	Revenues	EBITDA	EBITDA %
<b>Region</b>						
Italy	717.0	74.3	10.4	748.2	88.7	11.9
Other Europe	111.3	9.9	8.9	100.9	15.6	15.5
Canada	1,162.2	106.5	9.2	987.1	87.2	8.8
Africa	298.2	25.6	8.6	254.7	13.8	5.4
Australia <sup>1</sup>	524.3	46.0	8.8	340.5	30.2	8.9
Central and South America	304.9	14.5	4.8	416.8	47.2	11.3
Other <sup>2</sup>	(0.9)	(11.9)	<i>n.s.</i>	(0.7)	(17.3)	<i>n.s.</i>
<b>Group</b>	<b>3,117.0</b>	<b>265.0</b>	<b>8.5</b>	<b>2,847.4</b>	<b>265.3</b>	<b>9.3</b>

*Regions represent the consolidated countries*

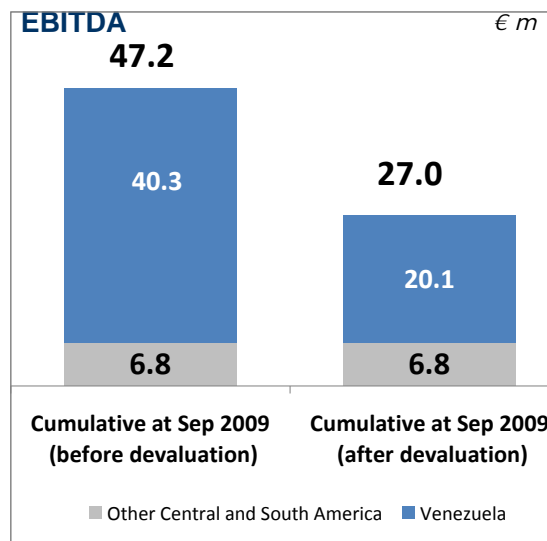
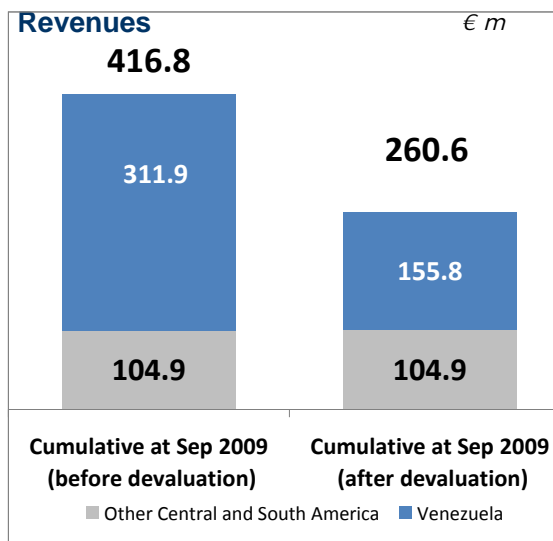
*1. 2010 data include net revenues of 140.2 million euros and EBITDA of 4.8 million euros relating to the acquisition of new operations occurred during the third quarter of 2009*

*2. Include holding, other non core companies and eliminations between regions*

## Net Revenues by Geographic Region



The cumulative data at September 30, 2009 for Central and South America include the data for Venezuela translated at the historical exchange rate (before devaluation). The charts below show the data for Central and South America with the 2009 Venezuelan data restated to reflect the effect of the currency devaluation.



## Data by Product Division

Division	Cumulative at September 30, 2010			Cumulative at September 30, 2009		
	Revenues	EBITDA	EBITDA %	Revenues	EBITDA	EBITDA %
Milk <sup>1</sup>	1,851.6	134.4	7.3	1,671.7	137.3	8.2
Fruit base drink <sup>2</sup>	195.9	29.2	14.9	244.9	48.5	19.8
Milk derivative <sup>3</sup>	992.6	111.4	11.2	878.1	92.1	10.5
Other <sup>4</sup>	76.9	(10.0)	(13.0)	52.7	(12.6)	(23.8)
<b>Group</b>	<b>3,117.0</b>	<b>265.0</b>	<b>8.5</b>	<b>2,847.4</b>	<b>265.3</b>	<b>9.3</b>

1 Include milk, cream and bechamel

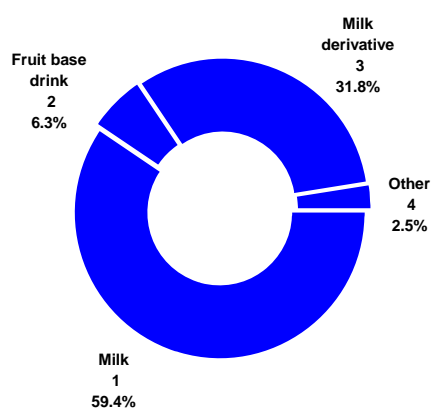
2 Include fruit base drink and tea

3 Include yoghurt, dessert, cheese

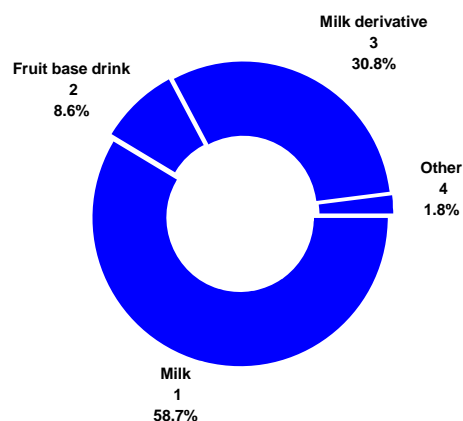
4 Include other products, Venezuela hyperinflation effects and Group's Parent company costs

## Net Revenues by Product Division

Cumulative at September 30, 2010



Cumulative at September 30, 2009



1 Include milk, cream and bechamel

2 Include fruit base drink and tea

3 Include yoghurt, dessert, cheese

4 Include other products, Venezuela hyperinflation effects

The table below shows the cumulative data at September 30, 2009 restated to reflect the impact of the devaluation of the Venezuelan currency.

Division	Cumulative at September 30, 2010			Cumulative at September 30, 2009 (after devaluation in Venezuela)		
	Revenues	EBITDA	EBITDA %	Revenues	EBITDA	EBITDA %
Milk <sup>1</sup>	1,851.6	134.4	7.3	1,602.9	143.6	9.0
Fruit base drink <sup>2</sup>	195.9	29.2	14.9	190.3	28.9	15.2
Milk derivative <sup>3</sup>	992.6	111.4	11.2	845.4	86.5	10.2
Other <sup>4</sup>	76.9	(10.0)	(13.0)	52.6	(13.9)	(26.5)
<b>Group</b>	<b>3,117.0</b>	<b>265.0</b>	<b>8.5</b>	<b>2,691.2</b>	<b>245.1</b>	<b>9.1</b>

## Capital Expenditures

In the first nine months of 2010, capital expenditures totaled 85 million euros. The main investment projects are reviewed below:

- **Italy (31.7 million euros).** Projects to improve the quality and food safety of production processes; new packaging lines in Collecchio, Albano, Zevio and Rome; projects to improve operating safety and comply with regulatory requirements; hygiene and health upgrades in Ragusa; and overhaul of the distribution network for fresh products.  
The increase in capital expenditures compared with the same period last year (amounting to 13.7 million euros) was driven in part by the tax incentives provided by Article 5 of Decree Law No. 78 of July 1, 2009 (*Tremonti-Ter*) for investments carried out through June 30, 2010.
- **Canada (19.1 million euros).** Projects to increase production capacity at the Brampton milk facility and at the Winchester and Victoriaville plants, complete the reconstruction of the Victoriaville factory, bring facilities into compliance with new regulations, improve primary logistics and overhaul the distribution network
- **Australia (18.1 million euros).** Installation of a new drinkable yogurt line, consolidation of the Dairy Products manufacturing lines at the Bendigo plant, increase in milk production capacity consistent with higher sales volumes and projects in the sales and distribution area.
- **Central and South America (6.7 million euros).**  
In **Venezuela (3.7 million euros)**, increase of UHT and yogurt production capacity at the Miranda plant, increase of creamery production capacity at the Quenaca plant, expansion of the refrigerated storage facilities in the shipping area and expansion of production facilities.  
In **Colombia (2.6 million euros)**, completion of the factory expansion project in Chia, revamping of assets and technological upgrade of factory production processes.

## Italy

Against the background of a weak economic recovery, consumer confidence and their propensity to spend remain low. Consumption of food products is down and many markets are characterized by an across-the-board decrease in prices, due to an increased use of promotions and the growth of private labels and the discount channel.

### Markets and Products

In the **UHT milk** market the trend was down slightly compared with the previous year, both on a volume basis (-0.5%) and, more significantly, on a value basis (-3%) due to rising promotional pressure and the resulting reductions in sales prices.

In this environment, Parmalat retained its market leadership position, holding its value market share steady at 34.9%.

In the **pasteurized milk** market (which includes microfiltered milk) demand was down (-1.9% on a volume basis), due mainly to lower business volume in the traditional channel. In the modern channel, however, sales were up on a volume basis (+1.5%) but contracted on a value basis (-2.5%), due to increased price competition that affected private labels and all major operators. Parmalat's value market share improved by almost one point, rising to 25.6% in the modern distribution channel.

The **yogurt** market grew both on a volume basis (+5.4%) and on a value basis (+2.8%), due in part to an increased use of sales promotions, which continues to be quite high.

Parmalat reported a reduction in its value market share, which currently stands at 5.7%.

In the **fruit beverage** market, the trend was particularly negative compared with 2009, both on a volume basis (-5.6%) and on a value basis (-4.5%), due mainly to highly unfavorable weather conditions, especially in May and June. The value market share held by Parmalat with its *Santàl* brand decreased slightly.

The table below shows the market share held by the Italian SBU in the main market segments in which it operates:

Product	Value market share
UHT milk	34.9%
Pasteurized milk <sup>1</sup>	25.6%
Yogurt	5.7%
Fruit beverages	15.4%

Source: Nielsen – IRI Total Italy no Discount at October 3, 2010

<sup>1</sup>Source: Nielsen Modern Channel

<i>(in millions of euros)</i>	<b>Cumulative at September 30, 2010</b>	<b>Cumulative at September 30, 2009</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>717.0</b>	<b>748.2</b>	<b>(31.1)</b>	<b>-4.2%</b>
<b>EBITDA</b>	<b>74.3</b>	<b>88.7</b>	<b>(14.4)</b>	<b>-16.3%</b>
<i>EBITDA %</i>	<i>10.4</i>	<i>11.9</i>	<i>-1.5 ppt</i>	

<i>(in millions of euros)</i>	<b>Third Quarter 2010</b>	<b>Third Quarter 2009</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>238.9</b>	<b>242.5</b>	<b>(3.6)</b>	<b>-1.5%</b>
<b>EBITDA</b>	<b>24.5</b>	<b>27.0</b>	<b>(2.5)</b>	<b>-9.3%</b>
<i>EBITDA %</i>	<i>10.2</i>	<i>11.1</i>	<i>-0.9 ppt</i>	

Unit sales decreased by 1.9% compared with the previous year. More specifically, sales of pasteurized milk, which account for 35% of total unit sales, were substantially in line with the previous year, as was the case for UHT milk, which account for about 42% of sales. Shipments of fruit beverages were down 7.0%, due to unfavorable weather conditions.

EBITDA were 16.3% lower, due mainly to the following factors:

- higher costs for raw milk, which were recovered in part thanks to price increases implemented starting in September;
- an increase in promotional discounts for conventional pasteurized milk implemented in response to programs launched by competitors;
- technical and commercial problems affecting the Latte Sole subsidiary.

The negative impact of these developments was offset in part by savings on fixed costs.

EBITDA also reflect the impact of the costs incurred in connection with a fire that occurred at Centrale del Latte di Roma at the beginning of August, as well as the proceeds from the corresponding insurance settlements, net of the applicable deductibles (amounting to 750,000 euros).

## Other Countries in Europe

<i>(in millions of euros)</i>	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian. %
<b>Revenues</b>	111.3	100.9	10.5	+10.4%
<b>EBITDA</b>	9.9	15.6	(5.7)	-36.4%
<i>EBITDA %</i>	8.9	15.5	-6.6 ppt	

<i>(in millions of euros)</i>	Third Quarter 2010	Third Quarter 2009	Variance	Varian. %
<b>Revenues</b>	38.8	33.0	5.8	+17.5%
<b>EBITDA</b>	3.4	5.0	(1.6)	-32.8%
<i>EBITDA %</i>	8.7	15.2	-6.5 ppt	

### Russia

Overall, unit sales increased by 20.1% compared with the first nine months of 2009. More specifically, shipments of UHT milk, which together with flavored milk account for 37% of total unit sales, were up 37.8% compared with 2009, but sales of fruit beverages shrank by 2.6% year over year.

Despite gains in sales volumes compared with the previous year, the profitability of the SBU was heavily penalized by the effects of upward pressure on the cost of raw milk. This negative factor was partly offset by savings on the cost of packaging materials and other ingredients paid in foreign currencies.

The Russian ruble increased in value by 10.2% compared with the exchange rate applied in the same period last year. The impact of this change on revenues and EBITDA was 6.3 million euros and 0.5 million euros, respectively.

### Portugal

The market was affected by conditions in the national economy and the local business environment continued to be challenging, due to the limited purchasing power of consumers. This environment helped strengthen the position of private labels, which pursued a policy of lower prices.

In the first nine months of 2010, net revenues totaled 42.9 million euros, or 5.2% less than in the same period last year, due both to lower sales prices and a reduction in unit sales, which were down 6.6% compared with the previous year.

### Romania

Reflecting the impact of Romania's economic recession, sales of fruit beverages by the local subsidiary, which are positioned in the Premium Price segment, decreased by 8.7% compared with 2009.

Despite a contraction both in revenues and unit sales, the profitability of the Romanian SBU improved compared with the previous year due to the combined impact of the appreciation of the local currency versus the euro, which had a positive effect on purchases in foreign currencies, and the implementation of cost cutting programs.



## Canada

Canada emerged from the economic crisis faster than other western countries due, on the one hand, to the healthier financial condition of its public sector, financial institutions and households and, on the other hand, the expansive effect generated by Asian demand for raw materials. However, the local economy has been slowing in recent months, in line with the economy of the United States, which is Canada's main trading partner.

The food market is extremely competitive, with large investments in advertising by all major competitors, while the propensity of consumers to seek out product promotion opportunities continues to increase steadily.

### Markets and Products

The pasteurized milk market demand was steady compared with the same period last year and Parmalat improved slightly its market share, thanks primarily to a highly positive performance in the microfiltered segment (40.7% volume market share; +3.8 percentage points versus previous year) and steady growth in the high digestibility milk segment, where Parmalat's volume market share has risen to 39.0%.

The process of migrating all premium products under the Lactantia brand and all basic products under the Beatrice brand was completed during the third quarter of 2010, resulting in the development of a more streamlined product portfolio.

In the cheese market, which grew compared with the previous year, Parmalat continued to hold its position, growing in the all-important natural cheese segment and maintaining the leadership of the snack cheese segment.

Yogurt consumption continued to expand at a healthy pace (+6% in the first nine months of 2010) and Parmalat continued to regain market share, following a loss in sales volumes earlier in the year.

In a market characterized by a high degree of innovation, Parmalat pursued a policy of active engagement, launching new products in the functional yogurt segment.

In addition to defending its strong position in Ontario, Parmalat is steadily increasing its penetration of the Quebec market.

Product	Value market share
Pasteurized milk	20.1%
Yogurt	13.1%
Snack cheese	38.0%
Natural cheese	16.5%

*Source: ACNielsen, MarketTrack, National Grocery Banner+Drug+Mass Merch*

<i>(in millions of euros)</i>	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian. %
<b>Revenues</b>	<b>1,162.2</b>	<b>987.1</b>	<b>175.1</b>	<b>+17.7%</b>
<b>EBITDA</b>	<b>106.5</b>	<b>87.2</b>	<b>19.4</b>	<b>+22.2%</b>
<i>EBITDA %</i>	<i>9.2</i>	<i>8.8</i>	<i>0.3 ppt</i>	

#### Local currency figures

<i>(in local currency m)</i>	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian. %
<b>Revenues</b>	<b>1,584.1</b>	<b>1,572.8</b>	<b>11.3</b>	<b>+0.7%</b>
<b>EBITDA</b>	<b>145.2</b>	<b>138.9</b>	<b>6.3</b>	<b>+4.6%</b>
<i>EBITDA %</i>	<i>9.2</i>	<i>8.8</i>	<i>0.3 ppt</i>	

The Canadian dollar increased in value by 14.5% compared with the exchange rate applied in the same period last year, with an impact on revenues and EBITDA of 168.0 million euros and 15.4 million euros, respectively.

The data below show the performance of the Canadian operations in the third quarter of the year:

<i>(in millions of euros)</i>	Third Quarter 2010	Third Quarter 2009	Variance	Varian. %
<b>Revenues</b>	<b>413.0</b>	<b>348.5</b>	<b>64.6</b>	<b>+18.5%</b>
<b>EBITDA</b>	<b>41.7</b>	<b>36.1</b>	<b>5.7</b>	<b>+15.7%</b>
<i>EBITDA %</i>	<i>10.1</i>	<i>10.4</i>	<i>-0.2 ppt</i>	

#### Local currency figures

<i>(in local currency m)</i>	Third Quarter 2010	Third Quarter 2009	Variance	Varian. %
<b>Revenues</b>	<b>555.0</b>	<b>547.8</b>	<b>7.2</b>	<b>+1.3%</b>
<b>EBITDA</b>	<b>56.2</b>	<b>56.9</b>	<b>(0.7)</b>	<b>-1.2%</b>
<i>EBITDA %</i>	<i>10.1</i>	<i>10.4</i>	<i>-0.3 ppt</i>	

In the first nine months of 2010, overall unit sales were little changed compared with the previous year. More specifically, shipments of pasteurized milk, which accounted for 58% of total sales volume, were in line with those of the same period last year. Compared with the first nine months of 2009, unit sales were up 2.3% for cheese and increased by 3.5% for yogurt. The Group's success in protecting sales volumes in a challenging competitive environment was achieved thanks to an increase in investments in advertising and promotions, targeting primarily the yogurt segment.

## Africa

<i>(in millions of euros)</i> <sup>1</sup>	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian. %
<b>Revenues</b>	<b>298.2</b>	<b>254.7</b>	<b>43.5</b>	<b>+17.1%</b>
<b>EBITDA</b>	<b>25.6</b>	<b>13.8</b>	<b>11.9</b>	<b>+86.4%</b>
<i>EBITDA %</i>	<i>8.6</i>	<i>5.4</i>	<i>3.2 ppt</i>	

<i>(in millions of euros)</i>	Third Quarter 2010	Third Quarter 2009	Variance	Varian. %
<b>Revenues</b>	<b>106.2</b>	<b>89.2</b>	<b>17.0</b>	<b>+19.0%</b>
<b>EBITDA</b>	<b>8.4</b>	<b>7.6</b>	<b>0.8</b>	<b>+11.1%</b>
<i>EBITDA %</i>	<i>7.9</i>	<i>8.5</i>	<i>-0.6 ppt</i>	

1) The data in the table above are in euros because they consolidate the amounts stated in the currencies of South Africa, Mozambique, Botswana, Zambia and Swaziland.

## South Africa

Indications of an improvement in economic conditions helped restore some level of consumer confidence.

Compared with the previous year, the cheese market contracted on a volume basis (-4%) but grew on a value basis (+8.8%). Against this background, Parmalat South Africa strengthened its volume market share and held steady its value market share, despite the growing supply of low price products available to consumers.

The positive trend continued in the yogurt market (+8.4% on a volume basis). However, the loss of market share experienced by the local subsidiary in the first half of the year continued.

Volumes were down in the UHT market (-2.5%). due in part to price increases during the reporting period (+9%). The local subsidiary lost value market share compared with 2009, when it was engaged in a major promotional effort.

Product	Value market share
UHT milk	18.9%
Yogurt	15.2%
Cheese	38.0%
Fruit beverages	5.2%

Source: Synovate (September 2010)

(in millions of euros)	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian. %
<b>Revenues</b>	<b>254.9</b>	<b>221.4</b>	<b>33.5</b>	<b>+15.2%</b>
<b>EBITDA</b>	<b>22.8</b>	<b>9.9</b>	<b>12.9</b>	<b>+130.9%</b>
<i>EBITDA %</i>	<i>8.9</i>	<i>4.5</i>	<i>4.5 ppt</i>	

### Local currency figures

(in local currency m)	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian. %
<b>Revenues</b>	<b>2,503.7</b>	<b>2,631.8</b>	<b>(128.1)</b>	<b>-4.9%</b>
<b>EBITDA</b>	<b>223.6</b>	<b>117.2</b>	<b>106.4</b>	<b>+90.7%</b>
<i>EBITDA %</i>	<i>8.9</i>	<i>4.5</i>	<i>4.5 ppt</i>	

The data below show the performance of the South African operations in the third quarter of the year:

<i>(in millions of euros)</i>	<b>Third Quarter 2010</b>	<b>Third Quarter 2009</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>90.1</b>	<b>76.7</b>	<b>13.4</b>	<b>+17.4%</b>
<b>EBITDA</b>	<b>7.1</b>	<b>5.7</b>	<b>1.4</b>	<b>+23.9%</b>
<i>EBITDA %</i>	<i>7.9</i>	<i>7.5</i>	<i>0.4 ppt</i>	

#### **Local currency figures**

<i>(in milioni di val loc)</i>	<b>Third Quarter 2010</b>	<b>Third Quarter 2009</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>854.6</b>	<b>859.2</b>	<b>(4.5)</b>	<b>-0.5%</b>
<b>EBITDA</b>	<b>67.0</b>	<b>66.7</b>	<b>0.3</b>	<b>+0.4%</b>
<i>EBITDA %</i>	<i>7.8</i>	<i>7.8</i>	<i>0.1 ppt</i>	

In the first nine months of 2010, overall sales volumes fell by 21.1% compared with the previous year, partly as a result of the SBU's decision to end production of some items for private labels and exit some unprofitable product categories, such as fresh fruit juices and pasteurized milk.

Nevertheless, the local SBU achieved major improvements in profitability, thanks to a strategy that involved rationalizing production for private labels and focusing on the more profitable brands, to which it applied a more remunerative pricing policy.

The local currency (South African rand) increased in value by 17.4% compared with the exchange rate applied in the same period last year. The impact of this change on revenues and EBITDA was 44.3 million euros and 4.0 million euros, respectively.

## Other Countries in Africa

Net revenues totaled 52.9 million euros, up 11.4 million euros compared with the previous year, but EBITDA decreased to 2.9 million euros, or 1.0 million euros less than in 2009.

The other African countries in which the Group operates (Swaziland, Mozambique, Botswana and Zambia) reported unit sales that, in the aggregate, were higher than in the previous year, with only Mozambique bucking the upward trend. When stated at constant exchange rates, net revenues show an increase in all countries.

In **Zambia**, where Parmalat enjoys absolute leadership positions in the milk market, with revenues of 24.4 million euros, the local operations reported increases both in unit sales (+18.1%) and net revenues.

In **Mozambique**, the local subsidiary, which is the market leader in the fruit beverage segment, reported higher net revenues of 8.1 million euros, despite a reduction in unit sales. However, the devaluation of the local currency versus the South African rand caused an increase in the cost of raw materials and packaging materials.

In **Botswana**, unit sales increased by 2% compared with the previous year. Net revenues were also up, rising to 13.6 million euros.

In **Swaziland**, the local subsidiary reported gains both in unit sales and net revenues, which totaled 7.0 million euros, due mainly to its ability to maintain its market position.

## Australia

The Australian economy performed well during the first nine months of 2010, driven in part by economic growth in China, which is a major importer of commodities that are abundant in Australia. As a result, the unemployment level was quite low and consumer confidence high.

### Markets and Products

The pasteurized milk market enjoyed moderate growth (+1.2%) and, even though private labels steadily increased their market share, Parmalat strengthened its position by expanding its distribution network into territories where it did not operate before and thanks to a strong performance by some of its products.

The flavored milk segment continued to grow. In the modern channel, Parmalat's performance matched the market trend, increasing both its value and volume market share. Moreover, implementation of a plan to increase penetration of the markets of New South Wales and South Australia is continuing with positive results.

The positive trend continued in the yogurt market, with Parmalat firmly holding its market share, thanks mainly to an outstanding performance by the Vaalia brand, which retained the leadership position in the functional yogurt segment. Parmalat has been very active in the yogurt market, launching new products in the functional liquid yogurt segment.

In the dessert market, where demand grew compared with the previous year, Parmalat increased both its value market share and its volume market share.

Product	Value market share
Pasteurized "white" milk	22.0%
Flavored milk	24.1%
Yogurt	13.3%
Desserts	16.2%

Source: Aztec Grocery Data

The table that follows presents the consolidated data for Parmalat Australia and Parmalat Food Products (2010 net revenues of 140.2 million euros and EBITDA of 4.8 million euros):

(in millions of euros)	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian.%
<b>Revenues</b>	<b>524.3</b>	<b>340.5</b>	<b>183.8</b>	<b>+54.0%</b>
<b>EBITDA</b>	<b>46.0</b>	<b>30.2</b>	<b>15.7</b>	<b>+52.1%</b>
<i>EBITDA %</i>	<i>8.8</i>	<i>8.9</i>	<i>-0.1 ppt</i>	

### Local currency figures

(in milioni di val loc)	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian.%
<b>Revenues</b>	<b>769.1</b>	<b>621.3</b>	<b>147.8</b>	<b>+23.8%</b>
<b>EBITDA</b>	<b>67.4</b>	<b>55.1</b>	<b>12.3</b>	<b>+22.2%</b>
<i>EBITDA %</i>	<i>8.8</i>	<i>8.9</i>	<i>-0.1 ppt</i>	

The data below show the performance of the Australian operations in the third quarter of the year:

<i>(in millions of euros)</i>	<b>Third Quarter 2010</b>	<b>Third Quarter 2009</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>182.5</b>	<b>140.3</b>	<b>42.3</b>	<b>+30.2%</b>
<b>EBITDA</b>	<b>13.2</b>	<b>12.6</b>	<b>0.6</b>	<b>+5.0%</b>
<i>EBITDA %</i>	<i>7.2</i>	<i>9.0</i>	<i>-1.7 ppt</i>	

#### **Local currency figures**

<i>(in milioni di val loc)</i>	<b>Third Quarter 2010</b>	<b>Third Quarter 2009</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>261.3</b>	<b>245.1</b>	<b>16.2</b>	<b>+6.6%</b>
<b>EBITDA</b>	<b>18.8</b>	<b>22.0</b>	<b>(3.2)</b>	<b>-14.7%</b>
<i>EBITDA %</i>	<i>7.2</i>	<i>9.0</i>	<i>-1.8 ppt</i>	

A decrease in the cost of raw milk, compared with 2009, and positive results for high margin products, such as flavored milk and yogurt, are the primary reasons for the improvement in EBITDA for the first nine months of 2010.

The integration of Parmalat Food Products produced a significant sales increase, consolidating the local subsidiary's position as a national player. Aside from the abovementioned acquisition, the local SBU focused its efforts on expanding in the product categories with greater value added, such as yogurt and flavored milk.

Excluding the volumes sold by PFP, the local SBU reported higher unit sales. More specifically, shipments of pasteurized milk, which account for 56% of total sales, were up about 1% and sales volumes grew by 2.2% for flavored milk and by 5.9% for yogurt.

The value of the Australian dollar increased by 19.6% compared with the exchange rate applied in the first nine months of 2009. At a constant scope of consolidation, the impact of this change on revenues and EBITDA was 78.2 million euros and 8.1 million euros, respectively.



## Central and South America

<i>(in millions of euros)</i>	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian.%
<b>Revenues</b>	<b>304.9</b>	<b>416.8</b>	<b>(111.9)</b>	<b>-26.8%</b>
<b>EBITDA</b>	<b>14.5</b>	<b>47.2</b>	<b>(32.6)</b>	<b>-69.2%</b>
<i>EBITDA %</i>	<i>4.8</i>	<i>11.3</i>	<i>-6.5 ppt</i>	

<i>(in millions of euros)</i>	Third Quarter 2010	Third Quarter 2009	Variance	Varian.%
<b>Revenues</b>	<b>111.7</b>	<b>146.2</b>	<b>(34.5)</b>	<b>-23.6%</b>
<b>EBITDA</b>	<b>3.1</b>	<b>20.9</b>	<b>(17.8)</b>	<b>-85.2%</b>
<i>EBITDA %</i>	<i>2.8</i>	<i>14.3</i>	<i>-11.5 ppt</i>	

### Venezuela

The performance of the Venezuelan economy is affected both by international crude oil prices, the country's top resource in terms of exports and support of the local economy, and by the scarcity of electric power, which is generated for the most part by hydroelectric power plants and was heavily penalized by adverse local weather conditions, particularly during the first quarter of 2010. These challenges were exacerbated by a particularly strict foreign exchange control system and by a scarce propensity of businesses to invest and households to spend.

#### Markets and Products

During the first nine months of the year, the markets where the local subsidiary operates continued to reflect the trends that prevailed in previous periods, both on a volume and value basis. More specifically, the markets for fruit beverages and powdered milk continued to expand, with sales volumes growing by 4.6% and 5%, respectively, compared with 2009, while the opposite was true in the markets for yogurt and milk beverages, where sales volumes shrank by 13.7% and 26.8%, respectively.

The table below shows the SBU's value market share in the main product categories:

<b>Product</b>	<b>Value market share</b>
Fruit beverages	19.5%
Milk beverages	32.6%
Powdered milk	17.6%
Yogurt	23.7%

*Source: ACNielsen; January 2010 – September 2010*

The impact of the devaluation of the bolivar, on January 8, 2010, strongly affects comparisons with 2009. The data of the Venezuelan SBU are also affected by the country's high inflation rate, which, over the past three years, exceeded cumulatively the 100% threshold, requiring, as of December 2009, the adoption of the adjustments provided by IAS 29 for hyperinflationary economies.

In the table that follows, the data for 2010 are restated in accordance with IAS 29.

<i>(in millions of euros)</i>	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian. %
<b>Revenues</b>	<b>194.0</b>	<b>311.9</b>	<b>(117.9)</b>	<b>-37.8%</b>
<b>EBITDA</b>	<b>8.8</b>	<b>40.3</b>	<b>(31.5)</b>	<b>-78.2%</b>
<i>EBITDA %</i>	<i>4.5</i>	<i>12.9</i>	<i>-8.4 ppt</i>	

#### Local currency figures

<i>(in local currency m)</i>	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian. %
<b>Revenues</b>	<b>1,097.5</b>	<b>914.2</b>	<b>183.4</b>	<b>+20.1%</b>
<b>EBITDA</b>	<b>49.8</b>	<b>118.2</b>	<b>(68.4)</b>	<b>-57.9%</b>
<i>EBITDA %</i>	<i>4.5</i>	<i>12.9</i>	<i>-8.4 ppt</i>	

Overall, unit sales decreased by 16.2% compared with 2009. Specifically, shipments were down 19.2% for fruit beverages, which accounted for 46% of the SBU's total sales volume, and contracted by 5.0% for pasteurized milk and 25.4% for yogurt compared with the first nine months of 2009. Manufacturing problems at the SBU's main plant, coupled with the impact of the energy crisis and productivity issues account for the reduction in sales volumes.

The main reason for the decrease in the EBITDA amount, compared with the previous year, is a reduction in sales volumes. In addition, the SBU's results were penalized by the high level of inflation, which caused large increases in purchasing costs for raw materials, ingredients and packaging materials and in overhead.

#### Devaluation of the Local Currency

On January 8, 2010, the Venezuelan government approved a devaluation of the local currency, resetting the reference exchange rate from 2.15 VEF to 4.30 VEF for one U.S. dollar. In order to provide a clearer presentation of the actual impact of the developments described above, the SBU's 2009 revenues and EBITDA shown in the table below have been recomputed using the new reference exchange rate of 4.30 VEF for one U.S. dollar.

<i>(in millions of euros)</i>	Cumulative at September 30, 2009	2009 restated	Variance
<b>Revenues</b>	<b>311.9</b>	<b>155.8</b>	<b>(156.1)</b>
<b>EBITDA</b>	<b>40.3</b>	<b>20.1</b>	<b>(20.2)</b>

## Colombia

The milk market continued to be characterized by diverging trends in its two main segments, as demand for extended shelf life milk showed further strength (+14% compared with 2009), driven by rising sales of milk packaged in aseptic pouches (+16% compared with 2009), while the market for pasteurized milk contracted (-13% compared with 2009).

The Colombian yogurt market is enjoying a growth phase, with volumes expanding at a rate of 10% compared with the previous year and promotional pressure increasing. In this environment, the local subsidiary succeeded in retaining its market position.

In the powdered milk market, which has been adversely affected for some time by low-price imports from Venezuela, the trend remained negative (-5% compared with 2009), affecting both the adult and infant product segments.

The table below shows the SBU's value market share in the main product categories:

Product	Value market share
Pasteurized milk <sup>1</sup>	5.5%
UHT milk	7.4%
Powdered milk	11.0%
Yogurt	3.5%

<sup>1</sup> Source: ACNielsen and Fedegan; January 2010 – September 2010  
Source: ACNielsen; January 2010 – September 2010

The local subsidiary, which has been working to expand its distribution presence in the traditional channel, increased its sales volumes by 10.6% compared with the previous year and strengthened its position in the milk market, particularly in the segment for high value added products, such as lactose free milk in aseptic pouches, where it benefited from a campaign to relaunch the Zymil brand.

(in millions of euros)	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian. %
<b>Revenues</b>	<b>93.0</b>	<b>74.0</b>	<b>19.0</b>	<b>+25.7%</b>
<b>EBITDA</b>	<b>5.5</b>	<b>5.8</b>	<b>(0.4)</b>	<b>-6.2%</b>
<i>EBITDA %</i>	<i>5.9</i>	<i>7.9</i>	<i>-2.0 ppt</i>	

### Local currency figures

(in local currency m)	Cumulative at September 30, 2010	Cumulative at September 30, 2009	Variance	Varian. %
<b>Revenues</b>	<b>233,793</b>	<b>223,364</b>	<b>10,429</b>	<b>+4.7%</b>
<b>EBITDA</b>	<b>13,719</b>	<b>17,559</b>	<b>(3,840)</b>	<b>-21.9%</b>
<i>EBITDA %</i>	<i>5.9</i>	<i>7.9</i>	<i>-2.0 ppt</i>	

The local currency (peso) increased in value by 16.7% compared with the exchange rate applied in the same period last year. The impact of this change on revenues and EBITDA was 15.6 million euros and 0.9 million euros, respectively.

## Other Countries in Central and South America

Net revenues and EBITDA for the other countries in Central and South America decreased compared with the results reported in 2009, due to the divestment of operations in Nicaragua in the last quarter of 2009.

The Group's SBU in **Ecuador** markets primarily UHT milk packaged in aseptic plastic pouches (APP) and powdered milk. Even though revenues were up compared with the first nine months of 2009, the SBU's profitability contracted, due mainly to an increase in raw milk purchasing costs caused by a severe drought during the summer months that reduced the availability of raw milk in the local market. Net revenues totaled 10.8 million euros and EBITDA amounted to 0.5 million euros.

The Group's SBU in **Paraguay** reported year-over-year gains both in net revenues and EBITDA, which grew to 7.3 million euros and 0.3 million euros, respectively.

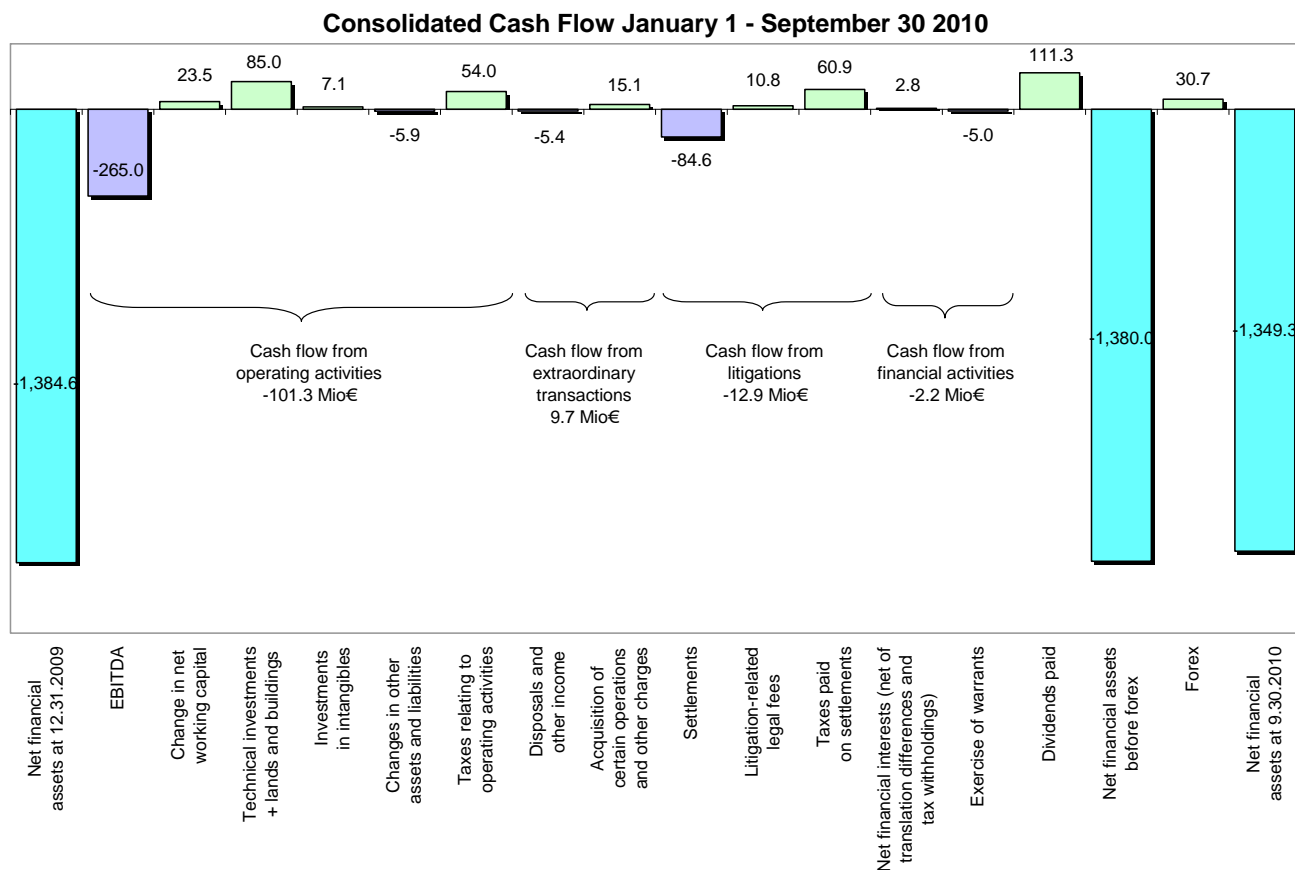
## Financial Performance

At September 30, 2010, the Group's net financial position showed net financial assets of 1,349.3 million euros, compared with net financial assets of 1,384.6 million euros at December 31, 2009, after a negative foreign exchange effect of 30.7 million euros and the disbursement of dividends totaling 111.3 million euros.

The cash flow from operating activities totaled 101.3 million euros. The cash flow from nonrecurring transactions, which amounted to 9.7 million euros, reflects mainly the impact of the early repayment of a long-term financing facility by the Canadian subsidiary.

Litigation activities had a positive effect of 12.9 million euros on the net financial position. This amount is the net result of settlement proceeds of 84.6 million euros, including 24 million euros collected in the third quarter (6.5 million euros from licensees, 13.0 million euros from Parmatour and sundry items for the balance), offset in part by legal costs totaling 10.8 million euros and income taxes on settlements amounting to 60.9 million euros (balance due for 2009 and 2010 estimated payment).

The cash flow from financial transactions (exercise of warrants and net financial expense) totaled 2.2 million euros.



## Human Resources

### Group Staffing

The table below provides a breakdown by geographic region of the employees of Group companies at September 30, 2010 and a comparison with the data at June 30, 2010 and December 31, 2009.

<b>Total payroll by geographic region</b>			
<b>Geographic region</b>	<b>9/30/1010</b>	<b>6/30/10</b>	<b>12/31/09</b>
Italy	2,159	2,158	2,233
Europe excluding Italy	1,420	1,411	1,383
Canada	2,856	2,929	2,919
Africa	2,408	2,357	2,343
Australia	1,751	1,709	1,707
Central and South America	3,363	3,368	3,203
<b>Total</b>	<b>13,957</b>	<b>13,932</b>	<b>13,788</b>

In the third quarter of 2010, the Group's payroll was little changed compared with the previous quarter. The increase of 169 employees compared with December 31, 2009 is due primarily to the hiring of temporary staff by some South American companies.

# Review of Operating and Financial Performance

## Parmalat Group

**Net revenues** increased by 9.5% compared with the first nine months of 2009, thanks to the consolidation of Parmalat Food Products, an Australian company acquired in July 2009, the effect of a decrease in the value of the euro versus the main currencies of the countries where the Group operates and strong performances by the Australian and Canadian subsidiaries. These positive developments more than offset the negative impact of an across-the-board reduction in volumes in Venezuela, lower unit sales of fruit beverages in Italy and the streamlining of the product portfolio in South Africa, which included discontinuing production of some items for private labels and exiting excessively competitive segments, such as fresh fruit juices and pasteurized milk.

**EBITDA** totaled 265.0 million euros, in line with the 265.3 million euros earned in the first nine months of 2009. The Group continued to face strong competitive pressure from its competitors and from private labels. Nevertheless, it maintained profitability, thanks to price-list increases and a greater use of sales and advertising tools.

**EBIT** amounted to 253.3 million euros, down 102.7 million euros, compared with 356.0 million euros in the first nine months of 2009. Lower proceeds from litigation settlements reached during the first nine months of 2010 account for the decrease in EBIT.

Depreciation, amortization and writedowns of non-current assets totaled 87.7 million euros (71.6 million euros in the first nine months of 2009).

**Group interest in net profit** decreased to 198.5 million euros, or 84.9 million euros less than the 283.4 million euros earned in the first nine months of 2009. A reduction in the contribution provided to the bottom line by litigation settlements, which generated total after-tax proceeds of 57.3 million euros (183.7 million euros in the first nine months of 2009) accounts for this decrease.

**Operating working capital** grew to 361.6 million euros, or 18.5 million euros more than at December 31, 2009, when it amounted to 343.1 million euros. This increase is chiefly the result of the higher inventories held by the Canadian subsidiary due to seasonal factors that characterize its business, involving an increase in milk production earlier in the year, followed by an increase in sales in the later months. The impact of this increase was offset in part by a reduction in trade receivables held by Parmalat S.p.A. caused both by a stepped up promotional activity and a price cutting policy.

**Net invested capital** amounted to 2,038.2 million euros, for an increase of 166.0 million euros compared with 1,872.2 million euros at December 31, 2009. The impact of the translation of the financial statements of companies that operate outside the euro zone and income tax payments (balance due for 2009 and 2010 estimated payment) account for most of this increase.

**Net financial assets** totaled 1,349.3 million euros, or 35.3 million euros less than the 1,384.6 million euros reported at December 31, 2009. This decrease reflects the combined impact of the following factors: the cash flow from operating activities (101.3 million euros), the cash flow used for nonrecurring activities (9.7 million euros, related mainly to the early partial repayment of a financing facility by the Canadian subsidiary), the cash flow from litigation settlements (12.9 million euros, as the net result of 84.6 million euros in proceeds from settlements reached during the period, 10.8 million euros in legal costs incurred to pursue legal actions and 60.9 million euros in income taxes on settlements), the cash flow from financial transactions (2.2 million euros), the payment of dividends (111.3 million euros, including 109.8 million euros paid by the Group's Parent Company for the 2009 final dividend) and the impact of the translation of the net indebtedness of companies that operate outside the euro zone (30.7 million euros).

**Group interest in shareholders' equity** grew to 3,362.1 million euros. The increase of 129.8 million euros compared with the amount at December 31, 2009 (3,232.3 million euros) is due mainly to the net profit for the period (198.5 million euros) and the translation of the financial statements of companies that operate outside the euro zone (34.5 million euros), offset in part by the payment of the final dividend for 2009 (108.9 million euros), as approved by the Ordinary Shareholders' Meeting on April 1, 2010.

## Parmalat Group

### RECLASSIFIED CONSOLIDATED INCOME STATEMENT

<i>(in millions of euros)</i>	Cumulative at September 30, 2010	Cumulative at September 30, 2009
<b>REVENUES</b>	<b>3,153.9</b>	<b>2,866.3</b>
Net revenues	3,117.0	2,847.4
Other revenues	36.9	18.9
<b>OPERATING EXPENSES</b>	<b>(2,876.3)</b>	<b>(2,589.0)</b>
Purchases, services and miscellaneous costs	(2,483.9)	(2,248.8)
Labor costs	(392.4)	(340.2)
<b>Subtotal</b>	<b>277.6</b>	<b>277.3</b>
Writedowns of receivables and other provisions	(12.6)	(12.0)
<b>EBITDA</b>	<b>265.0</b>	<b>265.3</b>
Depreciation, amortization and writedowns of non-current assets	(87.7)	(71.6)
Other income and expenses:		
- Litigation-related legal expenses	(7.8)	(9.0)
- Miscellaneous income and expenses	83.8	171.3
<b>EBIT</b>	<b>253.3</b>	<b>356.0</b>
Net financial income (expense)	(2.6)	0.9
Interest in the results of companies valued by the equity method	(0.7)	-
Other income from (charges for) equity investments	0.3	3.2
<b>PROFIT BEFORE TAXES</b>	<b>250.3</b>	<b>360.1</b>
Income taxes	(49.5)	(74.6)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>	<b>200.8</b>	<b>285.5</b>
Net profit (loss) from discontinued operations	-	-
<b>NET PROFIT FOR THE YEAR</b>	<b>200.8</b>	<b>285.5</b>
Minority interest in net (profit)	(2.3)	(2.1)
Group interest in net profit	198.5	283.4
<b>Continuing operations:</b>		
<b>Basic earnings per share</b>	<b>0.1149</b>	<b>0.1670</b>
<b>Diluted earnings per share</b>	<b>0.1126</b>	<b>0.1642</b>



## Parmalat Group

### RECLASSIFIED CONSOLIDATED BALANCE SHEET

<i>(in millions of euros)</i>	<b>9/30/10</b>	<b>12/31/09</b>
<b>NON-CURRENT ASSETS</b>	<b>1,984.9</b>	<b>1,900.1</b>
Intangibles	1,104.0	1,063.5
Property, plant and equipment	809.4	774.0
Non-current financial assets	12.7	11.4
Deferred-tax assets	58.8	51.2
<b>HELD-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES</b>	<b>0.5</b>	<b>1.0</b>
<b>NET WORKING CAPITAL</b>	<b>415.5</b>	<b>352.9</b>
Inventories	387.3	376.1
Trade receivables	454.6	459.9
Trade payables (-)	(480.3)	(492.9)
<b>Operating working capital</b>	<b>361.6</b>	<b>343.1</b>
Other current assets	233.0	211.8
Other current liabilities (-)	(179.1)	(202.0)
<b>INVESTED CAPITAL NET OF OPERATING LIABILITIES</b>	<b>2,400.9</b>	<b>2,254.0</b>
<b>PROVISIONS FOR EMPLOYEE BENEFITS (-)</b>	<b>(94.8)</b>	<b>(92.6)</b>
<b>PROVISIONS FOR RISKS AND CHARGES (-)</b>	<b>(262.3)</b>	<b>(282.6)</b>
<b>PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS</b>	<b>(5.6)</b>	<b>(6.6)</b>
<b>NET INVESTED CAPITAL</b>	<b>2,038.2</b>	<b>1,872.2</b>
<i>Covered by:</i>		
<b>SHAREHOLDERS' EQUITY<sup>1</sup></b>	<b>3,387.5</b>	<b>3,256.8</b>
Share capital	1,732.6	1,712.6
Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	153.8	168.8
Other reserves and retained earnings	1,277.2	901.7
Interim dividend	-	(69.8)
Profit for the year	198.5	519.0
Minority interest in shareholders' equity	25.4	24.5
<b>NET FINANCIAL ASSETS</b>	<b>(1,349.3)</b>	<b>(1,384.6)</b>
Loans payable to banks and other lenders	211.5	254.4
Loans payable to investee companies	4.5	6.0
Other financial assets (-)	(1,170.1)	(1,216.8)
Cash and cash equivalents (-)	(395.2)	(428.2)
<b>TOTAL COVERAGE SOURCES</b>	<b>2,038.2</b>	<b>1,872.2</b>

## Parmalat S.p.A.

**Net revenues** totaled 607.1 million euros, or 1.8% less than the 618.2 million euros booked in the first nine months of 2009. The decrease in revenues reflects the impact of a policy of discounts, promotions and price reductions implemented to increase competitiveness and respond to aggressive competitors, especially in the conventional pasteurized milk segment. Unit sales were down for fruit beverages as well, due both to seasonal weather factors and aggressive competition.

**EBITDA** amounted to 57.1 million euros, for a decrease of 2.8 million euros (-4.7%) compared with the 59.9 million euros earned in the first nine months of 2009. This negative change reflects a reduction of 1.0 million euros in the sales margin before receivable writedowns and other additions to provisions (but the ratio to revenues was unchanged, despite the higher cost paid for raw milk). Programs implemented to support sales volumes included increased investments in advertising and a more aggressive use of product promotions. In addition, the allowance for doubtful accounts was increased by 1.8 million euros in the first nine months of 2010.

**EBIT** decreased to 62.6 million euros. The reduction of 130.7 million euros, compared with the 193.3 million euros reported at September 30, 2009, is due mainly to the smaller proceeds generated by settlements with credit institutions and other creditors: 68.5 million euros in the first nine months of 2010 compared with 186.5 million euros in the same period last year.

**The net profit for the period** totaled 90.2 million euros, or 138.0 million euros less than the 228.2 million euros earned in the first nine months of 2009. This negative change is chiefly the result of the decrease in proceeds from settlements mentioned above, which accounted for about 47.0 million euros of the period's net profit (net of the applicable tax effect) compared with about 183.6 million euros in the same period last year. A reduction in net financial income (-13.1 million euros), offset in part by higher dividends from investee companies (42.4 million euros, up from 33.8 million euros in the first nine months of 2009) account for the balance of the decrease.

**Net invested capital** amounted to 1,439.1 million euros, up 90.4 million euros compared with December 31, 2009 (1,348.7 million euros). This increase is due in part to the payment of income taxes of about 64 million euros (balance due for 2009 and first estimated payment for 2010), offset in part by a change in current and deferred taxes for the period (12.8 million euros), and the reversal/reclassification of provisions for risks concerning mainly amounts originally set aside in connection with equity investments (about 52 million euros). On the other hand, operating working capital increased by about 1.7 million euros. A change in the net VAT credit balance, due to the collection of an amount that exceeded by about 13.6 million euros the credit accrued during the period, was another reduction factor.

**Net financial assets** fell from 1,486.8 million euros at December 31, 2009 to 1,382.7 million euros at September 30, 2010, for a decrease of 104.1 million euros. Dividend payments of about 109.8 million euros account for most of this change.

The Company's **shareholders' equity** totaled 2,821.8 million euros, down from 2,835.5 million euros at December 31, 2009. The decrease of 13.7 million euros is essentially the net result of the profit for the period, the payment of the 2009 final dividend, and the exercise of warrants through September 30, 2010.

## Parmalat S.p.A.

### RECLASSIFIED INCOME STATEMENT

<i>(in millions of euros)</i>	Cumulative at September 30, 2010	Cumulative at September 30, 2009
<b>REVENUES</b>	<b>636.5</b>	<b>635.5</b>
Net revenues	607.1	618.2
Other revenues	29.4	17.3
<b>OPERATING EXPENSES</b>	<b>(571.4)</b>	<b>(569.4)</b>
Purchases, services and miscellaneous costs	(491.5)	(492.9)
Labor costs	(79.9)	(76.5)
<b>Subtotal</b>	<b>65.1</b>	<b>66.1</b>
Writedowns of receivables and other provisions	(8.0)	(6.2)
<b>EBITDA</b>	<b>57.1</b>	<b>59.9</b>
Depreciation, amortization and writedowns of non-current assets	(32.4)	(29.9)
Other income and expenses:		
- Legal expenses to pursue actions to void and actions for damages	(7.8)	(9.0)
- Additions to provision for losses of investee companies	(15.2)	(12.8)
- Miscellaneous income and expenses	60.9	185.1
<b>EBIT</b>	<b>62.6</b>	<b>193.3</b>
Net financial income (expense)	9.8	22.9
Other income from (charges for) equity investments	42.4	33.8
<b>PROFIT BEFORE TAXES</b>	<b>114.8</b>	<b>250.0</b>
Income taxes	(24.6)	(21.8)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>	<b>90.2</b>	<b>228.2</b>
Net profit from discontinuing operations	-	-
<b>NET PROFIT FOR THE PERIOD</b>	<b>90.2</b>	<b>228.2</b>

## Parmalat S.p.A.

### RECLASSIFIED BALANCE SHEET

<i>(in millions of euros)</i>	<b>9/30/10</b>	<b>12/31/09</b>
<b>NON-CURRENT ASSETS</b>	<b>1,395.0</b>	<b>1,396.6</b>
Intangibles	378.5	388.9
Property, plant and equipment	154.1	151.7
Non-current financial assets	823.8	823.9
Deferred-tax assets	38.6	32.1
<b>HELD-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES</b>	<b>0.0</b>	<b>0.0</b>
<b>NET WORKING CAPITAL</b>	<b>140.1</b>	<b>91.1</b>
Inventories	42.7	37.1
Trade receivables	170.7	180.0
Trade payables (-)	(172.7)	(179.1)
<b>Operating working capital</b>	<b>40.7</b>	<b>38.0</b>
Other current assets	172.4	140.2
Other current liabilities (-)	(73.0)	(87.1)
<b>INVESTED CAPITAL NET OF OPERATING LIABILITIES</b>	<b>1,535.1</b>	<b>1,487.7</b>
<b>PROVISIONS FOR EMPLOYEE BENEFITS (-)</b>	<b>(26.1)</b>	<b>(26.8)</b>
<b>PROVISIONS FOR RISKS AND CHARGES (-)</b>	<b>(64.8)</b>	<b>(107.1)</b>
<b>PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS</b>	<b>(5.1)</b>	<b>(5.1)</b>
<b>NET INVESTED CAPITAL</b>	<b>1,439.1</b>	<b>1,348.7</b>
<i>Covered by:</i>		
<b>SHAREHOLDERS' EQUITY</b>	<b>2,821.8</b>	<b>2,835.5</b>
Share capital	1,732.6	1,712.6
Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	153.8	168.9
Other reserves and retained earnings	845.2	651.0
Interim dividend	0	(69.8)
Profit for the period	90.2	372.8
<b>NET FINANCIAL ASSETS</b>	<b>(1,382.7)</b>	<b>(1,486.8)</b>
Loans payable to banks and other lenders	6.2	9.2
Loans payable to investee companies	(11.9)	(25.5)
Other financial assets (-)	(1,161.3)	(1,188.1)
Cash and cash equivalents (-)	(215.7)	(282.4)
<b>TOTAL COVERAGE SOURCES</b>	<b>1,439.1</b>	<b>1,348.7</b>

## Key Events in the Third Quarter of 2010

### Fire at Centrale del Latte di Roma

During the evening of August 6, 2010, a fire broke out at the plant of Centrale del Latte di Roma. Because of the damage caused by the fire, production was halted and moved primarily to the Piana di Monte Verna plant. In any case, Centrale del Latte di Roma holds insurance policies that cover the fire damage.

## Events Occurring After September 30, 2010

### Centrale del Latte di Roma

The Fifth Section of the Council of State handed down Decision No. 7599/2010 by which it found that the appeals filed asking that Decision No. 1156/2010 be set aside (including appeal N.R.G. No. 3947/2010 filed by Parmalat) were inadmissible or lacked standing. By Decision No. 1156/2010, the Fifth Section of the Council of State found that the deed of sale transferring to Cirio ownership of the equity investment held by the Municipal Administration of Rome in Centrale del Latte was null and void, as was the subsequent settlement agreement, by which Cirio conveyed the shares to Eurolat before five years had elapsed, thereby surprisingly ruling in clear conflict with an earlier decision handed down by the Council of State (Decision No. 5845/2008).

An appeal on jurisdictional grounds against the abovementioned Decision No. 1156/2010 is still pending before the Court of Cassation. If this appeal is successful, the decision subject of the appeal would be set aside.

In any case, the Company is pleased to note that Decision No. 7599/2010 made it clear that the mere fact that the contracts were found to be null and void does not automatically enable the Municipal Administration of Rome to regain ownership of the shares of Centrale del Latte.

At this point, it has been confirmed that the Municipal Administration of Rome cannot put forward a claim asking for the return of the shares representing a controlling interest in Centrale del Latte di Roma S.p.A. Moreover, such a claim would be devoid of merit, as the contract by which Parmalat S.p.A. acquired the shares has now become unassailable because it is grounded on the justification provided by a resolution approving Eurolat's capital increase, which can no longer be challenged pursuant to Article 2379 *ter* of the Italian Civil Code and pursuant to and for the purposes of Article 1994 of the Italian Civil Code.

## Principles for the Preparation of the Interim Report on Operations at September 30, 2010

The Interim Report on Operations at September 30, 2010 was prepared in accordance with the provisions of Article 154-ter “*Financial Reporting*” of the Uniform Financial Code introduced with Legislative Decree No. 195 of November 6, 2007, by which the Italian Legislature implemented Directive 2004/109/CE (so-called Transparency Directive) on periodic financial reporting.

The accounting principles applied in the Interim Report on Operations at September 30, 2010 are the same as those used to prepare the Annual Report at December 31, 2009. Consequently, the former should be read together with the latter.

The following recently published accounting principles and interpretations went into effect on January 1, 2010, as adopted by the European Commission:

*Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards*

*Amendments to IFRS 2 – Share-based Payment*

*Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*

*Amendments to IAS 39 – Financial Instruments: Recognition and Measurement*

*Amendments to IFRIC 9 – Reassessment of Embedded Derivatives*

*Minor amendments to the IFRSs (“IFRS Improvements” – 2009 Release)*

*IFRIC 17 – Distribution of Non-cash Assets to Owners*

*IFRIC 18 – Transfers of Assets from Customers*

However, these principles and interpretations concern situations and issues that did not exist or were not material within the Group as of the date of this Interim Report on Operations.

The presentation formats used for the income statement and statement of financial position are the same as those used in the Report on Operations section of the Annual Report.

As part of the process of preparing the Interim Report on Operations, Directors are required to use accounting principles and methods that, in some instances, require the use of difficult and subjective valuations and estimates based on historical data and assumptions that, in each case, are deemed to be reasonable and realistic under the circumstances existing at that time. The use of these estimates and assumptions has an impact on the amounts reported on the financial statements, which include the statement of financial position and the income statement, and affects the disclosures provided therein. The final amounts shown for the financial statement items for which the abovementioned estimates and assumptions were used may differ from the amounts shown on the financial statements due to the uncertainty that is inherent in all assumptions and the conditions upon which the estimates were based. Estimates and assumptions are reviewed periodically and any resulting change is recognized in the accounting records for the period in which the estimate was revised. The financial statement items that require more than others subjective input by the Directors in the development of estimates and with regard to which a change in the conditions underlying the assumptions could have a material impact on the Interim Report on Operations are: goodwill, writedowns of non-current assets, depreciation and amortization, deferred taxes, the allowance for doubtful accounts, the provisions for risks, pension plans and other post-employment benefit plans, and the reserves for creditor challenges and claims of late-filing creditors.

A complete determination as to whether the value of non-current assets has been impaired is carried out only in connection with the preparation of the annual financial statements, when all necessary information is available, except in cases when impairment indicators that require an immediate assessment of any impairment losses are detected.

The income tax liability is recognized based on the best estimate of the tax rate for the entire year.

Sales of some Group products are more seasonal than those of the rest of the product line, due to different buying habits and consumption patterns. However, the geographic diversification of the Company's sales significantly reduces this seasonal impact.

The Interim Report on Operations at September 30, 2010 was not audited.

The Board of Directors authorized the publication of this Interim Report on Operations on November 11, 2010.

## Scope of Consolidation

During the third quarter of 2010, the Group's scope of consolidation did not change significantly compared with June 30, 2010.

## Venezuela

The income statement and statement of financial position data of the Venezuelan subsidiaries, when stated in the local currency, are affected by a rate of inflation that, over the past three years, exceeded the cumulative threshold of 100%, which triggered the adoption of the adjustments required by IAS 29 – Financial Reporting in Hyperinflationary Economies, starting in 2009. According to this principle, the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current on the date of the financial statements. All statement of financial position amounts that are not stated in terms of the measuring unit current on the date of the financial statements must be restated by applying a general price index. All income statement components must be stated in terms of the measuring unit current on the date of the financial statements, applying the change in the general price index that occurred since the date when revenues and expenses were originally recognized in the financial statements. The restatement of the financial statement amounts was carried out using Venezuela's consumer price index (INPC). The average cumulative index was 1.078 in September and the year-over-year change in the index was 1.212.

The Decree entitled *Convenio Cambiario No. 14* setting new exchange rates for the local currency (bolivar fuerte) versus the U.S. dollar was published in the *Official Gazette of the Republic of Venezuela* on January 8, 2010.

The previous exchange rate of 2.15 bolivars for 1 U.S. dollar (2.15 VEF/USD), which was in effect since 2005, was replaced with a mixed system of exchange rates, pursuant to which the Venezuelan monetary authorities (Comisión de Administración de Divisas – CADIVI) will allow an exchange rate of 2.60 VEF/USD for imports of a limited number of merchandise categories (e.g., food and medicine). The exchange rate for all other transactions will be 4.30 VEF/USD.

The Decree entitled *Convenio Cambiario No. 18* introducing a new system for transaction in securities denominated in foreign currencies (Sistema de Transacciones con Títulos en Moneda Extranjera – SITME) was published in the *Official Gazette of the Republic of Venezuela* on June 4, 2010. Pursuant to this Decree, the Venezuelan Central Bank has sole jurisdiction over regulating transactions, in local currency or through the SITME, involving securities of any issuer denominated in foreign currencies. Transactions in these securities, which are subject to limit on monthly amounts, provide residents with a source of foreign currency in addition the monetary authorities (CADIVI).

In preparing the consolidated financial statements for the Group at September 30, 2010, Parmalat used the exchange rate of 4.30 VEF for 1 USD to translate the income statement and statement of financial position data of its subsidiaries.

## **Business Outlook**

### **2010 Guidance**

In view of the volatility of external factors (foreign exchange rates, Venezuela, global situation), management confirms the guidance of EBITDA of 365 million euros.

## **Certification Pursuant to Article 154 *bis*, Section 2, of Legislative Decree No. 58/98, as Amended**

As required by Article 154 *bis*, Section 2, of the Uniform Financial Code (Legislative Decree No. 58/1998), the Corporate Accounting Documents Officer, Luigi De Angelis, hereby declares that the accounting disclosures provided in this Report are consistent with the data in the supporting documents and in the Company's books of accounts and other accounting records.

Signed: Luigi De Angelis  
Corporate Accounting Documents Officer



**Parmalat S.p.A.**

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Share capital: 1,732,636,856 euros fully paid-in

Parma R.E.A. No. 228069

Parma Company Register No. 04030970968

Tax I.D. and VAT No. 04030970968

