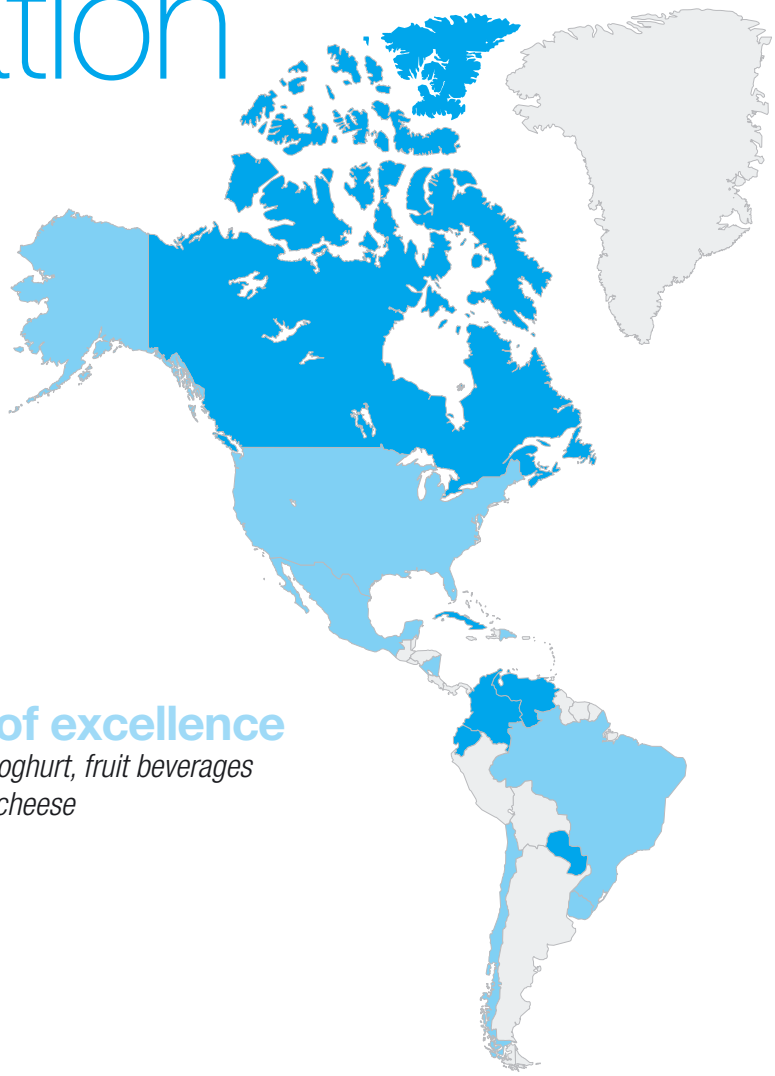
Annual Report
2011

Company listed on the Italian Stock Exchange since October 6th, 2005

The Parmalat Group is a global player in the production and distribution of foods that are essential for everyday wellness: milk, dairy products (yoghurt, cream based sauces, desserts and cheese) and fruit beverages, which generated revenues of about 4.5 billion euros in 2011. About 14,000 people work at Parmalat's facilities in Europe, the Americas, Africa and Australia. Parmalat S.p.A., the Group's Parent Company, has been listed on the Italian Stock Exchange since October 6, 2005.

Annual Report
2011

Countries of Operation

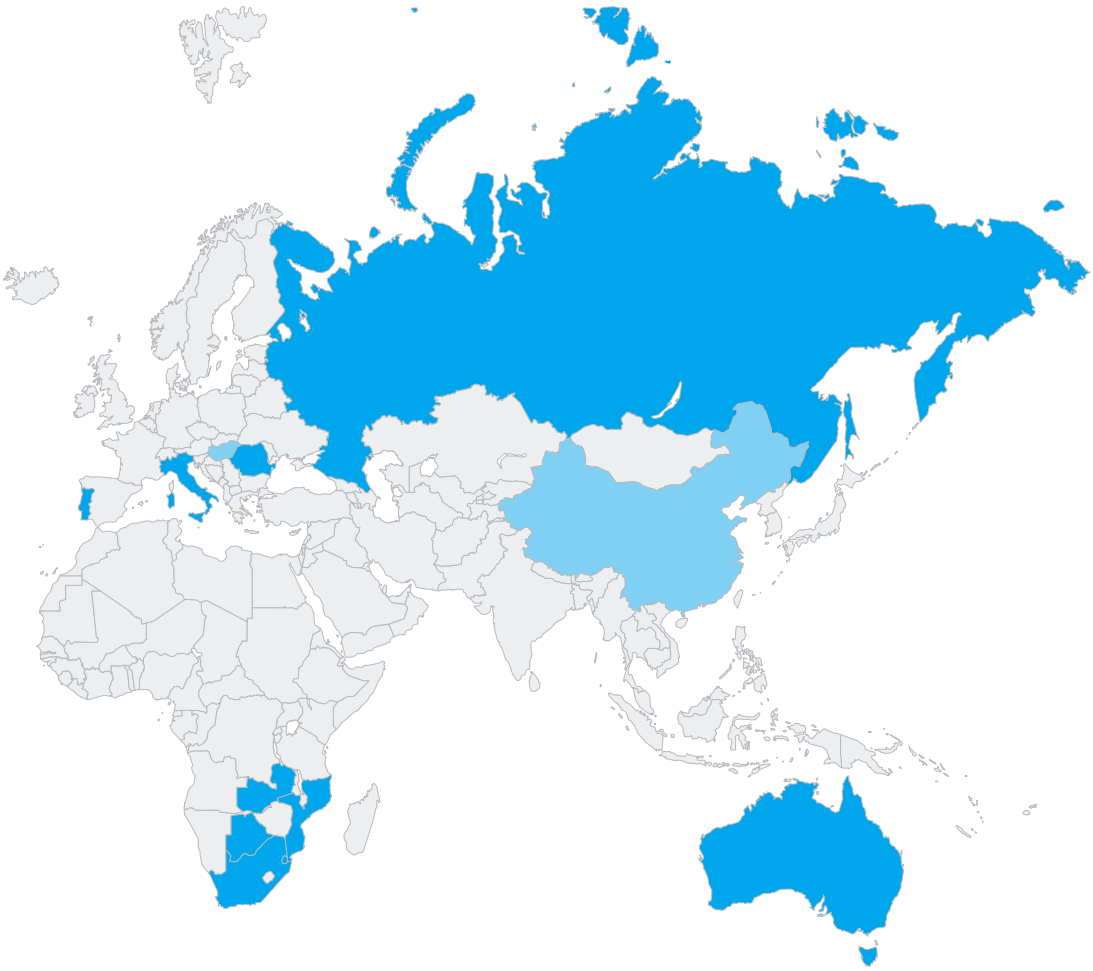


69
manufacturing facilities

2
research centers of excellence
Castellaro (Parma, Italy) for milk, yoghurt, fruit beverages and London (Ontario, Canada) for cheese

about
14,000
employees

about
4.5 bn € **net revenues**



DIRECT PRESENCE

Europe

Italy, Portugal, Romania and Russia

Rest of the World

Australia, Botswana, Canada, Colombia, Cuba, Ecuador, Mozambique, Paraguay, South Africa, Swaziland, Venezuela, Zambia

PRESENCE THROUGH LICENSEES

Brazil, Chile, China, Dominican Republic, Hungary, Mexico, Nicaragua, United States of America, Uruguay

Contents

PARMALAT S.P.A.

PARMALAT GROUP

Mission

NUTRITION AND WELLNESS ALL OVER THE WORLD.

The Parmalat Group is an Italian food-industry group with a multinational strategy that seeks to increase the well-being of consumers throughout the world. The ultimate purpose of the Group is to create value for its shareholders while adhering to ethical principles of business conduct, to perform a useful social function by fostering the professional development of its employees and associates, and to serve the communities in which it operates by contributing to their economic and social progress.

We intend to establish Parmalat as one of the top players in the global market for functional foods with high value added, which deliver improved nutrition and wellness to consumers, and attain clear leadership in selected product categories and countries with high growth potential for the Group.

Milk and dairy products and fruit beverages, foods that play an essential role in everyone's daily diet, are key categories for the Group.

Milk and dairy products and fruit beverages, foods that play an essential role in everyone's daily diet, are key categories for the Group.

A Letter to Shareholders

DEAR SHAREHOLDERS,

The year that just ended saw the arrival among Parmalat's shareholders, with a majority ownership stake, of the Lactalis Group, a world leader in the dairy sector. Consequently, the Company's governance bodies changed and a new management phase, with a strong industrial focus, began.

The year ended with EBITDA holding relatively steady, as virtually all of the shortfall reported at the end of the first six months of 2011 (over 25 million euros) was made up later in the year.

This achievement was made possible by programs implemented in the second half of the year to regain sales volumes and improve profitability, particularly in Australia and Italy.

These results are even more significant when viewed against the backdrop of a challenging global macroeconomic context. Geographic diversification provided once again a competitive advantage, helping mitigate risks and multiplying opportunities.

In Italy, Parmalat maintained its leadership positions in highly competitive markets and within a context in which a persisting financial crisis severely constrained the propensity to consume.

In Australia, the Group succeeded in increasing its share of the high value-added market segments of flavored milk and yogurt, thanks to innovation and targeted advertising investments. However, it lost some sales volume in the white milk segment, due mainly to strong expansion by private labels, a sector in which it starting to establish a growing presence.

In Canada, a key market for Parmalat, we maintained our position in the cheese market and grew in the yogurt market, in a highly competitive context. Similarly, the Group confirmed its position in the UHT milk and cheese markets in South Africa, where it also achieved encouraging growth in the yogurt market.

The Group focused its attention not only on achieving positive financial results, but also on identifying a series of initiatives aimed at providing it with a growth track that can be sustained over time and deliver significant improvements in industrial results.

The following main areas were identified for improvement:

- opportunities to secure more advantageous terms for purchases of goods and services, both through international benchmarking activities and large-scale purchases;
- possibilities to boost industrial efficiency, working on yields and better saturation of production facilities;
- activities to contain fixed costs and revise processes with the aim of streamlining operational organizations and speed-up decision-making processes;
- initiatives to penetrate new markets and open new channels that include a more effective management of the product portfolio at the international level.

At the end of this difficult and challenging year, the Group has proven to be strong, with a wealth of human resources and a diversified and complete product portfolio that will enable it to reach its full potential in the future.

The Board of Directors

Financial Highlights

Income Statement Highlights (€ m)

PARMALAT GROUP			PARMALAT S.P.A.	
2010	**2011**		**2011**	**2010**
4,301.0	4,491.2	NET REVENUES	820.7	820.5
377.3	374.1	EBITDA	62.8	69.7
334.2	199.4	EBIT	27.5	98.0
285.1	170.9	NET PROFIT	188.7	128.3
7.7	4.4	EBIT/REVENUES (%)	3.2	11.4
6.5	3.8	NET PROFIT/REVENUES (%)	22.0	14.9

Balance Sheet Highlights (€ m)

PARMALAT GROUP			PARMALAT S.P.A.	
12.31.2010	**12.31.2011**		**12.31.2011**	**12.31.2010**
1,435.2	1,518.4	NET FINANCIAL ASSETS	1,562.2	1,345.0
16.9	9.6	ROI (%)[1]	3.9	14.6
8.4	4.8	ROE (%)[1]	6.4	4.5
0.8	0.8	EQUITY/ASSETS	0.9	0.9
(0.4)	(0.4)	NET FINANCIAL POSITION/EQUITY	(0.5)	(0.5)
0.19	0.16	OPERATING CASH FLOW PER SHARE	0.04	0.01

(1) Indices computed based on average data for the year for the income statement and the statement of financial position.

Our Brands

Global Brands

International Brands

These Parmalat trademarks are available in several countries, with direct production and with license agreements.

Local Jewels

Australia

Canada

Italy

Colombia

Portugal

South Africa

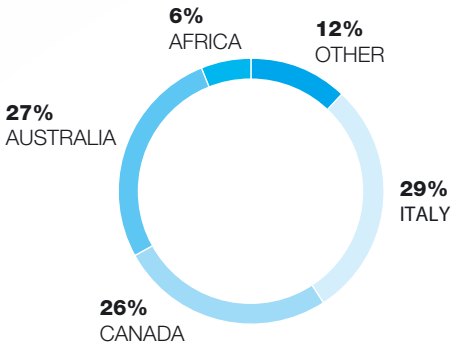
Venezuela

All Parmalat Group trademarks are registered in the relevant international classes of goods.

DIVISIONS BY GEOGRAPHIC REGION (%)

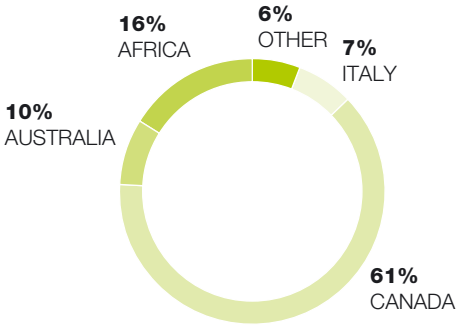
MILK

The Milk Division, which includes milk in all of its marketable forms (UHT, pasteurized, condensed, powdered, etc.), cream and béchamel, accounts for about 59% of the Group's total consolidated revenues. Milk sales are concentrated mainly in Italy (divided equally between UHT milk and pasteurized milk), Canada and Australia, two countries where pasteurized milk is the main product.



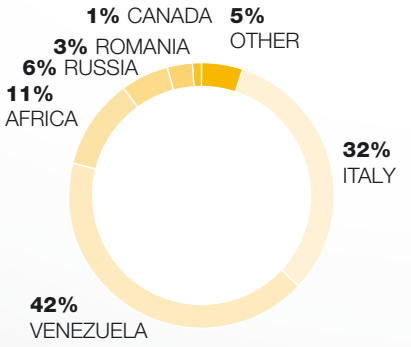
MILK DERIVATIVES

The Milk Derivatives Division, which includes yoghurt, desserts, butter and cheese, contributes about 32% of the Group's total consolidated revenues. The Division's largest makets are Canada where it sells mainly cheese, butter and yoghurt, and South Africa, where it distributes cheese and yoghurt, followed by Australia (yoghurt and desserts) and Italy (mainly yoghurt).



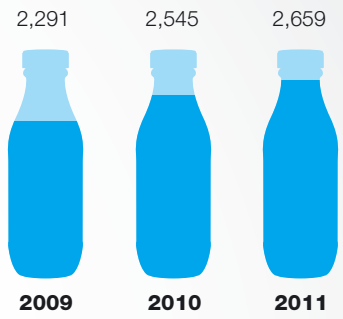
FRUIT BASED DRINKS

The Fruit Based Drinks Division, which includes fruit juices and tea, accounts for about 6% of the Group's total consolidated revenues. The Division generates most of its sales in Italy and Venezuela which together contribute more than 70% of total revenues. Other important markets include South Africa, Russia and Romania.

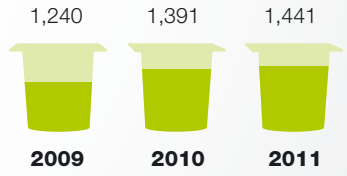


TREND BY DIVISION (€ M)

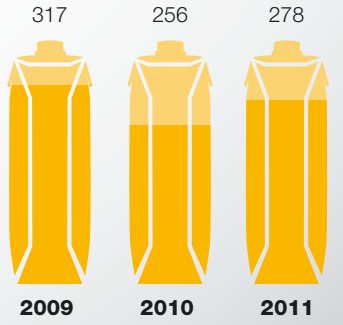
The Milk Division grew by an average of 8% (CAGR, Compound Annual Growth Rate) between 2009 and 2011, with the main Business Units performing as follows:
in Italy and Canada revenues were slightly up; in Australia revenues grew by an average of 14%.
The growth rate of subsidiaries from non-euro areas are calculated excluding the impact of currency translations.



The Milk Derivatives Division grew by an average of 8% (CAGR) between 2009 and 2011, with the main Business Units performing as follows: South Africa and Canada revenues were slightly up; in Australia revenues grew by an average of about 14%.
The growth rate of subsidiaries from non-euro areas are calculated excluding the impact of currency translations.



The Fruit Based Drinks Division revenues were down by an average of 6% (CAGR) between 2009 and 2011 mainly due to the strong devaluation of Venezuelan bolivar fuerte versus euro, with the main Business Units performing as follows:
in Venezuela, in local currency, the growth rate was 27% on average; in Italy, the Division revenues were down by an average of 4%.



Information about Parmalat's Securities

The securities of Parmalat S.p.A. have been traded on the Milan Online Stock Market since October 6, 2005. The key data for 2011 are summarized below:

	COMMON SHARES	WARRANTS
Securities outstanding at 12/30/11	1,755,401,822	45,071,135
Closing price on 12/30/11	1.330	0.338
Capitalization	2,334,684,423.26	15,234,043.63
High for the year (in euros)	2.64 May 12, 2011	1.56 March 18, 2011
Low for the year (in euros)	1.3250 December 29, 2011	0.33 December 28, 2011
Average price in December (in euros)	1.419	0.42
Highest daily trading volume	170,931,938 March 17, 2011	1,841,125 July 7, 2011
Lowest daily trading volume	515,833 December 27, 2011	21,244 April 13, 2011
Average trading volume in December	1,848,679.62[1]	86,208.14

(1) 0.105% of the share capital.

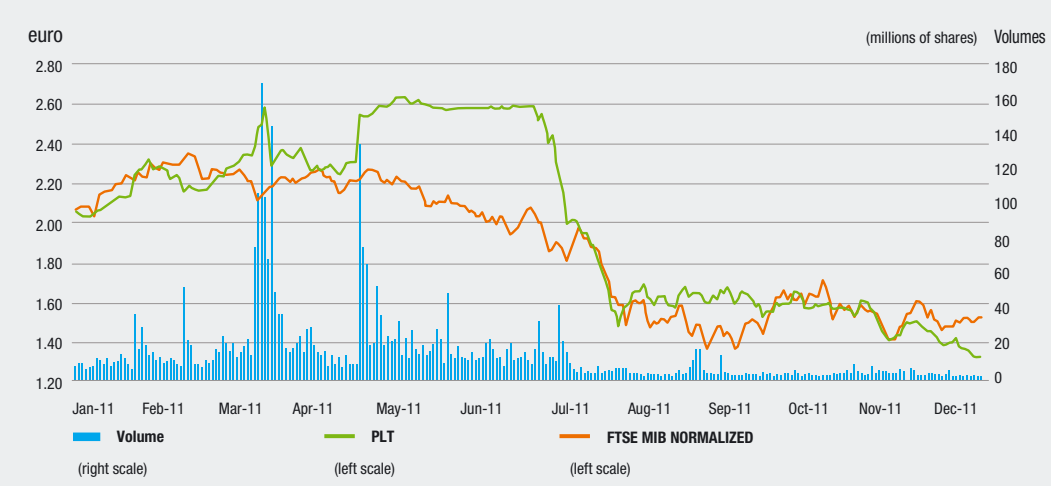
Performance of Parmalat's Shares

The chart that follows compares the performance of the Parmalat stock with that of the main Italian market index: the FTSE MIB.

The rise in the price of the Parmalat stock during the first four months of 2011 was largely due to persistent market rumors of an imminent tender offer by the Lactalis Group, which did indeed take place during the last two months of the first half of 2011.
An all inclusive, voluntary tender offer launched by Sofil S.a.s., directly and on behalf of BSA s.a., and Groupe Lactalis s.a., was in fact announced on April 26, 2011 and filed with the Consob on April 29, 2011. Subsequent to this date and until early July, the Parmalat stock traded at prices close to 2.60 euros (which is the price per share of the tender offer).

After that date, the performance of the Parmalat stock was aligned with the trend of the MIB index, which reflected the challenging conditions faced by stock markets in Europe as a result of the economic and financial crisis that affected some E.U. countries.

Parmalat 2011 Share Price Performance



Source: Bloomberg

Stock Ownership Profile

As required by Article 120 of the Uniform Financial Code, the table below lists the shareholders who held a significant interest in the Company at March 19, 2012.

SIGNIFICANT INTERESTS		
SHAREHOLDER	**NO. OF SHARES**	**PERCENTAGE**
Sofil S.a.s.	1,448,214,141	82.4%

For the sake of full disclosure, please note that, as a result of the share allocation process and the resulting crediting of shares to the creditors of the Parmalat Group, as of the writing of this Report, the Company's subscribed capital increased by 2,079,805 euros. Consequently, the share capital, which totaled 1,755,401,822 euros at December 31, 2011, amounted to 1,757,481,627 euros at March 19, 2012.

With regard to the information provided above, please note that:

- 4,397,359 shares, representing 0.3% of the share capital, are still in a deposit account c/o Parmalat S.p.A. and are owned by commercial creditors who have been identified by name;
- 2,049,096 shares, representing 0.1% of the share capital, belong to the Company as own shares. To this regard, it is important to remind that those shares are pertaining to creditors whose right to obtain shares and warrants has expired pursuant to art. 9.4 of the Composition with Creditors.

The maintenance of the Stock Register was outsourced to Servizio Titoli S.p.A.

Characteristics of the Securities

Shares

The shares are common, registered shares, regular ranking for dividends as of January 1 of the year in which the capital increase through which they were issued was carried out.

The Extraordinary Shareholders' Meeting of March 1, 2005 approved a capital increase of up to 2,009,967,908 euros, reserved as follows:
a) up to 1,502,374,237 euros for unsecured creditors with verified claims;
b) up to 38,700,853 euros for Fondazione Creditori Parmalat;
c) up to 238,892,818 euros for creditors with contested or conditional claims;
d) up to 150,000,000 euros for late-filing creditors;
e) up to 80,000,000 euros for the conversion of warrants.

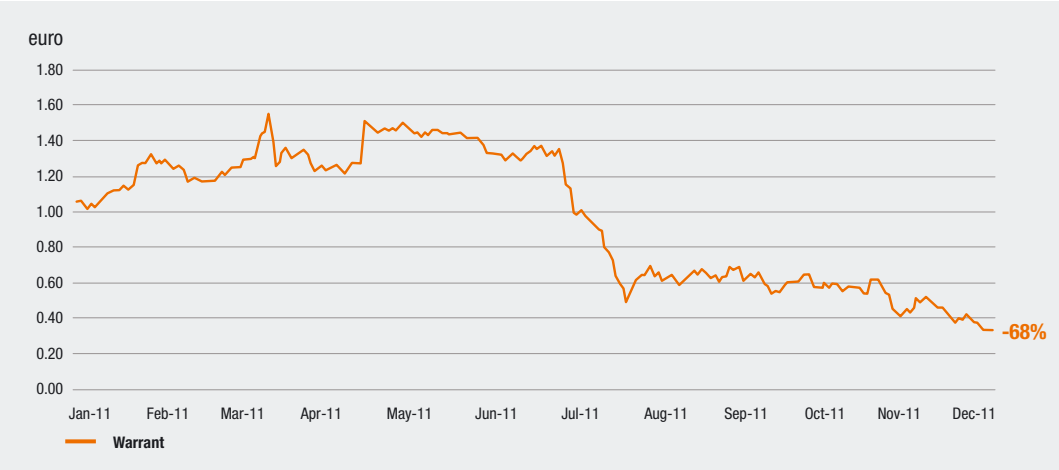
The Extraordinary Shareholders' Meeting of September 19, 2005 approved a resolution making "permeable" the tranches into which the capital increase approved at the Shareholders' Meeting of March 1, 2005 is divided.

On April 28, 2007, the Shareholders' Meeting, convened in Extraordinary Session and acting pursuant to Article 5 of the Company Bylaws, approved a resolution increasing from 80 million euros to 95 million euros the share capital reserved for the conversion of warrants.
Consequently, the Company's share capital totals 2,025 million euros, an amount that includes 95 million euros reserved for the exercise of warrants.

If one of the tranches into which the abovementioned capital increase is divided (except for the first tranche, for an amount up to 1,502 million euros, and the last tranche of 80,000,000 euros, now 95,000,000 euros, reserved for warrant conversion purposes) should contain more shares than are needed to actually convert into share capital the claims for which it has been reserved, the surplus can be used to draw the resources needed to convert the claims of a different category of creditors, whose conversion needs are greater than those that can be accommodated with the capital increase tranche reserved for them pursuant to the resolution approved by the Extraordinary Shareholders' Meeting of March 1, 2005.

Acting in accordance with the abovementioned resolutions of the Shareholders' Meeting, the Board of Directors carried out the requisite capital increases, as needed.

Warrants



Fonte: Teleborsa Spa 2010

The warrants, which have a par value of 1 euro each, are issued in dematerialized form and have been negotiable on the Online Stock Market since the date of listing (October 28, 2005).
Each warrant conveys the right to subscribe shares at par for cash on a continuous basis, effective on the tenth day of the month following the month when the application to exercise is filed in a given calendar year, from 2005 to 2015.
The terms and conditions for the exercise of the warrants are set forth in the respective regulations, which were approved by the Company's Board of Directors on March 1, 2005 and are available at the Parmalat website (www.parmalat.com).
The additional shares issued through the exercise of the warrants will be issued with regular ranking, i.e., with a valid coupon as of the effective exercise date of the warrants.

Global Depositary Receipts

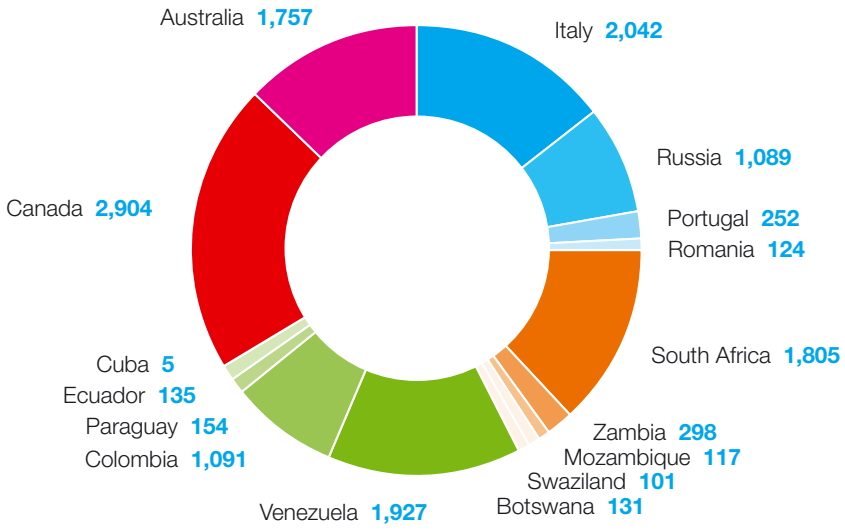
Pursuant to the Composition with Creditors and with express exemption from any related liability, the Fondazione Creditori Parmalat and the Issuer have been authorized, each within the scope of its jurisdiction, to award to unsecured creditors who can be classified as "Qualified Institutional Buyers" or "Accredited Investors" (in accordance with the meaning that these terms have pursuant to the "General Rules and Regulations Under the U.S. Securities Act of 1933") the Issuer's shares and warrants that they are entitled to receive in the form of Global Depositary Receipts, and to take all steps necessary to establish the required Global Depositary Receipts Programs.

The credit institution that issues these financial instruments is the Bank of New York, which should be contacted for all related documents and transactions.

Human Resources

The Company views the empowerment of its human resources as a key driver of its future growth.
Performance assessment, identification and management of key resources and succession plans represent the implementation of the Group's Mission and Values in the Human Resources area. Coupled with carefully planned training and compensation programs, they are the main tools to attract, motivate and retain valuable resources.

These tools provide a common reference framework that also respects the cultural diversities of the companies within the Group and benefits from these diversities.
The chart shows a breakdown by country of the Group's staff at December 31, 2011.



Governance Bodies

Board of Directors

Chairman	Francesco Tatò [i]
Chief Executive Officer	Yvon Guérin
Directors	Antonio Sala [3]
	Marco Reboa [i] [1]
	Francesco Gatti
	Daniel Jaouen
	Marco Jesi [i] [2]
	Riccardo Zingales [i] [1] [3]
	Ferdinando Grimaldi Quartieri [i] [2]
	Gaetano Mele [i] [2] [3]
	Nigel William Cooper [i] [1]

(i) Independent Director
(1) Member of the Internal Control and Corporate Governance Committee
(2) Member of the Nominating and Compensation Committee as of the date of this Annual Report approval
(3) Member of the Litigation Committee

Board of Statutory Auditors

Chairman	Mario Stella Richter
Statutory Auditors	Alfredo Malguzzi
	Roberto Cravero

Independent Auditors

PricewaterhouseCoopers S.p.A.

Report on operations

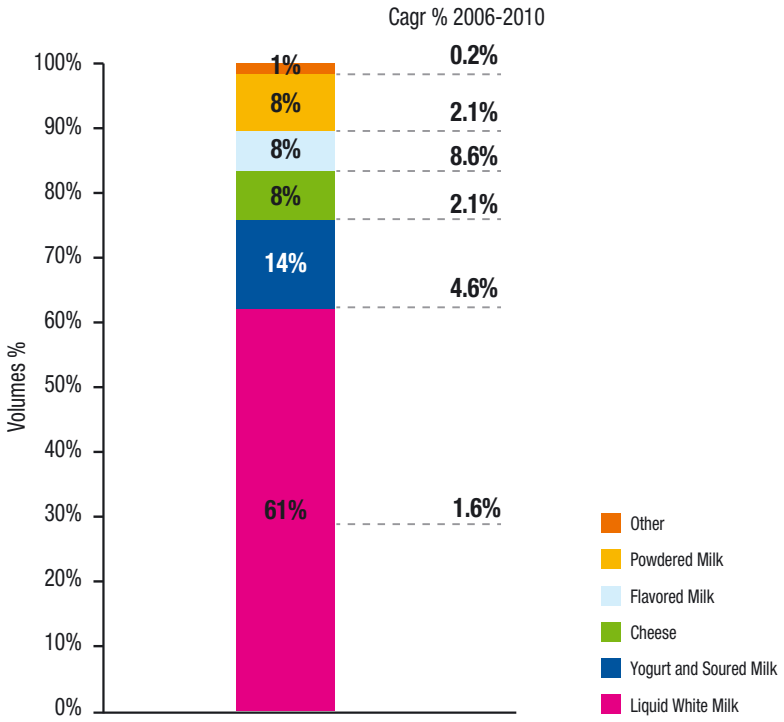

Milk+
1-3 years
Omega 3
Vitamins A, D, C & E
Ready to serve
Yummy vanilla taste
FIRST GROWTH MILK
parmalat
FIRST GROWTH MILK
parmalat
Growth Milk – for life's little firsts
irst Growth Milk is the first ready-to-drink fortified milk for young
children. It provides essential omega 3, iron and additional
stimulate your child's all-round development
parmalat

The Global Dairy Market

The global dairy market was valued at about 303 billion euros in 2011, corresponding to 213 million tons of dairy products.

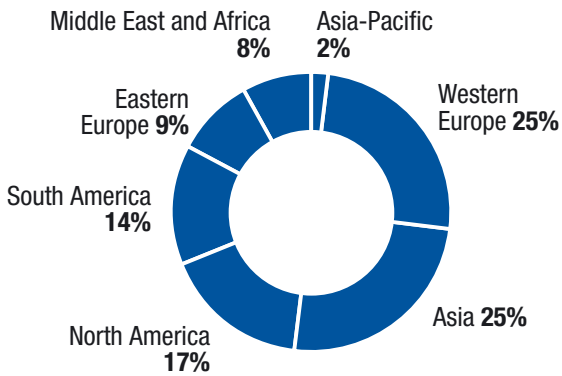
On a value basis, milk (white+flavored) is the biggest category (39%), followed by cheese (30%) and yogurt and similar products (19%). On a volume basis, milk is still the top category (70%), followed by yogurt (14.5%) and cheese (7.5%).

Within the dairy market, liquid and powdered milk had the lowest growth rate. Flavored milk and yogurt were the most dynamic categories, with substantial growth rates over the five-year period being analyzed.



Source: Euromonitor
Total Volume %

As shown in the chart below, the most important geographic macroareas for dairy products are Western Europe and Asia, which together account for about 50% of the total dairy market.



MACROAREA	CAGR % 2006-2011
Middle East and Africa	6.5%
Asia	6.0%
Asia-Pacific	1.9%
Eastern Europe	1.7%
South America	1.6%
Western Europe	0.5%
North America	0.4%

Source: Euromonitor
Market Size - Historic - Total Volume %

More specifically, while Western Europe and North America are more mature markets with limited growth (2006-2011 CAGR of 0.4% and 0.5%, respectively), the Middle East and Africa grew at the fastest rate (2006-2011 CAGR of 6.5%), showing that they are dynamic markets in the diary segment, as is Asia (2006-2011 CAGR of 6%).

Overall, the position of private labels in the dairy market is substantially stable, accounting for about 15% of total turnover. However, they have a stronger position in the markets for staple goods, such as liquid milk (pasteurized and UHT, with a 21.7% share) and cheese (16.5% share).

In the liquid milk category, in the countries representing the Group's target markets, the value share of private labels is 13.1% in Canada, 47% in Australia and 16.3% for fresh milk and 15.4% for UHT milk in Italy.

The emergence of the private labels is typical of the more developed markets, where they have become established and are eroding the market share of brand products.

PRIVATE LABELS	2010 VALUE MARKET SHARE	PRIVATE LABELS LIQUID WHITE MILK (PASTEURIZED – UHT)	2010 VALUE MARKET SHARE
World	14.9%	World	21.7%
Asia	1.0%	Asia	1.3%
Asia-Pacific	**19.7%**	**Asia-Pacific**	**34.9%**
Eastern Europe	4.2%	Eastern Europe	7.1%
South America	1.4%	South America	2.6%
Middle East and Africa	2.6%	Middle East and Africa	6.4%
North America	**32.2%**	**North America**	**53.8%**
Western Europe	**27.1%**	**Western Europe**	**42.3%**

Source: Euromonitor
Company Shares (by Global Brand Owner)-Historic-Retail Value RSP - % breakdown

Review of Operating and Financial Performance

Parmalat Group

Net revenues increased to 4,491.2 million euros, for a gain of 190.2 million euros (+4.4%) compared with the 4,301.0 million euros reported in 2010. Higher sales prices in Canada, Italy and Venezuela and an increase in sales volumes in Australia account for most of this improvement.

EBITDA totaled 374.1 million euros, or 3.2 million euros less (-0.8%) than the 377.3 million euros earned in 2010. This decrease is mainly due to the effect of higher raw milk prices in the Group's main countries, the impact of which was partly offset with sales price increases, and to highly competitive conditions in some markets, such as Australia, where private labels enjoy a strong position. The damages suffered by the Australian subsidiary at the beginning of the year due to floods in the Queensland region, which had a negative effect of about 2 million euros, were also a factor.

EBIT amounted to 199.4 million euros, for a decrease of 134.8 million euros compared with the 334.2 million euros reported in 2010. This decrease is mainly due to the negative effect of an unfavorable arbitration award in the proceedings activated by the Ontario Teachers' Pension Plan Board ("OTPPB") against Parmalat Canada Inc. Depreciation, amortization and writedowns of non-current assets totaled 143.5 million euros (148.4 million euros in 2010). Writedowns include 36.4 million euros recognized as a result of impairment tests (24.5 million euros in 2010).

Group interest in net profit decreased to 170.4 million euros, or 111.6 million euros less than the 282.0 earned in 2010; the negative effect of an unfavourable arbitration award in the proceedings activated by the Ontario Teachers' Pension Plan Board ("OTPPB") against Parmalat Canada Inc. (53.9 million euros) and lower proceeds from litigation settlements reached in 2011 account for most this decrease.

Operating working capital grew to 364.3 million euros, or 35.7 million euros more than at December 31, 2010, when it amounted to 328.6 million euros. The gain in net revenues is the main reason for this increase.

Net invested capital amounted to 2,193.2 million euros, for a gain of 40.3 million euros compared with the amount reported at December 31, 2010 (2,096.6 million euros). This increase reflects primarily the effect of the gain in operating working capital.

Net financial assets grew to 1,518.4 million euros, or 83.2 million euros more than the 1,435.2 million euros reported at December 31, 2010. This increase is the net result of the following factors:

the cash flow from operating activities (137.2 million euros), the cash flow used for nonrecurring activities (16.6 million euros) and for litigation-related legal expenses (14.1 million euros), the cash flow from financial activities (44.7 million euros, including 22.4 million euros generated by the exercise of warrants), dividend payments (64.3 million euros), and the impact of the translation of the net indebtedness of companies that operate outside the euro zone (3.7 million euros). Net financial assets include the credit towards B.S.A. Finances S.n.c., related to Parmalat S.p.A. joining the *cash pooling* system of the Lactalis Group.

Group interest in shareholders' equity increased to 3,630.2 million euros. The gain of 124.9 million euros compared with the amount at December 31, 2010 (3,505.3 million euros) is the combined result of the net profit for the period (170.4 million euros) and the exercise of warrants (22.5 million euros), offset in part by the distribution of the 2010 dividend declared by the Ordinary Shareholders' Meeting on June 28, 2011 (62.6 million euros) and the translation of the financial statements of companies that operate outside the euro zone (13.0 million euros).

Parmalat Group

Reclassified Consolidated Income Statement

(€ m)

	2011	2010
REVENUES	**4,538.0**	**4,360.6**
Net revenues	4,491.2	4,301.0
Other revenues	46.8	59.6
OPERATING EXPENSES	**(4,159.1)**	**(3,967.2)**
Purchases, services and miscellaneous costs	(3,567.7)	(3,430.8)
Labor costs	(591.4)	(536.4)
Subtotal	**378.9**	**393.4**
Writedowns of receivables and other provisions	(4.8)	(16.1)
EBITDA	**374.1**	**377.3**
Depreciation, amortization and writedowns of non-current assets	(143.5)	(148.4)
Other income and expenses:		
- Litigation-related legal expenses	(8.1)	(9.2)
- Miscellaneous income and expenses	(23.1)	114.5
EBIT	**199.4**	**334.2**
Net financial income (expense)	43.5	7.2
Interest in the results of companies valued by the equity method	0.1	(0.8)
Other income from (charges for) equity investments	8.1	0.6
PROFIT BEFORE TAXES	**251.1**	**341.2**
Income taxes	(80.2)	(56.1)
NET PROFIT FROM CONTINUING OPERATIONS	**170.9**	**285.1**
NET PROFIT FOR THE YEAR	**170.9**	**285.1**
Minority interest in net (profit)/loss	(0.5)	(3.1)
Group interest in net profit	170.4	282.0
Continuing operations:		
Basic earnings per share	**0.0978**	**0.1632**
Diluted earnings per share	**0.0961**	**0.1599**

Reclassified Consolidated Balance Sheet

(€ m)

	12.31.2011	12.31.2010
NON-CURRENT ASSETS	**2,125.8**	**2,073.6**
Intangibles	1,084.0	1,116.4
Property, plant and equipment	899.0	864.3
Non-current financial assets	67.2	10.9
Deferred-tax assets	75.6	82.0
AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES	**3.0**	**0.5**
NET WORKING CAPITAL	**421.1**	**393.2**
Inventories	378.6	390.5
Trade receivables	525.8	484.0
Trade payables (-)	(540.1)	(545.9)
OPERATING WORKING CAPITAL	**364.3**	**328.6**
Other current assets	209.1	222.3
Other current liabilities (-)	(152.3)	(157.7)
INVESTED CAPITAL NET OF OPERATING LIABILITIES	**2,549.9**	**2,467.3**
PROVISIONS FOR EMPLOYEE BENEFITS (-)	**(89.0)**	**(97.2)**
PROVISIONS FOR RISKS AND CHARGES (-)	**(317.5)**	**(268.7)**
PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS (-)	**(6.5)**	**(4.8)**
NET INVESTED CAPITAL	**2,136.9**	**2,096.6**
Covered by:		
SHAREHOLDERS' EQUITY[1]	**3,655.3**	**3,531.8**
Share capital	1,755.4	1,732.9
Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	153.7	153.7
Other reserves and retained earnings	1,550.7	1,336.7
Profit for the year	170.4	282.0
Minority interest in shareholders' equity	25.1	26.5
NET FINANCIAL ASSETS	**(1,518.4)**	**(1,435.2)**
Loans payable to banks and other lenders	34.9	33.6
Loans payable to investee companies	4.5	4.5
Other financial assets (-)	(1,254.5)	(1,155.3)
Cash and cash equivalents (-)	(303.3)	(318.0)
TOTAL COVERAGE SOURCES	**2,136.9**	**2,096.6**

(1) A schedule reconciling the result and shareholders' equity at December 31, 2011 of Parmalat S.p.A. to the consolidated result and shareholders' equity is provided in the Notes to the Consolidated Financial Statements.

Parmalat Group

Statement of changes in net financial position in 2011

(€ m)

	2011	2010
Net financial assets at beginning of the year	**(1,435.2)**	**(1,384.6)**
Changes during the year:		
- Cash flow from operating activities	(284.6)	(324.4)
- Cash flow from investing activities	133.7	150.1
- Accrued interest payable	5.0	30.3
- Cash flow from settlements	14.1	(34.7)
- Dividend payments	64.3	113.3
- Exercise of warrants	(22.4)	(5.2)
- Miscellaneous items	3.0	(6.4)
- Translation effect	3.7	26.4
Total changes during the period	(83.2)	(50.6)
Net financial assets at end of the year	**(1,518.4)**	**(1,435.2)**

Breakdown of net financial position

(€ m)

	12.31.2011	12.31.2010
Loans payable to banks and other lenders	34.9	33.6
Loans payable to investee companies[1]	4.5	4.5
Other financial assets (-)	(1,254.5)	(1,155.3)
Cash and cash equivalents (-)	(303.3)	(318.0)
Net financial assets	**(1,518.4)**	**(1,435.2)**

(1) Including 2.3 million euros owed to PPL Participações Ltda and 2.2 million euros owed to Wishaw Trading sa.

Reconciliation of change in net financial assets to Statement of Cash Flows (Cash and cash equivalent)

(€ m)

	CASH AND CASH EQUIVALENTS	OTHER FINANCIAL ASSETS	GROSS INDEBTEDNESS	NET (FINANCIAL ASSETS) BORROWINGS
Beginning balance	**(318.0)**	**(1,155.3)**	**38.1**	**(1,435.2)**
Cash flow from operating activities	(284.6)	-	-	(284.6)
Cash flow from investing activities	133.7	-	-	133.7
New borrowings[1]	(18.8)	-	18.8	-
Loan repayments[1]	25.7	-	(25.7)	-
Accrued interest payable	-	-	5.0	5.0
Investments in current financial assets and sundry assets	98.0	(98.0)	-	-
Cash flow from settlements	14.1	-	-	14.1
Dividend payments	64.3	-	-	64.3
Exercise of warrants	(22.4)	-	-	(22.4)
Miscellaneous items	-	-	3.0	3.0
Translation effect	4.7	(1.2)	0.2	3.7
Ending balance	**(303.3)**	**(1,254.5)**	**39.4**	**(1,518.4)**

(1) See Note 20 to the consolidated financial statements.

Parmalat S.p.A.

Net revenues amounted to 820.7 million euros, in line with the 820.5 million euros reported in 2010. The contribution provided by production activities carried out on behalf of the Centrale del Latte di Roma subsidiary was down sharply, but contract production for outside customers increased.

EBITDA amounted to 62.8 million euros, for a decrease of 6.9 million euros (-9.9%) compared with the 69.7 million euros earned in 2010. This negative change reflects mainly the impact of higher raw milk costs, which could be offset only in part with list price increases and a reduction in advertising and trade marketing investments.

EBIT totaled 27.5 million euros, for a decrease of 70.5 million euros compared with the amount reported at December 31, 2010 (98.0 million euros). Lower other income and expenses (-41.6 million euros) and an increased addition to the provision for investee companies (a cost of 27.3 million euros as against a recovery of 1.3 million euros in 2010) are the main reasons for this decrease.

The net profit for the year amounted to 188.7 million euros (128.3 million euros in 2010). An increase in dividends from investee companies and higher net financial income account for most of the gain.

Net invested capital totaled 1,461.8 million euros, compared with 1,515.0 million euros at December 31, 2010 (-53.2 million euros). The reclassification to current loans of the portion of intercompany loans due in 2012 is the main reason for this change.

Net financial assets grew from 1,345.0 million euros at December 31, 2010 to 1,562.2 million euros at December 31, 2011. The cash flow from regular activities, dividends received (net of dividend paid) and proceeds from the exercise of warrants account for the increase of 217.2 million euros. Net financial assets include the credit towards B.S.A. Finances S.n.c., related to Parmalat S.p.A. joining the *cash pooling* system of the Lactalis Group.

The Company's **shareholders' equity** totaled 3,024.0 million euros, up from 2,860.0 million euros at December 31, 2010. The increase of 164.0 million euros is essentially the net result of the profit for the period, less the distribution of the 2010 dividend, plus the proceeds from the exercise of warrants.






Parmalat S.p.A.

Reclassified Income Statement

(€ m)

	2011	2010
REVENUES	**856.5**	**859.3**
Net revenues	820.7	820.5
Other revenues	35.8	38.8
OPERATING EXPENSES	**(790.7)**	**(780.9)**
Purchases, services and miscellaneous costs	(684.9)	(673.5)
Labor costs	(105.8)	(107.4)
Subtotal	**65.8**	**78.4**
Writedowns of receivables and other provisions	(3.0)	(8.7)
EBITDA	**62.8**	**69.7**
Depreciation, amortization and writedowns of non-current assets	(38.6)	(44.0)
Other income and expenses:		
- Litigation-related legal expenses	(8.0)	(9.2)
- (Additions to)/Reversals of provision for losses of investee companies	(27.3)	1.3
- Miscellaneous income and expenses	38.6	80.2
EBIT	**27.5**	**98.0**
Financial income/(expense), net	26.2	13.3
Other income from (charges for) equity investments	166.0	42.4
PROFIT BEFORE TAXES	**219.7**	**153.7**
Income taxes	(31.0)	(25.4)
NET PROFIT FROM CONTINUING OPERATIONS	**188.7**	**128.3**
NET PROFIT FOR THE YEAR	**188.7**	**128.3**

Reclassified Balance Sheet

(€ m)

	12.31.2011	12.31.2010
NON-CURRENT ASSETS	**1,403.1**	**1,466.7**
Intangibles	368.7	378.5
Property, plant and equipment	147.5	155.9
Non-current financial assets	849.4	892.8
Deferred-tax assets	37.5	39.5
AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES	**0.0**	**0.0**
NET WORKING CAPITAL	**154.5**	**144.5**
Inventories	46.3	42.6
Trade receivables	188.5	188.9
Trade payables (-)	(164.4)	(184.5)
OPERATING WORKING CAPITAL	**70.4**	**47.0**
Other current assets	129.2	143.2
Other current liabilities (-)	(45.1)	(45.7)
INVESTED CAPITAL NET OF OPERATING LIABILITIES	**1,557.6**	**1,611.2**
PROVISIONS FOR EMPLOYEE BENEFITS (-)	**(24.2)**	**(25.3)**
PROVISIONS FOR RISKS AND CHARGES (-)	**(65.5)**	**(66.5)**
PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS (-)	**(6.1)**	**(4.4)**
NET INVESTED CAPITAL	**1,461.8**	**1,515.0**
Covered by:		
SHAREHOLDERS' EQUITY	**3,024.0**	**2,860.0**
Share capital	1,755.4	1,732.9
Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	153.7	153.7
Other reserves and retained earnings	926.2	845.1
Profit for the year	188.7	128.3
NET FINANCIAL ASSETS	**(1,562.2)**	**(1,345.0)**
Loans payable to banks and other lenders	2.0	4.4
Loans payable to (receivable from) investee companies	(271.8)	(80.5)
Other financial assets (-)	(1,208.3)	(1,134.4)
Cash and cash equivalents (-)	(84.1)	(134.5)
TOTAL COVERAGE SOURCES	**1,461.8**	**1,515.0**

Parmalat S.p.A.

Statement of changes in net financial Position in 2011

(€ m)

	2011	2010
Net financial assets at beginning of the year	**(1,345.0)**	**(1,486.8)**
Changes during the year:		
- Cash flow from operating activities	(63.7)	(60.8)
- Cash flow from investing activities	(52.3)	108.5
- Interest expense	0.5	1.9
- Cash flow from settlements, net of lawsuit costs[1]	16.7	25.6
- Cash flow from divestments and sundry items	0.0	(0.9)
- Dividend payments	62.9	111.8
- Dividend income	(160.2)	(39.0)
- Exercise of warrants	(22.4)	(5.2)
- Miscellaneous items	1.3	(0.1)
Total changes during the period	(217.2)	141.8
Net financial assets at end of the year	**(1,562.2)**	**(1,345.0)**

(1) This amount is net of legal costs and taxes directly attributable to collections of settlement proceeds.

Breakdown of net financial position

(€ m)

	12.31.2011	12.31.2010
Net financial assets		
Loans payable to banks and other lenders	2.0	4.4
Loans payable to (receivable from) investee companies, net	(271.8)	(80.5)
Other financial assets (-)	(1,208.3)	(1,134.4)
Cash and cash equivalents (-)	(84.1)	(134.5)
Total	**(1,562.2)**	**(1,345.0)**

Reconciliation of change in net financial assets to the statement of cash flows (Cash and cash equivalent)

(€ m)

	CASH AND CASH EQUIVALENTS	OTHER FINANCIAL ASSETS	BORROWINGS OWED TO BANKS AND OTHER LENDERS	(NET FINANCIAL ASSETS)
Beginning balance	**(134.5)**	**(1,214.9)**	**4.4**	**(1,345.0)**
Cash flow from operating activities	(63.7)			(63.7)
Cash flow from investing activities	(52.3)			(52.3)
Loan repayments	2.4		(2.4)	0.0
Interest expense	0.5			0.5
Investments in current financial assets and sundry assets	265.2	(265.2)		0.0
Cash flow from settlements	16.7			16.7
Dividend payments	62.9			62.9
Dividend income	(160.2)			(160.2)
Exercise of warrants	(22.4)			(22.4)
Miscellaneous items	1.3			1.3
Ending balance	**(84.1)**	**(1,480.1)**	**2.0**	**(1,562.2)**

Revenues and Profitability

The growth of the global economy, which continues to be heavily dependent on the emerging countries, began to slow in the summer of 2011, as risk factors in the financial area intensified, particularly in the euro zone. The climate of uncertainty, caused mainly by the sovereign-debt risk of some countries and the financial health of the banks exposed to it, caused a widespread decline in business and consumer confidence.

In this environment, the price of oil and that of several agricultural commodities spiked during the first half of the year and remained highly volatile subsequently. In different ways in the various countries where the Group operates, these conditions, on the one hand, put pressure on variable costs and, on the other hand, triggered inflationary expectations, with a dampening effect on the purchasing power of households and, consequently, on their propensity to consume.

Despite these negative factors, the Group, which operates in a basically non-cyclical market, reported better results than the previous year in terms of revenues, holding its profitability level relatively steady.

Parmalat Group

(€ m)

	2011	2010	VARIANCE	VARIAN.%
Revenues	**4,491.2**	**4,301.0**	**190.2**	*+4.4%*
EBITDA	**374.1**	**377.3**	**(3.2)**	*+0.8%*
EBITDA %	*8.3*	*8.8*	*-0.4 ppt*	

The increase in net revenues achieved in 2011 (+4.4% compared with the previous year) is chiefly the result of the following factors:

- an increase in sales volumes in Australia;
- higher sales prices, mainly in Canada, Italy and Venezuela.

EBITDA totaled 374.1 million euros, or 3.2 million euros less (-0.8%) than the 377.3 million euros earned in 2010. With data stated at constant exchange rates and excluding the effect of hyperinflation in Venezuela, EBITDA shows a modest gain of 0.1%.

The Group's profitability improved significantly in the second half of the year, due mainly to positive performance in Australia and Italy.
The Australian subsidiary responded successfully to extremely aggressive competition from private labels and the effects of floods in the Queensland region, which caused a negative impact of about 2 million euros.

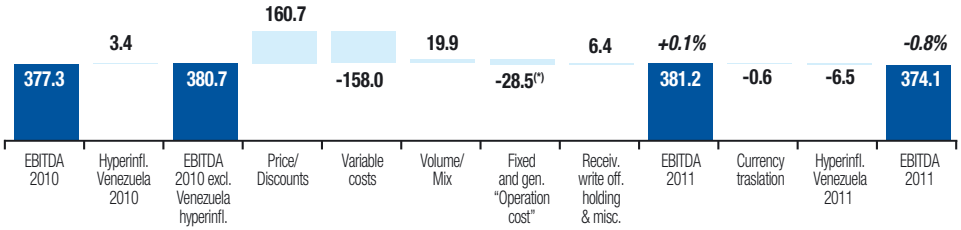
NOTE: The data are stated in millions of euros/local currency. As a result, the figures could reflect apparent differences caused exclusively by the rounding of figures.

In Italy, the increase in profitability achieved in the second half of the year reflects primarily list-price increases implemented to recover the higher costs incurred to purchase raw milk.

LIKE FOR LIKE NET REVENUES AND EBITDA

Net Revenues December 2011 vs 2010 (€ m)

EBITDA December 2011 vs 2010 (€ m)



(*) The variance of the Venezuelan SBU, mainly due to inflation phenomena, amounts to -18.0 million euros.

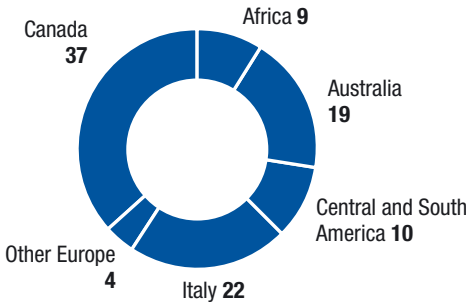
Data by Geographic Region

(€ m)

	2011			2010		
REGION	**REVENUES**	**EBITDA**	***EBITDA %***	**REVENUES**	**EBITDA**	***EBITDA %***
Italy	978.6	96.2	*9.8*	963.3	95.4	*9.9*
Other Europe	155.5	9.1	*5.8*	152.0	11.4	*7.5*
Russia	*93.3*	*7.5*	*8.0*	*85.3*	*4.9*	*5.7*
Portugal	*53.2*	*1.3*	*2.4*	*57.6*	*5.6*	*9.7*
Romania	*8.9*	*0.3*	*3.2*	*9.0*	*0.9*	*10.4*
Canada	1,628.3	155.3	*9.5*	1,609.3	159.3	*9.9*
Africa	412.5	41.3	*10.0*	415.9	40.9	*9.8*
South Africa	*349.0*	*34.2*	*9.8*	*356.4*	*36.6*	*10.3*
Other Africa	*63.5*	*7.1*	*11.2*	*59.6*	*4.3*	*7.2*
Australia	860.6	63.9	*7.4*	742.1	68.9	*9.3*
Central and South America	457.4	29.6	*6.5*	419.3	19.9	*4.8*
Venezuela	*303.9*	*22.5*	*7.4*	*271.1*	*10.4*	*3.8*
Colombia	*127.6*	*6.9*	*5.4*	*123.9*	*9.1*	*7.4*
Other Central and South America	*26.0*	*0.2*	*0.7*	*24.3*	*0.4*	*1.5*
Other[1]	(1.6)	(21.2)	*n.s.*	(1.0)	(18.6)	*n.s.*
Group	**4,491.2**	**374.1**	***8.3***	**4,301.0**	**377.3**	***8.8***

Regions represent the consolidated countries.
(1) Including Group's parent Company's costs, other no core companies and eliminations between regions.

Net Revenues by Geographic Region (%)



Data by Product Division

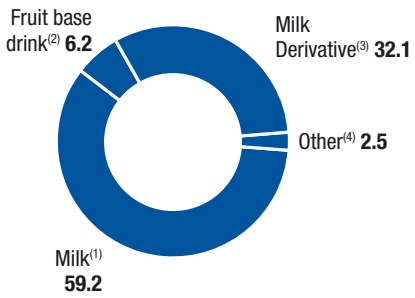
(€ m)

	2011			2010		
DIVISION	**REVENUES**	**EBITDA**	***EBITDA %***	**REVENUES**	**EBITDA**	***EBITDA %***
Milk[1]	2,659.0	163.4	*6.1*	2,544.8	185.2	*7.3*
Fruit base drink[2]	277.9	42.3	*15.2*	256.0	39.0	*15.2*
Milk derivative[3]	1,441.3	172.2	*11.9*	1,390.9	161.5	*11.6*
Other[4]	113.0	(3.8)	*(3.4)*	109.3	(8.3)	*(7.6)*
Group	**4,491.2**	**374.1**	***8.3***	**4,301.0**	**377.3**	***8.8***

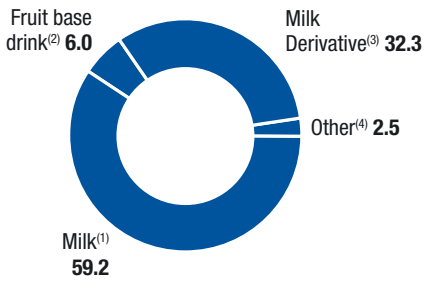
(1) Include milk, cream and béchamel.
(2) Include fruit base drink and tea.
(3) Include yoghurt, dessert, cheese.
(4) Include other products, hyperinflation in Venezuela and Group's Parent company costs.

Net Revenues by Product Division (%)

2011



2010



(1) Include milk, cream and béchamel.
(2) Include fruit base drink and tea.
(3) Include yoghurt, dessert, cheese.
(4) Include other products, hyperinflation in Venezuela.

Italy

The economic recovery was modest, with a slight uptick in inflation, due to pressure on the prices of food and energy products during the first half of the year. Fiscal policies implemented to contain government debt and a general climate of uncertainty regarding future developments of the financial crisis affecting the euro zone represent additional factors that constrained the propensity to consume of households.

MARKET AND PRODUCTS

In 2011, consumption was down slightly (-1.4%) in the UHT Milk category, but the value of this market segment grew by 2.3%, due to the effect of sales price increases implemented in response to a steady rise in the cost of raw milk.
Parmalat was able to hold its leadership position relatively steady, with a market share of 33.8% on a value basis and 29.5% on a volume basis, primarily by supporting sales of Zymil milk, in the high digestibility milk segment, and relaunching its line of functional milks. The market share held by private labels was 15.4% on a value basis and 19.5% on a volume basis.

Based on internal estimates, consumption contracted by 1.6% overall in the Pasteurized Milk market, due to lower volumes in the Traditional Channel and a small decrease of 1% in the Modern

EMPLOYEES	MANUFACTURING FACILITIES
2,042	12

Channel. Sales prices were up also in the Pasteurized Milk market, generating an increase of 3.1% on a value basis in the Modern Channel.
In this environment, Parmalat was able to retain its absolute leadership position both at the national level and in Modern Channel, where it achieved a value market share of 24.6% mainly by focusing on key local brands. The market share of private labels was 16.3% on a value basis.
In the UHT cream market, consumption was down 2.1% in 2011, but the value data shows a gain of 1.2%. Parmalat, particularly with its Chef brand, retained its absolute leadership position, with a value market share of 35.4%, thanks in part to investments in advertising programs carried out to support this brand.

The yogurt market grew both in terms of volume (+4.9%) and on a value basis (+6.8%) in 2011, thanks to the contribution of the functional product segment and steady promotional and advertising investments by all major producers.
In this segment, Parmalat increased its sales volumes and improved its value market share (5.5%).

The Fruit Beverage market held relatively steady in 2011 (+0.8% on a volume basis and +0.2% on a value basis). This market is characterized by strong competitive pressure and the widespread use of price cutting promotions. Private labels enjoy a substantial market share (31.9% on a volume basis).
The Santàl brand was again the market leader, with a 14.4% value market share, thanks to a brand differentiation policy implemented by launching new products and “revitalizing” the brand’s image.

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

Product	UHT MILK	PASTEURIZED MILK(1)	UHT CREAM	YOGURT	FRUIT BEVERAGES
Value market share	33.8%	24.6%	35.4%	5.5%	14.4%

Source: Nielsen - IRI Tot Italy no Discount
(1) Source: Nielsen Modern Channel

Business Unit Results

(€ m)

	2011	2010	VARIANCE	VARIAN.%
Revenues	**978.6**	**963.3**	**15.2**	*+1.6%*
EBITDA	**96.2**	**95.4**	**0.8**	*+0.8%*
EBITDA%	*9.8*	*9.9*	*-0.1 ppt*	

Overall, sales volumes were down 1.1% compared with the previous year, with shipments of UHT milk (44% of the total sales volume) increasing by 0.3% compared with the previous year, due mainly to a positive performance by Zymil brand products. On the other hand, unit sales of pasteurized milk, which accounts for 34% of the total sales volume, decreased by 3.3%.

EBITDA were up slightly compared with the previous year. The rise in the cost of raw milk that occurred in 2011 (up about 9% compared with 2010) was offset in part with list-price increases implemented in the second half of the year.

In 2011, the “at the barn” milk price in Lombardy, which is a benchmark region where most of the production is concentrated, increased by 12.7% compared with 2010, due to the effect of strong sales of Grana Padano cheese.

Prices were high in the rest of Europe as well (Germany +12.8% and France +10%), supported by higher cheese and powdered milk exports, boosted by a favorable euro-dollar exchange rate. Considering its purchasing mix, Parmalat’s costs increased compared with the previous year.

The cost of packaging materials was also up, due to a rise in the price of plastic raw materials driven by higher crude oil prices.

The damages caused by a fire at Centrale del Latte di Roma in August 2010 were fully covered by insurance settlements received in 2011, with the final payment received in the fourth quarter. Centrale del Latte di Roma resumed normal production in the second quarter of 2011.

Other Countries in Europe

Business Unit Results

(€ m)

	2011	2010	VARIANCE	VARIAN.%
Revenues	**155.5**	**152.0**	**3.5**	*+2.3%*
EBITDA	**9.1**	**11.4**	**(2.3)**	*-20.3%*
EBITDA%	*5.8*	*7.5*	*-1.7 ppt*	

The "Europe excluding Italy" sales region includes the subsidiaries that operate in Russia, Portugal and Romania (the latter being active only in the fruit beverage and tea markets).

Russia

EMPLOYEES	MANUFACTURING FACILITIES
1,089	2

The growth of the Russian economy was driven to a large extent by increases in the international market in the price of crude oil and other commodities that Russia exports.

Thanks to a more aggressive sales policy implemented since the previous year, the local subsidiary was able to steadily improve its market shares, with the best gains achieved in the UHT milk and cream segments.

Sales volumes were substantially in line with the previous year.

The profitability of the Russian subsidiary improved due to the effect of sales price increases, which more than offset the impact of higher production costs.

Portugal

EMPLOYEES	MANUFACTURING FACILITY
252	1

In Portugal, the macroeconomic scenario continues to be extremely challenging, due mainly to the high level of its national debt, which caused the local government to adopt restrictive measures, including higher taxes and lower government spending. These policies had an impact on consumption, which decreased drastically in the course of the year.

The Portuguese milk market is highly concentrated, with a steadily growing presence by private labels, which is causing prices and margins to contract significantly.

The slump in consumption penalized primarily products with a high value added, such as flavored milk and, among dairy products, cream and béchamel, which are segments in which the local subsidiary operates and holds important market shares.

In the fruit beverage segment, where the local subsidiary operates with the Santàl brand, private labels continued to enjoy a strong position.

The profitability of the local subsidiary deteriorated compared with the previous year, due both to a reduction in sales volumes and the inability to transfer to sales prices the higher production costs it incurred.

Canada

EMPLOYEES	MANUFACTURING FACILITIES
2,904	18

The Canadian economy continued to grow at a moderate pace, in line with the trend in the other advanced economies. The high level of household debt is causing an increase in the propensity to save on the part of households and a concurrent reduction of their willingness to consume.

MARKET AND PRODUCTS

The dairy market is characterized by a relative stability in total consumption, as the net result of a contracting milk market, a growing yogurt market and a relatively steady cheese market. All markets were characterized by strong price competition.
The local subsidiary continued to rank third in this market, with a value share of 19.1%, despite a drop in the consumption of pasteurized milk.

The yogurt market grew both on a volume basis and a value basis. Demand was up both in the "spoonable" segment and the "drinkable" segment, compared with the previous year. In an aggressive competitive environment, Parmalat consolidated its positions, ranking second in English Canada and third in Quebec, thanks to the launch of new products and targeted advertising investments for its Astro brand.
In the cheese market, the Snack Cheese and Shredded Cheese segments enjoyed modest growth. In the Natural Cheese market, which is the largest in terms of size, consumption was relatively stable. Parmalat confirmed its position in all segments, continuing to rank as the leader in the Snack Cheese segment, despite intense activity by all major competitors.

The butter market has been growing steadily and Parmalat is the national leader, with a 25.5% value market share.

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

Product	MILK	SPOONA-BLE YOGURT	DRINKABLE YOGURT	SNACK CHEESE	BUTTER	NATURAL CHEESE
Value market share	19.1%	15.6%	8.0%	36.5%	25.5%	15.3%

Source: ACNielsen, MarketTrack, National Grocery Banner+Drug+Mass Merch, Latest 12 and 52 weeks ending December 17, 2011

Business Unit Results

(€ m)

	2011	2010	VARIANCE	VARIAN.%
Revenues	**1,628.3**	**1,609.3**	**19.0**	*+1.2%*
EBITDA	**155.3**	**159.3**	**(4.1)**	*-2.6%*
EBITDA%	*9.5*	*9.9*	*-0.4 ppt*	

Local currency figures

(Local currency m)

	2011	2010	VARIANCE	VARIAN.%
Revenues	**2,240.7**	**2,196.9**	**43.8**	*+2.0%*
EBITDA	**213,7**	**217.5**	**(3.8)**	*-1.8%*
EBITDA%	*9.5*	*9.9*	*-0.4 ppt*	

In 2011, sales volumes decreased by 4.0% compared with the previous year. More specifically, unit sales were down 3.1 for pasteurized milk, which together with flavored milk accounts for 59% of the total sales volume, and were in line with those reported the previous year with regard to cheese. Yogurt shipments bucked the trend, rising by 3.1%, thanks to increased investments in promotions and advertising.

EBITDA decreased by 1.8% in 2011, reflecting both the impact of an additional contribution to the pension plan, which increased by about 2.3 million Canadian dollars compared with the previous year, and the effect of a highly competitive environment, particularly in the milk market.

In the Canadian market for raw milk, the purchase price is regulated, with the aim of limiting the impact of price swings in the international market. Nevertheless, the price paid for raw milk was higher than in 2010.

Africa

Business Unit Results

(€ m)[1]

	2011	2010	VARIANCE	VARIAN.%
Revenues	**412.5**	**415.9**	**(3.5)**	*-0.8%*
EBITDA	**41.3**	**40.9**	**0.4**	*+1.0%*
EBITDA%	*10.0*	*9.8*	*0.2 ppt*	

(1) Consolidated data for South Africa, Mozambique, Zambia, Botswana and Swaziland.

South Africa

EMPLOYEES	MANUFACTURING FACILITIES
1,805	8

The South African economy grew at a modest pace. However, consistent with the global trend, the rate of expansion slowed and was lower compared with the gains achieved in most other emerging countries. Moreover, the high level of unemployment continued to affect consumption.

MARKET AND PRODUCTS

The UHT milk market enjoyed significant growth, thanks to stable prices. In this environment, Parmalat was able to retain its second-place rank, thanks in part to investments in new packing technologies.

The cheese market was relatively stable on a volume basis but grew on a value basis, reflecting a positive performance by higher priced packaged brand-name products. The local subsidiary retained its leadership position, with a 35.6% market share.

The yogurt market posted solid growth on value basis, expanding at an even faster rate on a volume basis, due mainly to the launch of lower-priced products. The local subsidiary's market share continued to increase, thanks to product repositioning programs.

The market for flavored milk, while small in size, is growing rapidly both on a volume basis and a value basis. Parmalat consolidated its leadership position, with a 40.1% value market share, thanks in part to a strong performance by its "Sterie Stumpie" brand.

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

Product	UHT MILK	CHEESE	YOGURT	FLAVORED MILK
Value market share	17.9%	35.6%	17.1%	40.1%

Source: Aztec Top-End Retail Market November 2011

Total sales volumes increased by 2.4%, consistent with the gain in revenues.

EBITDA were down slightly, due mainly to an increase in marketing expenses incurred to support key brands in the cheese and flavored milk categories.

In the raw milk market, supply increased compared with the previous year, but at a rate that was lower than the growth in demand. The average purchase price was basically in line with 2010, with the trend showing an upward bias in the second half of the year.

Other Countries in Africa

The net revenues of the other African countries (Zambia, Mozambique, Botswana and Swaziland) increased by 3.3% compared with the previous year, thanks to positive performances in Swaziland and Zambia. The return on sales improved by about 3 percentage points.

In Zambia, which is the country where this area's main subsidiary operates, sales volumes were up 9%, with sharp gains in revenues (up about 20%) and profitability. The local SBU achieved these gains by focusing on its key brands and was thus able to retain leadership positions in the main market segments in which it operates.

Australia

EMPLOYEES	MANUFACTURING FACILITIES
1,757	8

The Australian economy is continuing to grow, driven in part by economic expansion in China, which is a major importer of commodities that are abundant in Australia. However, major supermarket chains reacted to weakness in the retail sector by implementing aggressive pricing strategies, which caused consumers to favor lower-priced products and private labels, particularly with regard to market staples.

MARKET AND PRODUCTS

In 2011, consumption was up significantly in the dairy market (particularly with regard to flavored milk and yogurt), despite the climate related disasters that hit the country early in the year.

The flavored milk market continued to grow at a sustained pace, with Parmalat further improving its value market shares, thanks to advertising investments targeting the Ice Break and Oak brands, despite major promotional programs by its key competitors.

The white milk market posted an impressive gain in volume terms (+5.6%), but contracted by 3.4% on a value basis, due to the steady growth of private labels and the price differential between private labels and brand-name products. In this environment, Parmalat lost market share (-1.5 percentage points), as did the other producers, attributable mainly to lower sales of staple products.
Consumption was up in the yogurt market and Parmalat increased its market share, despite the entry of a new competitor in the first half of 2011, thanks to the effect of programs implemented to support its Vaalia brand and innovation.

The dessert market has been growing again on a value basis and Parmalat regained market share (+0.8 points) compared with the previous year.

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

Product	PASTEUR-IZED WHITE MILK	FLAVORED MILK	YOGURT	DESSERTS
Value market share	20.6%	31.8%	13.9%	14.1%

Source: Aztec information Systems - December 18, 2011

Business Unit Results

(€ m)

	2011	2010	VARIANCE	VARIAN.%
Revenues	**860.6**	**742.1**	**118.5**	*+16.0%*
EBITDA	**63.9**	**68.9**	**(5.1)**	*-7.3%*
EBITDA%	*7.4*	*9.3*	*-1.9 ppt*	

Local currency figures

(Local currency m)

	2011	2010	VARIANCE	VARIAN.%
Revenues	**1,160.4**	**1,070.4**	**90.1**	*+8.4%*
EBITDA	**86.1**	**99.4**	**(13.3)**	*-13.4%*
EBITDA%	*7.4*	*9.3*	*-1.9 ppt*	

The value of the Australian dollar increased sharply in 2011, rising by 6.5% compared with the exchange rate applied last year. The translation effect of this change on revenues and EBITDA was 56 million euros and 4.2 million euros, respectively.

The local SBU reported higher unit sales in 2011. Sales of pasteurized milk, which, including flavored milk, account for 82% of the total sales volume, were up 17.0%, owing in part to new production for private labels. Unit sales of yogurt increased by 11% compared with the previous year, reflecting the positive impact of new product launches and planned support activities.

Steep discounts of up to 30% introduced by private labels in the milk market accelerated the switch from the traditional channel to the modern channel, with an attendant reduction in margins. To counter this development, the local subsidiary invested in brands with a high value added and innovation.

The local SBU reported lower EBITDA due to pressure on sale prices, the impact of the Queensland floods and higher raw milk prices.

Central and South America

Business Unit Results

(€ m)

	2011	2010	VARIANCE	VARIAN.%
Revenues	**457.4**	**419.3**	**38.1**	*+9.1%*
EBITDA	**29.6**	**19.9**	**9.7**	*+48.4%*
EBITDA%	*6.5*	*4.8*	*1.7 ppt*	

The Central and South America sales region includes the subsidiaries that operate in Venezuela, Colombia, Ecuador, Paraguay and Cuba.

Venezuela

EMPLOYEES	MANUFACTURING FACILITIES
1,927	5

Even though the Venezuelan economy benefited from oil prices that were higher than last year, persistent hyperinflation dynamics continue to have a strong negative effect on consumption. With the aim of containing general price-level increases, the local government enacted a law, which went into effect in the closing months of the year, by which it introduced price control mechanisms, primarily in the food sector. An exceptionally rigid currency control system completes a framework in which the willingness of businesses to invest and of consumers to spend is curtailed.

MARKET AND PRODUCTS

The dairy and fruit beverage markets, which are those in which the local subsidiary does most of its business, were affected by a reduction in the propensity to consume caused mainly by Venezuela's high rate of inflation.

In the yogurt and milk beverage market, volumes contracted by 6.2% and 9.8%, respectively. In the powdered milk category, sales plummeted, falling by 22.7% compared with 2010, due to the scarce availability of imported raw milk, particularly in the second half of 2011.

In 2011, the local SBU increased in market share in the fruit beverage category and held its market share virtually unchanged in the milk beverage and yogurt categories, but its market share was down sharply in the powdered milk category, due to problems in securing an adequate supply both in the domestic or international market.

Total unit sales decreased by 5.7% compared with 2010. Specifically, shipments of fruit beverages, which accounted for 48% of the SBU's total sales volume, were in line with those reported the previous year, while those of pasteurized milk were down 6.7%.

The improvement in EBITDA was achieved thanks to a careful management of sales price dynamics and a more favorable product sales mix.

Colombia

EMPLOYEES	MANUFACTURING FACILITIES
1,091	5

The Colombian economy continued to grow in 2011, particularly insofar as the components of internal demand are concerned. However, adverse weather conditions that affected various regions of the country reduced the availability of raw milk, with the effect of driving up its price.

MARKET AND PRODUCTS

In the dairy market, there was a continuation of the shift in consumption patterns within the milk category, with consumers migrating from fresh pasteurized milk to products with an extended shelf life packaged in aseptic plastic pouches.

The yogurt market continued to grew, both on a volume basis and a value basis.

The local subsidiary succeeded in retaining its competitive position in the main market categories.

Total unit sales decreased by 1.9% compared with the previous year, with shipments of liquid milk, which accounted for more than 80% of the total sales volume, decreasing by 3.9%. However, sales of yogurt and powdered milk were up 10.6% and 4.0%, respectively.

The profitability of the local subsidiary deteriorated compared with the previous year, due to the impact of nonrecurring factors, such as a higher asset tax in 2011 and the absence of the proceeds from the insurance settlement it received in 2010. With data restated net of these factors, the SBU's profitability actually increased.

Human Resources

Group Staffing

The table below provides a breakdown by geographic region of the employees of Group companies that were consolidated line by line at December 31, 2011 and a comparison with the data at December 31, 2010.

Total payroll by geographic region

GEOGRAPHIC REGION	DECEMBER 31, 2011	DECEMBER 31, 2010
Italy	2,042	2,130
Europe excluding Italy	1,465	1,402
Canada	2,904	2,884
Africa	2,452	2,405
Australia	1,757	1,771
Central and South America	3,312	3,338
Total	**13,932**	**13,930**

In 2011, the Group's staffing levels held relatively steady compared with the end of 2010, even though there were 88 fewer employees on the payrolls of Corporate Departments and the Italian SBU, due to normal staff turnover, the reorganization of the Sales function and of some production facilities, and the completion of the shutdown of Pa.Di.Al. However, the effects of the situation in Italy was offset by increases elsewhere in Europe, due mainly to a strengthening of administrative staff by the Russian SBU, which also hired several employees under temporary contracts. Payrolls increased also in Africa, due to the hiring of production staff in Zambia and Swaziland.

Management and Development of Human Resources

In 2011, the Group sought to renew and strengthen its management team by adding resources with profiles consistent with its business needs, both at the operating company level and the Parent Company level. This was accomplished through market hires and internal promotions of key resources in the commercial and technical areas. Specifically, new appointments included a Group CFO, a Human Resource Manager for the Venezuelan SBU and an Industrial Activities Manager for the Italian SBU.

A new performance assessment system (Performalat), was gradually introduced throughout the Group in 2011. Performalat was applied to the entire Corporate staff and the employees of the Australian SBU, except for its production staff, and to the senior management of the other SBUs. In 2012, the gradual implementation process will be extended to most Group's resources, except for production staff.

All Group companies protect the health and safety of their employees in the workplace and view respect of workers' rights as an issue of fundamental importance. In 2011, employees were required to attend specific training courses developed in this area.

Industrial Relations

In 2011, Parmalat Group companies continued to pursue activities aimed at conducting a dialog and constructive discussions with the labor unions on all issues related to corporate reorganization and labor contract renewals. Significant activities carried out in 2011 are reviewed below.
In Italy, the Supplemental Company-wide Agreement expired at the end of 2011 and negotiations for its renewal are ongoing. In Australia, contract for the Rowville and Bendigo facilities, in the state of Victoria, were successfully negotiated. In South Africa, a contract harmonization process, aimed at consolidating into a single contract a plurality of different contract, is currently under way. The first result produced by this process was the consolidation of the different contracts into a single document that covers 37 items concerning employee rights and benefits. In Canada, the contracts for the facilities at St. Claude, St. Jacques, Grunthal, Mitchell, Winchester and Thunder Bay were renewed in 2011.

Corporate Social Responsibility

Parmalat adopted a coherent and integrated framework of values, rules of conduct, systems and structures to support the pursuit of its corporate mission. These beliefs are embodied in the system of corporate governance and provide the foundation for the development of the Group's Corporate Social responsibility initiatives.

Consistent with the aim of interacting with the host communities of the different Group companies, the principles of social responsibility found concrete implementation in numerous initiatives, focused mainly on publicizing the principles of proper nutrition, often implemented alongside direct support activities.

Noteworthy initiatives carried out in 2011 included the "Good for You, Good for Life" program launched by Parmalat Australia with the involvement both of Parmalat employees and local communities: Group employees helped implement several projects for the collection of funds for communities affected by the floods and for charitable associations.

In South Africa, programs to provide assistance and increase awareness of the importance of HIV prevention are continuing, together with projects to provide support for needy communities through donations of products to non-profit associations.

In addition, Parmalat agreed to collaborate with the Intercultura Foundation for the fourth consecutive year, making available scholarships that will provide deserving children of employees in South Africa and Russia with enrollment, free of charge, in an annual school program in a foreign country during the 2012-2013 school year. Deserving children of employees in Italy are being offered four scholarships for short-term (4 to 7 weeks) foreign language education and cultural courses outside Italy. Through this program, Parmalat intends to offer to young people a unique opportunity to broaden their educational background, learn a foreign language, make new friends, become familiar with different cultures and, most importantly, live an unforgettable experience of personal development.

Capital Expenditures

Overview of the capital expenditures of the Parmalat Group at December 31, 2011

(€ m)

	2011		2010	
REGION	**AMOUNT**	**% OF THE TOTAL**	**AMOUNT**	**% OF THE TOTAL**
Italy	20.5	17.5%	35.9	27.0%
Europe excluding Italy	11.0	9.4%	8.5	6.4%
Canada	34.5	29.3%	47.3	35.6%
Africa	18.9	16.1%	6.3	4.8%
Australia	26.4	22.4%	27.4	20.6%
Central and South America	6.2	5.3%	7.4	5.6%
Total capital expenditures	**117.5**	**100.0%**	**132.8**	**100.0%**
Land and buildings	7.9		9.4	
Total for the Group	**125.4**		**142.3**	

In 2011, the Group's capital expenditures totaled 125.4 million euros, for a decrease of 11.9% compared with the previous year.

Investment projects included numerous programs aimed at continuously improving efficiency, quality, production processes, occupational safety and compliance with new regulatory requirements.

The most significant investment projects carried out in 2011 included the following:

- continuing construction of a refrigerated warehouse in Montreal (Canada);
- installing cheese production facilities in Marieville and Victoriaville (Canada);
- installing new milk packaging lines in Zevio and Collecchio (Italy);
- reconditioning assets to maintain production capacity after a fire in Rome (Italy);
- completing the logistics center in Moscow (Russia), which will increase the operating range of the SBU's fresh product distribution organization;
- increasing milk and cheese storage capacity in Bonnievale (South Africa);
- updating and improving production lines in Port Elizabeth (South Africa);
- installing new packaging lines in Rowille and Clarence Gardens (Australia);
- reorganizing the sales and distribution organization to support growth, also in Australia.

Investments in land and building, which were made mainly in Italy and Canada, included expanding the production and shipping department in Zevio and completing a refrigeration project in Brampton.

Capital expenditures do not include the cost of licensing and implementing information systems (11.1 million euros in 2011), incurred mainly in Italy, Canada and Venezuela.

Research and Development

In 2011, the research group continued to pursue its mission of "Developing quality food products that meet the increasing demand of consumers for products that can deliver maximum health safety and a high nutritional and wellness value."

In 2011, in a particularly challenging market environment, the pace of new product launches slowed compared with previous years, but projects to optimize the product/packaging portfolio increased.

The laboratories of the R&D units collaborated in assessing the milk mass levels of milk being delivered to Group facilities, by optimizing fat and protein analysis methods and monitoring the presence of contaminants to ensure the safety of ingredients and finished products.

In the International Coordination area, collaboration between Italy and other countries where research facilities are located continued, as did collaborative projects between R&D units outside Italy.

Work is continuing on the development of the IT support system (Devex), which is aimed at organizing in an orderly fashion the complex information that exists within the worldwide R&D organization. This information will be shared with other functions, the Quality Assurance Department and local Procurement Offices, which will benefit from it in terms of immediate access and effectiveness.

Financial Performance

Structure of the Net Financial Position of the Group and Its Main Companies

Consistent with the strategy pursued in previous years, the liquidity held by the Parent Company provides the Group with the financial flexibility needed to meet its operating and expansion needs. During the year, a portion of these resources was invested in the cash pooling system of the Lactalis Group, which is reviewed below, in a separate section of this Report.

The Group's liquid assets totaled 1,557.8 million euros, including 1,292.4 million euros held by Parmalat S.p.A., most of which (1,188.2 million euros) continues to be invested in the cash pooling system, with current accounts and short-term bank deposits accounting for the balance. The remaining liquid assets are held by individual Group companies, which invest them in the same instruments as the Parent Company. At the Group level, income from Treasury Bonds and bank interest totaled 24.0 million euros, including 19.5 million euros attributable to Parmalat S.p.A. The increase in financial income compared with the previous year is due mainly to the interest rate effect, due mainly to the inclusion in the cash pooling system.

Cash Pooling

On October 6, 2011, Parmalat S.p.A. agreed to join the cash pooling system of the Lactalis Group. The purpose of this transaction was to optimize the use of financial resources - particularly in the case of short-term cash flows - at the Group level and enable Parmalat S.p.A. to retain maximum financial flexibility and a short-term investment profile, while earning a variable interest rate equal to the one-month Euribor plus a spread consistent with the credit rating of the Lactalis Group. As of December 31, 2011, the spread was 1.70%.

Under this cash pooling system, the Group's liquid assets are centrally held by B.S.A. Finances snc, a company under French law that is wholly owned by B.S.A. S.A., the Group's Parent Company, either directly or through its subsidiaries.
Parmalat and BSA Finances are related parties, as they are both controlled by BSA.

The Board of Directors of Parmalat Spa evaluated and approved this transaction in accordance with the most stringent criteria and procedures applicable to related-party transactions and, consequently, consistent with the requirements for highly material transactions of Consob Regulation No. 17221 of March 12, 2010 (Related-party Transaction Regulation) and the Procedure Governing Related-party Transactions approved by Parmalat's Board of Directors on November 11, 2010.

Moreover, this transaction was previously the subject of a favorable binding opinion issued by the Internal Control and Corporate Governance Committee, which is comprised exclusively of independent Directors. In this process, the Committee was supported by a financial advisor, who issued a fairness opinion regarding this

transaction, stating that the terms of the transaction were fair.

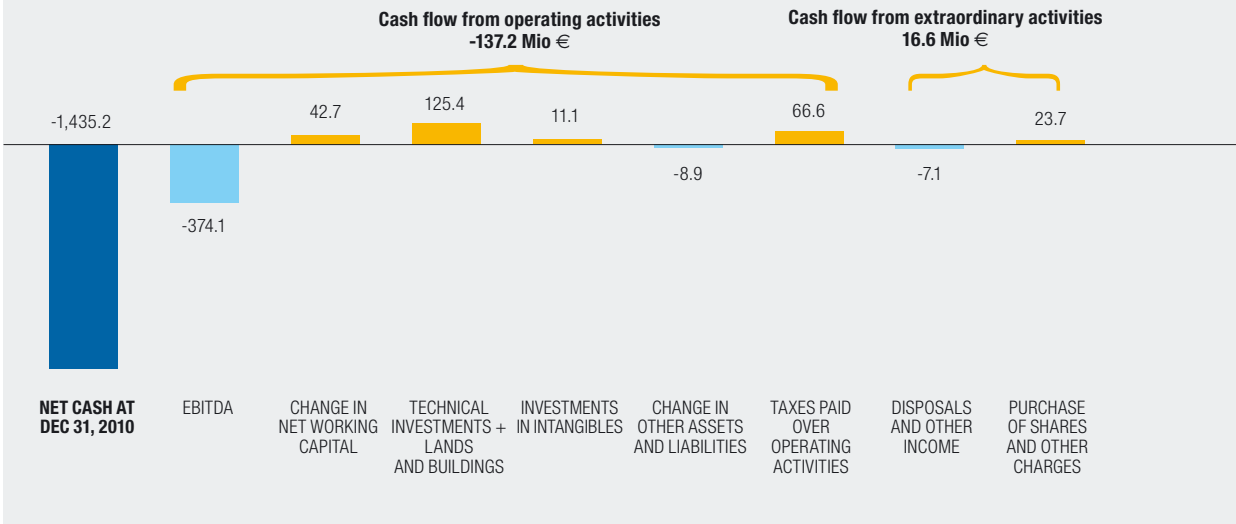
Parmalat Spa disclosed in detail the terms of the cash pooling contract in a Disclosure Document published on October 13, 2011, followed by an Addendum to the Disclosure Document published on October 31, 2011.
The investment in the cash pooling system is for an indefinite term, with both parties having the right to cancel the contract on three days notice.

Moreover, the contract requires B.S.A. S.A. to provide Parmalat Spa with an information flow that shall include:

(a) a certification, provided at least once every six months, attesting that cash or cash equivalent assets and/or unused credit lines for an amount that, in the aggregate, is at least equal to the amount invested by Parmalat Spa in the cash pooling system was available every day during the six-month reporting period;
(b) a certification, provided at least once every six months, attesting that during the 12 months preceding the closing date of the six-month reporting period the Lactalis Group was in compliance with all of the financial covenants set forth in the agreements for its current financing facilities;
(c) the obligation to promptly disclose the occurrence of events that trigger the Contract's automatic cancellation;
(d) the obligation to provide a prompt disclosure if, for any reason, cash or cash equivalent assets and/or unused credit lines for an amount that, in the aggregate, is at least equal to the amount invested by Parmalat Spa in the cash pooling system could not be made available.

With regard to the recommendation contained in the Advisor's Fairness Opinion that the management of Parmalat Spa obtain timely and adequate information about the trend of the operating performance of the Lactalis Group and, more specifically, about its ability to meet its financial needs, Parmalat Spa received the abovementioned information flow and, drawing on its knowledge of the target market, reserved the right to request additional detailed information, should it find it useful and/or necessary, it being understood that it may avail itself at any time of the right to cancel the Contract.
The abovementioned information, for the period ended on December 31, 2011, was promptly provided to Parmalat Spa by B.S.A. S.A., with the additions of contextual and prospective information.
In March, the Internal Control and Corporate Governance Committee of Parmalat Spa reviewed the abovementioned information and rendered in

Consolidated Cash flow January, 1 - December, 31 2011



advance a binding opinion about the absence of reasons and circumstances that could justify the exercise of the right to cancel the cash pooling contract. More specifically, the Committee found no issues that would alter the conditions verified upon joining the cash pooling system with regard to the mix of counterparty risk, duration of the investment and its yield. With regard to the latter, the Internal Control and Corporate Governance Committee noted that the yield of cash equivalent investments, such as, for example, short-term Italian Treasury securities, had been extremely volatile during the closing months of the year and made the conservative recommendation that their use be avoided, even when the abovementioned volatility produces a yield higher than the one available with the cash pooling system. Nevertheless, because the contract is for an indefinite period of time, the Internal Control and Corporate Governance Committee reserved the right to monitor on a regular basis all contractual issues, in order to provide support to the Board of Directors of Parmalat Spa in determining whether this type of investment should continue.
On March 9, 2012, the Board of Directors of Parmalat Spa, having reviewed the opinion rendered by the Internal Control and Corporate Governance Committee, adopted a resolution in favor of maintaining in effect the cash pooling contract.

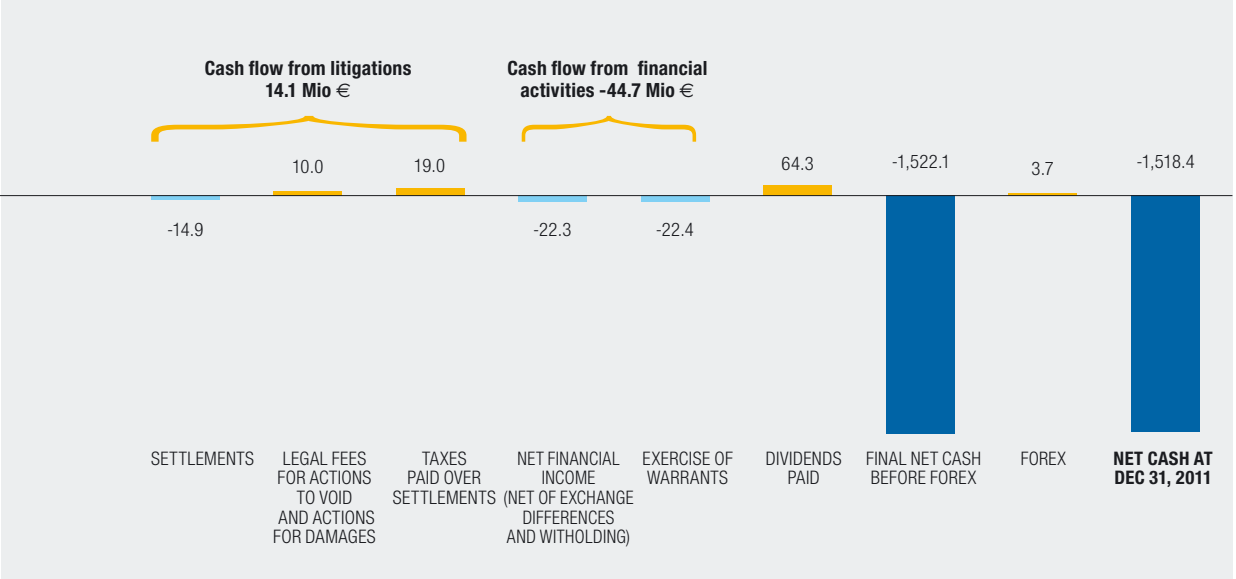
Change in Net Financial Position

The Group's net financial assets increased from 1,435.2 million euros at December 31, 2010 to 1,518.4 million euros at December 31, 2011, after a negative foreign exchange effect of 3.7 million euros and the payment of dividends totaling 64.3 million euros.

The cash flow from operating activities amounted to 137.2 million euros, while cash flows totaling 16.6 million euros were used for nonrecurring transactions.

Transactions related to the pursuit of litigations settlements generated proceeds totaling 14.9 million euros and required the payment of legal costs amounting to 10.0 million euros. Income taxes paid on settlements totaled 19.0 million euros, including the balance due for 2010.

The cash flow from financial transactions totaled 44.7 million euros (including about 22.4 million euros from the exercise of warrants).



Managing Business Risks

In the normal course of its business operations, the Group is exposed to the operational risks that arise from the possible occurrence of accidents, malfunctions and breakdowns causing damages to persons, product quality or the environment, which could have an impact on the income statement and the balance sheet.

The Group is also exposed to the following financial risks:

- Risk from exposure to changes in interest rates and foreign exchange rates, country risk and risk related to commodity prices;
- Credit risk, which is the risk that a counterparty may become insolvent;
- Liquidity risk, which is the risk that the Group may not be able to perform obligations associated with financial liabilities;

and risks of a general nature.

Lastly, the Company and the Group are parties to a series of civil and administrative lawsuits and the Company has filed a series of actions for damages, liability actions (both in civil and criminal venues) and actions to void in bankruptcy. An analysis of the main proceedings to which the Group is a party and of the related contingent liabilities is provided in the section of the Notes to the Consolidated Financial Statements entitled "Legal Disputes and Contingent Liabilities at December 31, 2011."

Operational Risks

The quality of its products, the protection of the health of its customers and their full satisfaction are the Group's primary objectives. To guarantee the quality of its products, in each of the countries where it operates, Parmalat adopted procedures and controls that are applied through the entire range of its activities, from the procurement of raw materials to their processing and the distribution of finished products.

The Group's Parent Company systematically monitors, through its procedures, the operational risks of its SBU. These risks are mapped by means of a special tool that ranks them based on probability of occurrence and potential economic impact. Risk is assessed in the following categories: competition, external context, regulatory environment, processes, procedures, sustainability, health and safety, trademarks, products, organization, systems and technology, and human resources.
The results of these activities are updated every six months.

The Group's manufacturing processes are exposed to the risk of contamination both for products and packaging materials, as is the case for all processes in the food industry. This risk could result in the Group having to carry out a costly product recall.

The Product Recall procedures adopted by the Group, which are based on its Consumer Safety and Health Protection

guidelines, require that all activities be carried out in compliance with the applicable statutory requirements and in accordance with principles, standards and solutions that are consistent with best industry practices.

Consistent with a policy of monitoring, reducing and transferring the operating risks that are inherent in its industrial and commercial activities, the Group has established an insurance system based on master policies that are negotiated and executed at the headquarters level and on primary risk local policies. The latter provide immediate coverage, which is supplemented with master policies when the magnitude of the damage exceeds the local coverage.

Preventive procedures and controls at the manufacturing level and insurance coverage are constantly updated and include reviews by independent auditors.

Financial Risks

The Group's financial risk management policy is coordinated through guidelines defined by the Parent Company and customized by each company into local policies adopted to address specific issues that exist in different markets. The guidelines establish benchmarks within which each company is required to operate and require compliance with some parameters. Specifically, the use of derivatives is allowed only to manage the exposure of cash flows, balance sheet items and income statement components to fluctuations in interest rates and foreign exchange rates. Speculative transactions are not allowed.

Foreign Exchange Risk and Country Risk

The Group has a limited exposure to foreign exchange risk due to the nature of the business activities normally pursued by its member companies, in accordance with which purchases and sales are denominated primarily in the local currency.
Any limited exposure to transactional foreign exchange risk is hedged with simple hedging instruments, such as forward contracts.

From a more purely financial standpoint, the Group's policy requires that any bank credit lines and investments of liquid assets be denominated in the local currency of the company involved, except for special needs, which require the approval of the Group's Parent Company.
Intercompany financing is provided by Parmalat S.p.A. in euros and the borrower company is responsible for establishing the necessary foreign exchange hedges.

Lastly, Group companies that operate in countries with an economy that is highly dependent on the oil sector are exposed to an economic risk. Specifically, any pressure that may be exercised on the exchange rate for the currencies of such countries could translate into higher internal costs, caused by the loss in value of the local currency, that may not be fully transferable to sales prices.

Information about Venezuela is provided in a separate section of the Notes to the Consolidated Financial Statements.

Interest Rate Risk

The exposure to the interest risk in connection with financial liabilities is negligible at the Group level because the remaining debt amounts owed by Group companies are quite small.
Financial assets are invested in short-term securities and, consequently, there is no significant exposure to the risk of changes in their market value caused by fluctuations in interest rates.
Obviously, the level of financial income is dependent on the trend of variable interest rates.

Price Risk

The Group is not exposed to the risk related to changes in stock market prices because its investment policy forbids investments in such instruments.

Credit Risk

As explained in a separate section of this Report, most of the Group's liquid assets are invested in the cash pooling system and, consequently, are exposed to the counterparty risk, which, however, is mitigated by a series of provisions contained in the contract that governs the system's operating procedures.
Specific safeguards include the right to cancel the contract within three business days, the information flow provided by B.S.A. S.A. to Parmalat Spa, as explained in a separate section of this Report, and the option available to Parmalat Spa to request repayment of the liquid assets invested in the cash pooling system on same-day notice for amounts up to and including 20 million euros and on a notice of three business days for larger amounts. The Company reviews periodically all of the factors, including those that are market related, that have an effect on this type of investment of its liquidity.

Liquid assets held by Parmalat Spa that were not invested in the cash pooling system are held in Italy and invested in current accounts and short-term bank deposits at banks with an investment grade credit rating.

The remaining liquidity held by other Group companies is deposited with banks with an investment grade credit rating, in the countries where this is possible.

Commercial credit risk is monitored at the country level with the goal of achieving an acceptable quality level for the customer portfolio. Given the limited availability of independent ratings for their customer bases, each company implements internal procedures to minimize the risk related to trade receivable exposure.

The Group's exposure to the commercial credit risk is limited because, in each country, receivables are owed by a small number of large supermarket chains, which traditionally have been reliable and liquid, and a highly diversified portfolio of smaller customers.

Liquidity Risk

The Group's liquidity risk is managed mainly at the individual company level, with each company operating in accordance with guidelines defined by the Parent Company, which the main operating companies incorporated in special Cash Management Policies that take into account the specificities of individual markets.
The Group's Parent Company is kept constantly informed about changes in outlook concerning the financial and economic position of its subsidiaries so that it may help them identify timely solutions to prevent the occurrence of financing problems. No situations causing financial stress occurred in 2011.

The abundant liquid assets available to the Group's Parent Company and the cash flow from operations that is being generated at the Group level provide ample coverage over the liquidity risk at all times.

Risks of a General Nature

The Group operates in the food industry, which, by its very nature, is less exposed than other activities to the negative effects of changes in economic conditions. Nevertheless, the Group's investment portfolio includes companies that operate in countries with greater exposure to effects of the global crisis.
Consequently, in light of the preceding remarks, a continuation of the crisis, local situation of geopolitical uncertainty or environmental events could have an effect on the Group's performance.

Other information

Neither the Parent Company nor its subsidiaries own any Parmalat S.p.A. shares.

Intercompany transactions or transactions between Group companies and related parties were neither atypical nor unusual and were conducted in the normal course of business. These transactions were carried out on market terms, i.e., on the same terms as those that would be applied by unrelated parties. Details about individual positions are provided in the Notes to the Financial Statements.

Management and Coordination

At a meeting held on November 11, 2011, the Board of Directors reviewed the issue of management and coordination, pursuant to law, and determined that, at that point, no instance of management and coordination by the controlling shareholder had occurred and that, consequently, based on opinions obtained from outside counsel (who, inter alia, underscored the need: (i) for an official indicator for the purpose of identifying a traceable moment for the exercise of the activity in question; (ii) for a preliminary representation of the flow of transactions between Parmalat S.p.A. and the other companies in the Lactalis Group and of the dynamics by which strategic and operating guidelines are developed; and (iii) for a factual and specific analysis to complement statutory assumptions) agreed that the Company was not subject to management and coordination by the controlling shareholder, but reserved the right to revisit this conclusion at any time, should different and additional material circumstances become known.

Data Security Planning Document

The Company completed within the deadline set forth in the applicable statute (Legislative Decree No. 196/2003) a planning document for the security of the data it processes. This document defines the tasks and responsibilities applicable to security issues and describes the criteria that were applied to assess risk, with the objective of ensuring the protection of:
a) sites and premises;
b) data integrity;
c) data transmission.

The process of updating the Planning Document has been completed and included the following activities:

- Review of the list and of the personal data collection forms together with Data Processing Officers designated by the Company;
- Review of the technical forms that identify the assets associated with each data processing event by the Information Systems Department;
- Review of the privacy protection organization implemented by Parmalat S.p.A.;
- Review of the Risk Analysis activities;
- Update of the safety measures adopted to protect the processed data based on the actions taken in 2010.

In addition, the documentation that governs the management of privacy issues at Parmalat S.p.A. is currently being revised and updated in accordance with Law No. 214 of December 22, 2011 and the amendments to Article 45 of Legislative Decree No. 196 of June 30, 2003, published on February 9, 2012.

Tax Issues

The tax burden of the Parmalat Group totaled about 80.2 million euros in 2011, up compared with the previous year (56.1 million euros).
Current taxes, which amounted to about 84.7 million euros, decreased slightly compared with 2010.
In 2011, the effective tax rate of the Parmalat Group was about 31.9%.
The effective tax rate of Parmalat S.p.A. was about 14.1%. The main reason for the difference between the effective tax rate and the statutory tax rate (31.4% including the regional tax rate) is the tax effect of income excluded from the taxable base, consisting of dividends.
The current taxes of Parmalat S.p.A. amounted to about 25.0 million euros (21.6 million euros for corporate income tax and 3.4 million euros for the regional tax.).

Corporate governance

Issuer's Governance Structure and Profile

Governance Structure

The Company's system of corporate governance consists of a series of rules and activities that it has adopted to ensure that its governance bodies and control systems function efficiently and transparently. This Report was prepared in accordance with the provisions of the Corporate Governance Code published by Borsa Italiana and is consistent with best international practices. It describes the practice of corporate governance at Parmalat S.p.A. in 2011.

Parmalat's corporate organization is based on the so-called "conventional" model, which consists of the following corporate governance bodies: the Shareholders' Meeting, the Board of Directors (supported by Consulting Committees), the Board of Statutory Auditors and, separately, the Independent Auditors (external governance body).

The corporate governance model also includes a series of powers, delegations of power, and internal control procedures, as well as the Parmalat Code of Conduct, a Code of Ethics, the Internal Dealing Handling Code and the Organization, Management and Control Model required by Legislative Decree No. 231/01, with which all members of the Company — Directors, Statutory Auditors and employees — are required to comply.

This Report is also available on the Company website (www.parmalat.com > Corporate Governance page).

This report was prepared consistent with the guidelines of the Corporate Governance Code in effect in 2011.

Mission of the Parmalat Group

The Group's mission is set forth in the Code of Ethics, which is available on the Company website: www.parmalat.com > Corporate Governance page.
The Code of Ethics encompasses all of those principles that, having been enunciated in general form, must then be embodied in the rules, standards and procedures that govern Parmalat's individual operations. Thus, the Code of Ethics provides a standard of behavior that all associates (including Directors, employees and all those who, irrespective of the legal nature of their relationship with the Group, operate under its management or oversight) are required to comply with and cause others to abide by. The values and rules of conduct set forth in the Code of Ethics provide the foundation for the Group's corporate culture, which emphasizes attention to qualitative excellence pursued through continuous technological innovation, with the goal of providing consumers with maximum guarantees and protection. The provisions of the Code constitute a tool that can be used to safeguard the Group's reliability, assets and reputation and ensure that all counterparts are treated with respect. Therefore, the Parmalat Code of Ethics should be applied by all Group companies in Italy and abroad, taking into account cultural, political, social, economic and commercial differences. The Code of Ethics is divided into three sections. The Group's Mission is set forth in the first section.

The strategy pursued by the Group is based on the identification of a clear mission in the global market. Parmalat intends to consolidate its position as a primary player both domestically and internationally.

The mission of the Parmalat Group is as follows:
"The Parmalat Group is an Italian food-industry group with a multilocal strategy that seeks to increase the well-being of consumers throughout the world. The ultimate purpose of the Group is to create value for its shareholders while adhering to ethical principles of business conduct, to perform a useful social function by fostering the professional development of its employees and associates, and to serve the communities in which it operates by contributing to their economic and social progress.
We intend to establish Parmalat as one of the top players in the global market, which delivers improved nutrition and wellness to consumers, and attains clear leadership in selected product categories and countries with high growth potential for the Group.
Milk and dairy products and fruit beverages, foods that play an essential role in everyone's daily diet, are key categories for the Group."

Compliance

Parmalat adopted the Corporate Governance Code published by Borsa Italiana S.p.A. (hereinafter referred to as the "Code"); it is available on the Borsa Italiana S.p.A. web site at the following address: www.borsaitaliana.it.

Parmalat also approved a separate code of conduct, which in this Report is cited as the "Parmalat Code of Conduct" and is discussed in greater detail in paragraph "The Parmalat Code of Conduct" below.

Information related to the compliance with the Code are explained in the following sections of this Report.

Parmalat and its most strategic subsidiaries are not subjected to non-Italian Laws requirements which might affect its Corporate Governance structure.

Share Capital and Shareholders

Share Capital

On October 1, 2005, upon the Court approving the Proposal of Composition with Creditors of the Parmalat Group Under Extraordinary Administration, all of the assets (with a few specific exceptions) of the companies that were parties to the Proposal of Composition with Creditors (Parmalat SpA, Parmalat Finanziaria SpA, Eurolat SpA, Lactis SpA, Parmalat Netherlands BV, Parmalat Finance Corporation BV, Parmalat Capital Netherlands BV, Dairies Holding International BV, Parmalat Soparfi SA, Olex SA, Geslat Srl, Parmengineering Srl, Contal Srl, Panna Elena CPC Srl, Centro Latte Centallo Srl and Newco Srl) and all of their rights to personal and real property, tangible and intangible assets, business operations, outstanding contracts and all other rights and actions formerly belonging to the abovementioned companies were transferred to Parmalat S.p.A..

In exchange for acquiring the assets listed above, Parmalat S.p.A. assumed, among other undertakings, the obligation toward the creditors of the Parmalat Group Under Extraordinary Administration to proceed (through Fondazione Creditori Parmalat) with the process of issuing the shares allocated to eligible unsecured creditors and distribute shares and warrants to the abovementioned creditors in accordance with the provisions of the Proposal of Composition with Creditors.

As of March 19, 2012, following the distribution of shares in the manner described above, the Company's approved share capital amounted to 2,025,087,908 euros, of which 1,757,481,627 euros was subscribed and allocated; with regard to this amount please note that:

- 4,397,359 shares, representing 0.3% of the share capital, are still in a deposit account c/o Parmalat S.p.A. registered in the name of individually identified commercial creditors;
- 2,049,096 shares, or 0.1% of the share capital, belong to the Company as own shares. To this regard, it is important to remind that those shares pertain to undisclosed creditors whose right to obtain shares or warrants has expired pursuant to art. 9.4 of the Composition with Creditors.

As of the same date, a total of 89,914,808 warrants had been issued, 46,734,873 of which had been exercised.
Because the process of distributing shares and warrants is ongoing, the Company's share capital could vary on a monthly basis, up to a maximum amount of 2,025,087,908.00 euros, which was approved by the Shareholders' Meeting on April 28, 2007, or until the expiration of the warrant conversion deadline, i.e., December 31, 2015.

Shareholder Base

Based on the data contained in the Stock Register, the communications received pursuant to law and other information available as of March 19, 2012, the shareholders listed on the table that follows are believed to own, either directly or through representatives, nominees or subsidiaries, an interest in the Company that is greater than 2% of the voting shares. The ownership percentages shown were computed based on a share capital of 1,757,481,627 euros, which is the amount deposited as of March 19, 2012.

SIGNIFICANT EQUITY INVESTMENTS

SHAREHOLDER	NO. OF SHARES	PERCENTAGE
Sofil S.a.s.	1,448,214,141	82.4%
Total Shareholders with significant equity interests	**1,448,214,141**	**82.4%**

INFORMATION ABOUT OWNERSHIP ISSUES (AS PER ARTICLE 123-BIS OF THE UNIFORM FINANCIAL CODE)

As of the date of approval of this Report:

a) Share Capital Structure.

At March 19, 2012, the Company's share capital amounted to 1,757,481,627 euros. The share capital consists of common shares, all of which convey all of the rights and obligations required pursuant to law. Pursuant to the relevant provisions of the law and the Bylaws, the common shares, which are registered shares, entitle their holders to attend ordinary and extraordinary meetings of the Company's shareholders and convey all of the administrative and property rights that the law provides to owners of voting shares.

b) Restrictions on the Transfer of Shares.

There are no restrictions on the transfer of shares, such as limitations on stock ownership or the requirement that the transfer be approved by the Issuer or other owners of the securities.

c) Shareholder Base and Shareholders with Significant Equity Interests.

Information about this issue is provided in paragraph "Shareholder Base" above.

d) Securities that Convey Special Rights.

No securities that convey special control rights have been issued.

e) Employee Stock Ownership: Method of Exercising Voting Rights.

There is no employee stock ownership plan.

f) Restrictions of the Right to Vote.

There are no restrictions of the right to vote.

g) Shareholders' Agreements.

As of the date of approval of this Report, Parmalat is not aware of any shareholders' agreements, as defined in Article 122 of the Uniform Financial Code.

h) Election and Replacement of Directors.

Information about this issue is provided in paragraph "Composition, Election and Replacement" below.

i) Authorization to Increase Share Capital.

The Board of Directors has not been authorized to increase the Issuer's share capital, as required by Article 2443 of the Italian Civil Code.

j) Change of Control Clause (pursuant to Article 123-bis, Section 1, Letter h), Uniform Financial Code) and provisions of the Bylaws concerning Tender Offers (pursuant to Article 104, Section 1-ter, and Article 104-bis, Section 1).

With regard to the change of control clause, please note that Parmalat Canada Inc. (Parmalat Canada) was a party to arbitration proceedings which took place in Canada to determine whether Parmalat Canada was required to make a liquidity payment to the Ontario Teachers' Pension Plan Board (OTPPB).

In 2004, OTPPB provided the Canadian subsidiary of Parmalat S.p.A. with a loan that was later repaid in full. In addition to the loan agreement, OTPPB and Parmalat Canada executed a Liquidity Payment Agreement, requiring the payment of an additional amount if certain liquidity events were to occur. On March 26, 2012, the proceedings' Sole Arbitrator handed down an award favorable to OTPPB, having found that an Indirect Change of Control did occur on June 28, 2011, with the election of the Board of Directors by the Shareholders' Meeting of Parmalat S.p.A. The Arbitrator did not issue a ruling with regard to the amount of the payment owed to OTPPB, since this issue was not the subject of the arbitration proceedings, indicating that his involvement would be needed only if the parties fail to reach an agreement. The arbitration award is final and cannot be appealed. Parmalat believes that it should verify all available revision options.

Parmalat's Bylaws do not provide any waiver with regard to the passivity rule provisions of Article 104, Sections 1 and 2, of the Uniform Financial Code nor do they contemplate the implementation of the neutralization rules of Article 104-bis, Sections 2 and 3, of the Uniform Financial Code.

Please keep in mind that the voluntary, all inclusive tender offer (the "Offer") launched on April 26, 2011 for the common shares of Parmalat S.p.A. (the "Issuer") by Sofil S.a.s. (the "Offeror") directly and on behalf of B.S.A. S.A. ("BSA") and Groupe Lactalis S.A. ("Groupe Lactalis"), for the purpose of acquiring 1,234,460,667 common shares of Parmalat S.p.A., par value 1.00 euro each, ended in July 2011.

On the Offer price payment date (July 15, 2011), the Offeror, together with BSA and Groupe Lactalis, owned a total of 1,448,214,141 common shares of Parmalat S.p.A., equal to 83.330% of the subscribed and paid-in share capital as of that date.

For additional information about the Tender Offer and its outcome, please consult the Semiannual Financial Report at June 30, 2011, available on the Company website: www.parmalat.com, Investor Relations page -> Financial Reports (page 52).

k) Indemnities Payable to Directors in the Event of Resignation or Dismissal Without Just Cause or if the Relationship Is Terminated Due to a Tender Offer.

Parmalat is not a party to any agreements with Directors calling for the payment of indemnities in the event of resignation or dismissal without just cause or if the relationship is terminated due to a tender offer.

l) Guidance and coordination activities.

Parmalat is not subjected to any guidance and coordination activities according to article 2497 and subsequent of the Italian Civil Code.

m) Compliance.

Neither the issuer nor its strategically significant subsidiaries are subject to provisions of non-Italian laws that affect the Issuer's governance structure.

Board of Directors

Composition, Election and Replacement

The Company is governed by a Board of Directors comprising 11 (eleven) Directors, who are elected from slates of candidates. Only shareholders who, alone or together with other shareholders, hold a number of shares equal in the aggregate to at least 1% of the Company's shares that convey the right to vote at Regular Shareholders' Meetings are entitled to file slates of candidates.

As required by Article 11 of the Bylaws, slates filed by shareholders must be deposited at the Company's registered office twenty-five days before the date of the Shareholders' Meeting convened to vote on the election of the Board of Directors. The slates of candidates shall be made available to the public at Company's registered office, on its website and in any other manner required pursuant to Consob regulations at least twenty-one days before the date of the Shareholders' Meeting, it being understood that this shall not affect the obligation to publish the slates in at least two of the newspapers referred to in Article 8 of the Bylaws and the *Financial Times* at least twenty-one days before the date of the Shareholders' Meeting.

Together with each slate, the shareholders must file, within the deadline stated above, affidavits by which each candidate accepts to stand for election and attests, on his/her responsibility, that there is nothing that would bar the candidate's election or make the candidate unsuitable to hold office and that he/she has met the requirements for election to the respective office. Each candidate must file together with his/her affidavit a curriculum vitae listing his/her personal and professional data and, if applicable, showing his/her suitability for being classified as an independent Director.

The election of the Board of Directors will be carried out in the following manner:

a) a number of Directors in proportion to the number of votes received plus two, but not more than 9 (nine), will be taken from the slate that received the majority of votes. Fractions greater than 0.5 (zero point five) will be rounded to the next higher whole number, and fractions smaller than 0.5 (zero point five) will be eliminated;
b) the remaining Directors will be elected from the remaining slates. To that end, the votes cast for these lists will be divided in sequence by one, two, three or four, depending on the number of Directors that need to be elected. The quotients thus obtained will be attributed progressively to the candidates in each of the slates, in the order in which the candidates are listed on the slates. The quotients thus attributed to the candidates on the various slates will be arranged in decreasing order. The candidates with the highest quotients will be elected. If more than one candidate receives the same quotient, the candidate belonging to the slate that contains no elected Directors or the smallest number of elected Directors will be elected.

If none of these slates contains an elected Director or all contain the same number of elected Directors, the candidate who received the highest number of votes will be elected. If candidates receive the same number of slate votes and the quotient is the same, the Shareholders' Meeting will be asked to vote again, and the candidate who receives a plurality of the votes will be elected.

If the group of candidates elected from the slate that received the majority of the votes cast does not include a sufficient number of independent Directors, the non-independent candidate elected with the smallest quotient from the slate that received the highest number of votes after the first slate will be replaced by the unelected independent candidate from the same slate with the highest quotient, and so forth, slate by slate, until the required number of independent Directors is reached.

If only one slate is filed or no slates are filed or the election concerns only a portion of the Board of Directors, the Shareholders' Meeting will vote with the applicable statutory majorities and in accordance with the provisions Article 11, Paragraph 2, of the Bylaws.
If one or more Directors should leave office in the course of the fiscal year, irrespective of the reason, the Board of Directors will proceed in accordance with provisions of Article 2386 of the Italian Civil Code. If one or more the departing Directors had been elected from a slate containing names of candidates who had not been elected, the Board of Directors will replace the departing Directors by appointing candidates taken in sequence from the slate of the departing Director, provided these candidates are still electable and are willing to serve. If an independent Director should leave office, he must be replaced, to the extent that it is feasible, with the first of the unelected independent Directors in the slate from which the departing Director was drawn.
Whenever the majority of the members of the Board of Directors elected by the Shareholders' Meeting leaves office for any cause or reason whatsoever, the remaining Directors who have been elected by the Shareholders' Meeting will be deemed to have resigned and their resignation will become effective the moment a Shareholders' Meeting convened on an urgent basis by the Directors still in office elects a new Board of Directors.

The Shareholders' Meeting that elects the Directors determines the length of their term of office, which, however, may not be longer than three fiscal years. The term of office of the Directors thus appointed expires on the date of the Shareholders' Meeting convened to approve the financial statements for the last year of their term of office. Directors may be reelected.
In the course of an election, at least 6 (six) of the Directors elected by the Shareholders' Meeting must be independent Directors possessing the requirements set forth in Article 12 of the Bylaws. Directors must meet the requirements of the applicable statutes or regulations (and of the Corporate Governance Code published by the company that operates the regulated market in Italy on which the Company's shares are traded). The following individuals may not be elected to the Board of Directors and, should such an individual currently be serving in such capacity, he shall be removed from office automatically: (i) individuals against whom the Company or its predecessors in title have filed legal actions at least 180 (one hundred eighty) days prior to the date of the Shareholders' Meeting convened to elect the Board of Directors; (ii) individuals who, prior to June 30, 2003, served as Directors, Statutory Auditors, General Managers or Chief Financial Officers of companies that at that time were part of the Parmalat Group; (iii) individuals who are defendants in criminal proceedings related to the insolvency of the Parmalat Group or who have been found guilty in such proceedings and ordered to pay damages, even if the decision is not final.

With regard to corporate governance posts, the Bylaws state that the same person may not serve both as Chairman of the Board of Directors and Chief Executive Officer.

The table that follows lists the Directors who were in office as of the writing of this Report and the posts they held. The current Board of Directors was elected by the Shareholders' Meeting convened on June 28, 2011 and will remain in office until the date of the Shareholders' Meeting convened to approve the annual financial statements at December 31, 2011.

Nine of the 11 Directors currently in office were elected from a slate of candidates filed by B.S.A. S.A. and Groupe Lactalis S.A. (hereinafter "Groupe Lactalis") on March 18, 2011, which was published in the following newspapers: *Il Sole 24 Ore* and *Corriere della Sera* on March 22, 2011 and *Financial Times* also on March 22, 2011. The remaining two Directors were elected from a slate of candidates filed by Assogestioni on March 18, 2011, which was published in the following newspapers: *La Repubblica* and *Corriere della Sera* on March 21, 2011 and *Financial Times* also on

March 21, 2011. Please note that the Director Olivier Savary, elected by the Shareholders' Meeting on June 28, 2011, resigned on July 8, 2011. Pursuant to Article 2386 of the Italian Civil Code, Mr. Savary was replaced with Yvon Guérin on July 12, 2011.

There was no change in the composition of the Board of Directors between the end of the year and the date when this Report is being submitted for approval.

NAME OF DIRECTOR	POST HELD AT PARMALAT S.P.A.	POSTS HELD AT OTHER COMPANIES THAT ARE NOT PART OF THE PARMALAT GROUP
Francesco Tatò	Chairman (Independent)	■ Chairman of the Board of Directors of Fullsix SpA ■ Director of Istituto per gli Studi di Politica Internazionale Milano ■ Chief Executive Officer of Istituto della Enciclopedia Italiana Treccani ■ Director of Coesia Group di Bologna
Yvon Guérin	Chief Executive Officer	■ Chairman of the Board of Directors of Canelia SaS ■ Chairman of the Board of Directors of Mölkerei Laiterie Walhorn ■ Director of Lactalis Mc Lelland Ltd
Antonio Sala		■ Chairman of the Board of Directors of Groupe Lactalis Italia SpA ■ Director of Biosearch SA
Marco Reboa	Independent Director	■ Director of Luxottica Group SpA ■ Director of Interpump Group SpA ■ Director of Made in Italy1 SpA ■ Chairman of the Board of Statutory Auditors of Indesit Company SpA
Francesco Gatti		■ Director of Raffaele Caruso SpA ■ Statutory Auditor of Erg Renew SpA
Daniel Jaouen		■ Chairman of the Board of Directors of Groupe Lactalis ■ Chairman and Chief Executive Officer of Lactalis Europe du Nord ■ Chairman of the Board of Directors of Lactalis UK Limited ■ Chairman of the Board of Directors of Groupe Lactalis Iberia ■ Chairman Board of Statutory Auditors of Dukat Dairy Industry Inc ■ Director of Lactalis Nestlé Produits Frais
Marco Jesi	Independent Director	■ Chairman of Argenta SpA ■ Director of Safilo Group ■ Director of LSB Barcellona ■ Director of Autogrill SpA ■ Chairman of Arcaplanet
Riccardo Zingales	Independent Director	■ Director of Banca Albertini SpA ■ Statutory Auditor of CIR SpA ■ Statutory Auditor of COFIDE SpA ■ Statutory Auditor of SOGEFI SpA ■ Chairman Board of Statutory Auditors of Sorgenia Power SpA ■ Chairman Board of Statutory Auditors of Sorgenia Puglia SpA ■ Statutory Auditor of Sorgenia SpA ■ Statutory Auditor of Tirreno Power SpA
Ferdinando Grimaldi Quartieri	Independent Director	■ Director of Cerved Holding SpA
Gaetano Mele	Independent Director	■ Chairman of Publimethod SpA ■ Advisory Board Member SC JOHNSON
Nigel William Cooper	Independent Director	■ Vice Chairman of the Board of Directors of Unibet Plc ■ Director of Metro International SA ■ Chairman Internal Control Committee of Unibet Plc ■ Chairman Internal Control Committee of Metro International SA

Information about the personal and professional backgrounds of the Directors referred to in Article 144-octies, Letter b.1), of the Issuers' Regulations, as cited in Article 144-decies, of the Issuers' Regulations, is available on the Company website: www.parmalat.com > Corporate Governance > Board of Directors.

Independence

The requirement of independence is governed by Article 12 of the Bylaws.

Each independent Director certified that he qualified as independent pursuant to the Bylaws at the time of his election. These qualifications were checked by the Board of Directors at the first Board meeting held after the election (July 1, 2011) by the Shareholders' Meeting. At that meeting, which was attended by the entire Board of Statutory Auditors, the Directors performed the independence verification process in a manner consistent with the recommendation set forth in Sections 3.C.1 and 3.C.2 of the Corporate Governance Code, which requires that substance rather than form be the guiding principle when assessing the independence of non-executive Directors, taking also into account the criteria set forth in Sections 3.C.1 and 3.C.2 of the Code and the provisions established in Article 148, Section 3, of the Uniform Financial Code, as well as in Article 12 of Parmalat's Bylaws. The outcome of this review was communicated to the market on July 1, 2011.

The current Board of Directors includes seven independent Directors, which is more than the minimum number of independent directors required pursuant to Article 11 of the Bylaws.

The Board of Directors periodically assesses the independence of the Directors. On March 9, 2012, the Board of Directors verified that the Directors who qualified as independent at the time of their appointment continued to meet the independence requirement. The outcome of this assessment was disclosed to the market.

In 2012, the independent Directors held one meeting, in the month of January.

Self-Assessment

In addition to checking whether non-executive Directors qualified as independent, the Board of Directors performed a process of self-assessment with regard to the size, composition and operating procedures of the Board itself and its Committees. The assessment process was carried out by requesting that all members of the Board of Directors fill out a special questionnaire by which they expressed their opinion with regard to the Board of Directors. The self-assessment questionnaire was submitted in advance for review to the Internal Control and Corporate Governance Committee, which handled the preparatory phase of the self-assessment process. The Committee also reviewed the findings provided by the questionnaires prior to the adoption of the relevant resolution and discussed them in a brief report that was submitted to the Board of Directors.

The self-assessment process for the 2011 financial year was performed by the Board of Directors at a meeting held on March 9, 2012.

As examples of the work performed, the assessment process dealt with the exercise of management authority over the company by the Board of Directors, the Board's involvement in defining strategic plans, the updating of the Board with regard to changes to the relevant rules and regulations and the effectiveness and timeliness of reports. The assessment process also included reviewing other issues, such as the frequency and length of Board meetings, the Board's deliberations and reports on the exercise of delegated powers.

Similar assessments were performed with regard to the Committees and, lastly, a special section of the questionnaire is reserved for the performance of self-assessment through the input of individual Directors. The questionnaire includes a specific question about any improvements made in response to issues uncovered through the previous year's self-assessment. The Company, based also on published

reports of the relevant findings, took notice of the fact that, currently, the practice of choice among publicly traded companies is that of self-assessment through an internal process. Thus far, the Board of Directors ascertained periodically the effectiveness of the self-assessment process.

Guidelines About the Maximum Number of Governance Positions

At its meeting of March 9, 2012, the Board of Directors already expressed its views with regard to the maximum number of posts that may be held on Boards of Directors of publicly traded companies; financial, banking and insurance institutions; and large businesses compatibly with the obligation to serve effectively as a Director of Parmalat.

More specifically, the Board of Directors - taking into account: i) the composition and rules of operation of the current Board of Directors; ii) the high level of attendance by the Directors at the meetings held by the Board of Directors and its Committees; iii) the obligations of Directors, as set forth in Article 13 of the Bylaws and Article 4 of the Parmalat Code of Conduct (which must be used subjectively as a source of guidance by Directors when accepting to serve on the Board) - provides an indication as to the maximum number of governance positions that may be held compatibly with the obligation to serve effectively as a Director of Parmalat SpA, in accordance with the Section 1.C.3 of the Code, stating that Directors may not serve on more than three (3) posts held for executive directors, and in seven (7) for those directors who are not executive of publicly traded companies; financial, banking and insurance institutions; and large businesses (that is to say those companies with revenues and working capital more than 1 billion euros. The Board of Directors also stated that, in exceptional cases, this limit may have been changed (both downward or upward) by means of a resolution approved by the Board of Directors. This resolution, which shall be disclosed in the Annual Report on Corporate Governance, must explain the reason for the change, based on considerations that take into account the size, organization and ownership relationships that exist among the companies in question. The guidelines chosen by the Board of Directors will remain in effect until the Board decides otherwise. Such a decision will be, if the case, disclosed in next year's Annual Report on Corporate Governance.

Lead Indipendent Director

The Company did not appoint a Lead Independent Director because it does not meet the requirements for the establishment of such a position, as set forth in Section 2.C.3 of the Code of Conduct.

Non-compete Obligation

As a rule, the prior approval of the Shareholders' Meeting is not required to waive the non-compete obligation set forth in Article 2390 of the Italian Civil Code.

Chairman and Chief Executive Officer

On June 28, 2011, the Shareholders' Meeting elected Francesco Tatò Chairman of the Board of Directors and, on July 12, 2011, the Board of Directors, acting pursuant to Article 2386 of the Italian Civil Code, coopted Yvon Guérin to replace Olivier Savary, who resigned on July 8, 2011. Also on July 12, 2012, the Board of Directors named Mr. Guérin Chief Executive Officer.
Pursuant to the Bylaws, both are empowered to represent the Company vis-à-vis third parties and in court proceedings.

As of the writing of this Report, no management powers have been delegated to the Chairman of the Board of Directors and he does not perform a specific function in the development of Company strategies. The role of the Chairman of the Board of Directors is governed by Article 14 of the Bylaws and Article 5 of the Parmalat Code of Conduct, which is available on the Company website: www.parmalat.com > Corporate Governance page.

Parmalat Code of Conduct confirms the already recognized essential role of the Chairman of the Board of Directors; to the Chairman, in fact, many tasks related to the management of the Board of Directors' activities have been assigned.

The specific duties of the Chairman of the Board of Directors include:

- convening meetings of the Board of Directors, determining the meeting's Agenda and, in preparation for the meetings, transmitting to the Directors, as expeditiously as appropriate based on the circumstances, the materials required to participate in the meeting with adequate knowledge of the issues at hand;
- supervising the meeting and the voting process;
- handling the preparation of Minutes of the meeting;
- ensuring that there is an adequate flow of information between the Company's management and the Board of Directors and, more specifically, ensuring the completeness of the information that the Board uses as a basis for making its decisions and exercising its power to manage, guide and control the activities of the Company and the entire Group;
- ensuring that the Board of Directors and the Board of Statutory Auditors are provided with adequate information ahead of meetings of the Board of Directors;
- in general, ensuring that the Company is in compliance with the provisions of all laws and regulations, and with the Bylaws and the corporate governance rules of the Company and its subsidiaries; is responsive to the regulations and conduct guidelines issued by the entity governing the regulated market where the Company's shares are traded, and adheres to best industry practices.

The Chairman of the Board of Directors is not the person who is chiefly responsible for managing the Issuer and is not the Issuer's controlling shareholder.

Pursuant to a resolution adopted by the Board of Directors on July 12, 2011, the Chief Executive Officer has been given the most ample powers to manage the Company's business. He may take all actions that are consistent with the Company's purpose, within the limits imposed by the applicable laws and excluding those transactions that fall under the sole jurisdiction of the Board of Directors, which are specifically listed at the following paragraph "Function of the Board of Directors". In this area, the Board of Directors reserved sole jurisdiction over the review and approval of transactions that have a material impact on the Company's operations, particularly when they involve a related party. The criteria adopted to identify such transactions are those set forth in Consob Regulation No. 17221 of March 12, 2010, Consob Communication No. DEM10078683 of September 24, 2010 and Parmalat's Procedure Governing Transactions with Related Parties of November 11, 2010.

As required pursuant to law, the Chief Executive Officer reports to the Board of Directors and the Board of Statutory Auditors on the work he has performed and the use of the powers of attorney he has been granted.

In the performance of their duties, the Directors reviewed the information they received, specifically asking for all clarifications, in-depth analyses and additional information that they may deem necessary and appropriate for a complete and accurate assessment of the facts brought to the attention of the Board of Directors.

Function of the Board of Directors

Function of the Board of Directors

In the corporate governance system adopted by Parmalat SpA, the Board of Directors plays a central function, enjoying the most ample ordinary and extraordinary powers needed to govern the Company, with the sole exception of the powers reserved for the Shareholders' Meeting.

The Board of Directors has sole jurisdiction over the most important issues. Specifically, it is responsible for:

- reviewing and approving transactions (including investments and divestitures) that, because of their nature, strategic significance, amount or implied commitment, could have a material effect on the Company's operations, particularly when these transactions are carried out with related parties;
- drafting and adopting the rules that govern the Company and its Code of Ethics, and defining the applicable Group guidelines, while acting in a manner that is consistent with the principles of the Bylaws;
- granting and revoking powers to Directors and the Executive Committee, if one has been established, defining the manner in which they may be exercised, and determining at which intervals these parties are required to report to the Board of Directors on the exercise of the powers granted them;
- determining whether Directors meet and continue to satisfy requirements of independence;
- adopting resolutions concerning the settlement of disputes that arise from the insolvency of companies that are parties to the Composition with Creditors. These resolutions may be validly adopted with the favorable vote of 8/11 of the Directors who are in office.

At a meeting held on July 12, 2011 to specify the issues that are exclusively under its jurisdiction, the Board of Directors approved a resolution stating that, essentially, the Board of Directors, in discharging its obligations:

- reviews and approves the strategic, industrial and financial plans of the Company and the Group, as well as the Company's corporate governance system and the Group's structure;
- assesses the effectiveness not only of the organizational and administrative structure, but also the general accounting system of the Company and its strategically significant subsidiaries, as developed by the Chief Executive Officer, particularly with reference to the internal control system and the handling of conflicts of interest;
- monitors and assesses the overall performance of the Group's operations, based primarily on the information provided by the Chief Executive Officer, and compares on a regular basis reported results against planned results;
- reviews and approves in advance transactions executed by the Company and its subsidiaries when these transactions have a material impact on the Company's strategy, income statement, balance sheet or financial position, paying special attention to situations in which one or more Directors may have an interest directly or on behalf of third parties and, more specifically, to transactions with related parties;
- having reviewed the recommendations of the relevant Committee and heard the input of the Board of Statutory Auditors, determines the compensation of Managing Directors and the allocation of the total Board compensation among the individual Directors and Committee members, unless already decided by the Shareholders' Meeting.

Non-executive Directors provided a major contribution to the Board's deliberations, drawing on general strategic knowledge and specific technical skills they acquired outside the Company.
At a meeting held on January 27, 2012, the Board of Directors concluded that Parmalat's organizational, administrative and general accounting structure was adequate, based on a special documents made available in advance to the Directors and Statutory Auditors. This document, which analyzes the Group's organizational structure, governance system, corporate IT system and administrative and accounting system, was reviewed in advance by the Corporate Governance and Internal Control Committee.

The Parmalat Code of Conduct

The Code of Conduct approved by the Board of Directors of Parmalat S.p.A. on March 1, 2005 (and confirmed by the Board of Directors on July 1, 2011) reserves for the exclusive jurisdiction of the Board of Directors all transactions (including investments and divestitures) that, because of their nature, strategic significance, amount or implied commitment, could have a material effect on the Company's operations, including transactions carried out with related parties, and identifies for this purpose the following transactions that may be executed by Parmalat S.p.A. or its subsidiaries:

- placements of issues of financial instruments with a total value of more than 100 million euros;
- granting of loans and guarantees, investments in and disposals of assets (including real estate) and acquisitions and divestitures of equity investments, companies, businesses, assets and other property valued at more than 100 million euros;
- mergers and demergers, when at least one of the parameters listed below, when applicable, is equal to or greater than 15%:
  a) total assets of the absorbed (merged) company or assets that are being demerged/total assets of the Company (taken from the consolidated financial statements, if available);
  b) profit before taxes and extraordinary items of the absorbed (merged) company or assets earmarked for demerger/income before taxes and extraordinary items of the Company (taken from the consolidated financial statements, if available);
  c) total shareholders' equity of the absorbed (merged) company or business earmarked for demerger/total shareholders' equity of the Company (taken from the consolidated financial statements, if available).
  Mergers of publicly traded companies and mergers between a publicly traded company and a privately held company are always deemed to be material operating, financial and asset transactions.

Information must also be provided about transactions that, while on their own involve amounts lower than the threshold listed above or that trigger the exclusive jurisdiction of the Board of Directors, are linked together in a strategic or executive project and taken together exceed the materiality threshold.

Consequently, transactions such as those listed above are not covered by the powers that the Board of Directors granted to the Chief Executive Officer on July 12, 2011.

The Parmalat Code of Conduct is available on the Company website: www.parmalat.com > Corporate Governance page.

Meetings of the Board of Directors

To the extent that it is feasible, Directors and Statutory Auditors must receive, together with the notice of a meeting, documents explaining the items on the Agenda, except in urgent cases or when special confidentiality must be maintained. In these cases, a comprehensive discussion of the issues must

take place. When necessary, the Chief Executive Officer may ask Company executives to attend Board meetings to provide useful information about the items on the Agenda.

In 2011, the Board of Directors met 12 (twelve) times, including 5 (five) meeting held by the Board of Directors whose term of office ended on June 28, 2011 and 7 (seven) meetings held by the Board of Directors elected on the same date. The attendance percentage of each Director at the abovementioned Board meetings is listed below:

	ATTENDANCE PERCENTAGE AT 5 BOARD MEETINGS
R. Picella	100.0%
E. Bondi	100.0%
P. Alberti	20.0%
M. Confortini	100.0%
M. De Benedetti	100.0%
A. Guerra	100.0%
V. Mincato	80.0%
E. Mingoli	80.0%
M. Saà	100.0%
C. Secchi	100.0%
F. Superti Furga	100.0%

	ATTENDANCE PERCENTAGE AT 7 BOARD MEETINGS
F. Tatò	100.0%
Y. Guérin	80.0%
N.W. Cooper	85.71%
F. Gatti	100.0%
F. Grimaldi Quartieri	100.0%
D. Jaouen	85.71%
M. Jesi	100.0%
G. Mele	71.42%
M. Reboa	100.0%
A. Sala	100.0%
F. Zingales	100.0%

Four meetings of the Board of Directors have been planned for 2012.

A calendar of Board meetings planned for 2012 to review annual and interim results was communicated to the market and Borsa Italiana on January 23, 2012 in a press release that was also published on the Company website: www.parmalat.com > Investor Relations > Press Releases. On that occasion, the Company indicated that it would disclose promptly any changes to the dates announced in the abovementioned press release.

Handling of Corporate Information

Transparency in market communications and accuracy, clarity and completeness of disclosures are values that are binding on all members of the Company's governance bodies and all Group managers, employees and associates.

Directors, Statutory Auditors and all Company employees are required to treat as confidential the documents and information to which they may become privy in the performance of their functions and must comply with the procedure specifically established for the internal handling and public disclosure of said documents and information.

This procedure, which was adopted in 2005, is used both to manage insider documents and information internally and to communicate them outside.

Among other issues, the abovementioned procedure defines the functions, operating procedures and responsibilities that relate to the communication and dissemination of information concerning the Company and the Group. In all cases, the dissemination of such information requires the prior approval of the Company's Chief Executive Officer. The purpose of this procedure is to ensure that corporate information is not disclosed selectively, at an inappropriate time or in incomplete or inadequate form.

In 2005, as part of this procedure, the Company established the Register of Parties that Have Access to Insider Information required pursuant to Article 115-bis of the Uniform Financial Code. In accordance with this procedure, which complies with the requirements of Issuers' regulations published by the Consob, the Company is required to maintain such a Register, which is operated with a special software. The Register was prepared in accordance with Consob guidelines in order to provide an accurate flow of corporate information. Accordingly, it contains the following data: identity of each individual who has access to insider information on a regular or occasional basis; the reason why each person is entered in the Register; and the date when information about each person was last updated.

Lastly, the Company adopted an Internal Dealings Handling Code, which governs the disclosure requirements and conduct obligations associated with transactions involving financial instruments issued by the Company in an amount greater than 5,000.00 euros, as required by Consob Regulation No. 11971/99, by so-called Significant Persons who may have access to insider information about the Company and the Group. Significant Persons are required to sign a special affidavit stating that they are thoroughly familiar with and accept the Internal Dealing Handling Code.
As shown in Annex "A," no Director or Statutory Auditors of Parmalat S.p.A. holds or has held an equity interest in the Company.

Establishment and Rules of Operation of the Internal Committees of the Board of Directors

The Board of Directors has established several internal committees that provide consulting support and submit proposals to the Board of Directors. The Board of Directors is informed about the activities of these Committees whenever a Board meeting is held.

New internal Committees of the Board of Directors were appointed at a Board meeting held on July 1, 2011. For the first half of 2011 (until the Shareholders' Meeting of June 28, 2011) the Committee members were still those who had been reappointed by the Board of Directors at a meeting held subsequent to the adjournment of the Shareholder's Meeting of April 9, 2008.

The establishments of the Committees is governed by Article 18 of the Bylaws. The tasks of the individual Committees and the rules governing their activities were approved by the Board of Directors ad may be changed or broadened by resolutions of the Board of Directors.

These Committees are:
- Litigation Committee;
- Nominating and Compensation Committee;
- Internal Control and Corporate Governance Committee.

Individuals who are not Committee members may be invited to attend Committee meetings to provide their input with regard to specific items on the Agenda.

Each Committee reports to the Board of Directors about the work it has performed.

Minutes are kept of each Committee meeting and the minutes are recorded in a special Minutes Book.

The composition, activities and rules of operation of these Committees are explained in detail below.

Litigation Committee

Since July 1, 2011, this Committee has been comprised of the following three members: Antonio Sala, Chairman; Riccardo Zingales, independent Director; and Gaetano Mele, independent Director. This Committee provides consulting support to the Chief Executive Officer on litigation related to the insolvency of the companies included in the Composition with Creditors. The Corporate Counsel of Parmalat SpA attends the meetings of this Committee.
For the first six months of 2011 (until the Shareholders' Meeting of June 28, 2011), this Committee was comprised of the following three independent Directors without executive authority: Massimo Confortini, Chairman; Ferdinando Superti Furga; and Vittorio Mincato).

The opinions rendered by the Committee with regard to individual issues in litigation are forwarded to the Board of Directors ahead of the meeting that has the issues in question on its Agenda.

In 2011, the Litigation Committee met 4 (four) times, including 3 (three) meetings attended by all members of the Litigation Committee whose term of office ended during the year and 1 (one) meeting attended by all members of the Committee appointed by the Board of Directors on July 1, 2011, during which the Committee members reviewed all settlement proposals prior to their approval by the Board of Directors. Minutes were kept of each Committee meeting.

A breakdown of the attendance at Committee meetings is provided below:

Until June 28, 2011

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED IN 2011	ATTENDANCE PERCENTAGE
Massimo Confortini	3	100
Ferdinando Superti Furga	3	100
Vittorio Mincato	3	100

After July 1, 2011

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED IN 2011	ATTENDANCE PERCENTAGE
Antonio Sala	1	100
Riccardo Zingales	1	100
Gaetano Mele	1	100

Nominating and Compensation Committee

Since July 1, 2011, this Committee has been comprised of the following three Directors without executive authority: Daniel Jaouen, Chairman, Antonio Sala and Gaetano Mele, independent. This Committee performs a proposal-making function.

For the first six months of 2011 (until the Shareholders' Meeting of June 28, 2011), this Committee was comprised of the following three independent Directors without executive authority: Carlo Secchi, Chairman, Andrea Guerra and Marco De Benedetti, and performed a proposal-making function.

The specific functions of this Committee include the following:

- It submits proposals to the Board of Directors regarding the appointment of a Chief Executive Officer and the names of Directors who will be coopted by the Board when necessary, as well as proposals regarding the compensation of Directors who perform special functions. A portion of the overall compensation paid to the abovementioned individuals may be tied to the operating performance of the Company and the Group and may be based on the achievement of specific predetermined targets.
- At the request of the Chief Executive Officer, it evaluates proposals for the appointment and compensation of Chief Executive Officers and Board Chairmen of the main subsidiaries. A portion of the overall compensation paid to the abovementioned individuals may be tied to the operating performance of the Company and the Group and may be based on the achievement of specific predetermined targets. In performing this task, the Committee may request the input of the Manager of the Group Human Resources Department.
- At the request of the Chief Executive Officer, it defines the parameters used to determine the compensation criteria applicable to the Company's senior management and the adoption of stock option and share award plans or other financial instruments that may be used to provide an incentive to and increase the loyalty of senior management. In performing this task, the Committee may request the input of the Manager of the Group Human Resources Department.

In 2011 the Nominating and Compensation Committee met 3 (three) times, including 2 (two) meetings attended by all members of the Litigation Committee whose term of office ended during the year and 1 (one) meeting attended by all members of the Committee appointed by the Board of Directors on

July 1, 2011. At the first meeting held in February 2011, the Committee whose term of office ended on June 28, 2011 approved the Compensation Policy.

At a meeting held on March 2, 2012, in keeping with a continuity-based approach, the Committee in office, acting consistent with the relevant Consob Regulation, reviewed and confirmed the Compensation Policy adopted by the Company and approved by the previous Board of Directors on March 9, 2011.

Minutes were kept of each Committee meeting.

A breakdown of the attendance at Committee meetings is provided below:

Until June 28, 2011

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED IN 2011	ATTENDANCE PERCENTAGE
Carlo Secchi	2	100
Andrea Guerra	2	100
Marco De Benedetti	2	100

After July 1, 2011

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED IN 2011	ATTENDANCE PERCENTAGE
Daniel Jaouen	1	100
Antonio Sala	1	100
Gaetano Mele	1	100

On the date this Report was approved, the members of this Committee included: Gaetano Mele, Chairman; Marco Jesi, independent Director; and Ferdinando Grimaldi Quartieri, independent Director. The Directors Mele and Grimaldi Quartieri were appointed to this Committee by the Board of Directors on January 27, 2012, following the resignation of the Directors Antonio Sala and Daniel Jaouen.

Compensation of Directors

On June 28, 2011, the Shareholders' Meeting approved a resolution awarding Directors who serve as committee members an additional variable compensation amount based on the number of committee meetings and Board of Directors meetings actually attended.

The total compensation allotted to the Directors currently in office was set at the Shareholders' Meeting held on June 28, 2011, concurrently with the election of the Board of Directors. Information about the compensation of Directors is provided in a special report on compensation that will be submitted to the Shareholders' Meeting on April 20, 2012 and will be published on the Company website: www.parmalat.com > Corporate Governance page.
The allocation of the total compensation amount among the individual Directors and Committee members was approved by the Board of Directors on July 12, 2011.

In relation to "Indemnities Payable to Directors in the Event of Resignation or Dismissal Without Just Cause or if the Relationship Is Terminated Due to a Tender Offer", we remind you to the letter k), paragraph "Information About Ownership Issues" of the present Report.

Internal Control and Corporate Governance Committee

Since July 1, 2011, this Committee has been comprised of the following three independent Directors without executive authority: Marco Reboa, Chairman, Riccardo Zingales and Nigel William Cooper. This Committee performs a proposal-making function.

For the first six months of 2011 (until the Shareholders' Meeting of June 28, 2011), this Committee was comprised of the following three independent Directors without executive authority: Marzio Saà, Chairman; Carlo Secchi; and Ferdinando Superti Furga. This Committee performed a proposal-making function.

The Chairman of the Board of Statutory Auditors is always invited to attend the meetings; some meetings are held jointly with the Board of Statutory Auditors.

The specific functions of this Committee include the following:

- It verifies that the internal control system is working effectively and supports the Board of Directors in defining guidelines for the internal control system. It also supports the Chief Executive Officer in defining the tools and methods needed to implement the internal control system.
- It assists the Board of Directors in performing the tasks described in Article 17, Letters d) and k) of the Bylaws.
- It evaluates the work plans prepared by the Internal Control Officers and reviews the reports these Officers are required to submit on a regular basis.
- It evaluates, together with the Company's accounting officials and the independent auditors, the effectiveness of the accounting principles and their consistent use in the preparation of the financial statements.
- It approves the annual internal auditing plan.
- It reports to the Board of Directors at least semiannually (in conjunction with the approval of the annual and semiannual reports) on the work done and the adequacy of the internal control system.
- It supports the Board of Directors in the task of establishing the Oversight Board required by Legislative Decree No. 231/2001 and reviews the work performed by the Oversight Board.
- It ensures that the rules of corporate governance are complied with and updates these rules. It performs any other activity that it may deem useful or consistent with the performance of its functions.

The Board of Directors designated the Internal Control and Corporate Governance Committee as the Committee responsible for reviewing transactions with related parties, in view of the fact that all of its members met the independence requirements of Article 148, Section Three, of the Uniform Financial Code, as well as the criteria of the Corporate Governance Code of Borsa Italiana.
Without prejudice to the attributions set forth in the Regulations and the jurisdiction reserved for the Board of Directors with regard to the adoption of resolutions, the Committee shall be involved in the negotiations and preparatory phase of highly material transactions with related parties. The Board of Directors shall approve related-party transactions after receiving a reasoned favorable opinion by the Committee, indicating that the execution of the transaction is in the Company's interest and that its terms are advantageous and substantively fair.
In 2011, the Internal Control and Corporate Governance Committee met 19 (nineteen) times, including 8 (eight) meetings attended by all members of the Litigation Committee whose term of office ended

during the year and 11 (eleven) meeting attended by all members of the Committee appointed by the Board of Directors on July 1, 2011.
As a rule, Parmalat's Chief Financial Officer (who also serves as the Corporate Accounting Documents Officer) and the manager of the Internal Auditing Function attend the Committee's meetings.
Minutes were kept of each Committee meeting.

A breakdown of the attendance at Committee meetings is provided below:

Until June 28, 2011:

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED IN 2011	ATTENDANCE PERCENTAGE
Marzio Saà	8	100
Carlo Secchi	8	100
Ferdinando Superti Furga	8	100

After July 1, 2011

COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED IN 2011	ATTENDANCE PERCENTAGE
Marco Reboa (*)	11	100
Riccardo Zingales (*)	11	100
Nigel William Cooper (*)	11	100

(*) For three meetings the Committee members waived the attendance fee.

Internal Control System

The Company's Internal Control System is designed to ensure the efficient management of its corporate and business affairs; to make management decisions that are transparent and verifiable; to provide reliable accounting and operating information; to ensure compliance with the applicable statutes; to protect the Company's integrity; and to prevent fraud against the Company and the financial markets in general.

The Board of Directors defines the guidelines of the Internal Control System and verifies its effectiveness in managing business risks.

The Chief Executive Officer defines the tools and procedures needed to implement the Internal Control System in a manner that is consistent with the guidelines established by the Board of Directors and ensures that the overall system is adequate, functions correctly and is updated in response to changes in the operating environment and in the statutory and regulatory framework.

The Internal Control System defined by the Board of Directors must have the following general characteristics:

- at the operating level, authority must be delegated in light of the nature, typical size and risks involved for each class of transactions, and the scope of authority must be consistent with the assigned task;
- the organization must be structured to avoid function overlaps and concentration under one person, without a proper authorization process, of multiple activities that have a high degree of danger or risk;

- each process must conform with an appropriate set of parameters and generate a regular flow of information that measures its efficiency and effectiveness;
- the professional skills and competencies available within the organization and their congruity with the assigned tasks must be checked periodically;
- operating processes must be geared to produce adequate supporting documents, so that their congruity, consistency and transparency may be verified at all times;
- safety mechanisms must provide adequate protection of the Company's assets and ensure access to data when necessary to perform required assignments;
- risks entailed by the pursuit of stated objectives must be identified and adequately monitored and updated on a regular basis, and negative elements that can threaten the organization's operational continuity must be assessed carefully and protections adjusted accordingly;
- the Internal Control System must be supervised on an ongoing basis and reviewed and updated periodically.

Specifically, the Group's Internal Control System performs two distinct functions at the operational level:
- Line control, which includes all of the control activities that the Group's individual operating units and companies apply to their processes. These control activities are a primary responsibility of operational managers and are deemed to be an integral part of all Company processes.
- Internal auditing, which is performed by a separate Company organization. The purpose of the Internal Auditing Function is to help the Risk Management office identify and minimize the different types of risks to which the Company is exposed. It accomplishes this goal by monitoring line controls in terms of their effectiveness and the results they produced.

The Board of Directors uses the support of the Internal Control and Corporate Governance Committee to ensure that the guidelines provided above are complied with.
The Internal Control and Corporate Governance Committee meets periodically to discuss the topics listed above, together with the Board of Statutory Auditors. On those occasions, it reviews issues concerning internal control, including both those related to the normal conduct of business activities and those more specifically related to compliance with statutory and regulatory requirements.
Also worth mentioning is the activity carried out during the year by the Internal Control and Corporate Governance Committee with regard to related-party transactions, which it performed in its capacity as the Committee of Independent Directors, qualified to perform the function required by Consob Regulation No. 17221/10, specifically in connection with the decision by Parmalat S.p.A. to join the cash pooling system of the Lactalis Group (detailed information about this transaction is provided in a separate section of this Report).

Essentially, the Chief Executive Officer is the executive Director who is responsible for ensuring that the Internal Control System referred to in Guideline 8.3.5 of the Code is functioning effectively.
The Board of Directors, acting on a recommendation by the Chief Executive Officer, asked Francesco Albieri, Manager of the Group Internal Auditing Function, to serve as Internal Control Officer. The Internal Control Officer is hierarchically independent of executives that oversee operational departments and reports directly to the Chief Executive Officer. The Internal Control Officer provides information on a regular basis to the Internal Control and Corporate Governance Committee and the Board of Statutory Auditors.
Consistent with the Internal Auditing Guidelines approved by the Board of Directors and the Internal Control and Corporate Governance Committee, the Internal Auditing Function has unrestricted access to any information that may be useful for the performance of its assignments.

The Corporate Internal Auditing Function audits the Internal Control System to assess performance with regard to the following:

- Compliance with laws and regulations and with Company rules and procedures, specifically regarding the Organization, Management and Control Model (so-called compliance audits);
- The reliability of accounting and operating data and information (so-called financial audits);
- The effectiveness and efficiency of the Group's operations (so-called operational audits);
- Protection of the Group's assets (as the combined effect of the abovementioned audits).

The abovementioned auditing engagements may also be performed with the methodology and operational support of specialized consultants.
The Organization and Management Model required by Legislative Decree No. 231/2001 is an integral part of the Internal Control System and the Oversight Board required by the abovementioned Decree is responsible for overseeing the implementation of the Model. On July 1, 2011, the Board of Directors appointed a new Oversight Board, comprised of two members of the Board of Statutory Auditors (the Alternate Auditor Andrea Lionzo, Chairman, and the Statutory Auditor Roberto Cravero) and the Group Internal Auditing Manager (Francesco Albieri). The Oversight Board adopted internal regulations that were approved by the Board of Directors. The Board of Directors, after hearing the input of the Board of Statutory Auditors, appoints the members of the Oversight Board based on requirements that include professional background, competence, integrity, autonomy and independence. The reasons that would make a candidate unelectable to the Oversight Board include: (i) having been barred or disqualified from holding public office, filed for bankruptcy or received a sentence that includes being barred (even if temporarily) from holding public office or disqualifies the defendant from holding a management position; (ii) having been convicted of one of the crimes referred to in the abovementioned Decree. A member of the Oversight Board may be removed from office only if there is sufficient cause to justify such cause and the removal decision must be set forth in a resolution approved by the Board of Directors, based on the input provided by the Board of Statutory Auditors.
In 2011, the Oversight Board met 9 times in total. It analyzed issues related to the effectiveness and efficiency of the Model, reviewed the findings of audits that it performed on processes that are relevant to the implementation of the Model, the structure of outgoing and incoming information flows and the coordination of the various Oversight Boards established within the Parmalat Group. On March 2, 2011, the Board of Directors approved a budget earmarked for use by the Oversight Board in 2011. In 2011, regularly scheduled training courses were provided to all members of the Oversight Boards of the Group's Parent Company and the Italian operating companies.
The Organization, Management and Control Models of the main Italian subsidiaries were reviewed periodically at the request of the various Oversight Boards. Guidelines for foreign Group companies, as approved by the Parent Company's Board of Directors and subsequently communicated to the Boards of the abovementioned subsidiaries, were developed taking into account the issues entailed by the different corporate organizations and the requirements of local laws. These guidelines set forth principles of business conduct and organizational rules that are consistent with the Group's Code of Ethics and should be applied to corporate processes that are relevant for the purposes of Legislative Decree No. 231/2001. Each company is required to adopt these principles and rules, compatibly with the relevant provisions of local laws.
A project aimed at updating Parmalat's Organizational Model to address an expansion of the range of prosecutable offenses, particularly with regard to the provisions of Article 25-*undecies*, which introduced environmental crimes, was launched in 2011. Customary activities to provide employees with training about the additions made to the Model will start once the update is approved by the Board of Directors in 2012.

Main Characteristics of the Risk Management and Internal Control System Applied to the Financial Disclosure Process

In recent years, as required by Article 123-*bis* of the Uniform Financial Code, the Parmalat Group broadened the scope of its Internal Control System to include management of the risks inherent in the financial disclosure process. The purpose of this activity is to ensure that financial disclosures are truthful, accurate, reliable and timely. By making the process of monitoring the accounting Internal Control System compliant with the regulatory requirements of Law No. 262/05 (as amended) and applying the recommendations of the Independent Auditors, the Company developed a control Model consistent with the best international practices in this area and with the COSO 1 (Committee of Sponsoring Organizations of the Tradeway Commission). The components of this Model are:

- A set of key corporate policies/procedures at the Group and local level;
- A process to map the main risks inherent in financial/accounting disclosures;
- Assessment and monitoring activities performed on a regular basis;
- A process for the communication of the internal control and testing objectives with regard to accounting disclosures provided to the market.

As part of this process, the Group integrated the auditing and testing activities required by Law No. 262/05 into a single audit plan implemented at the Group level that will make it possible to monitor the main administrative/accounting processes periodically, but on a constant basis. The Company's senior management is appraised of the outcome of such audits on an ongoing basis.

The Group's Parent Company issued instructions to the effect that, when a subsidiary forwards to the Corporate Accounting Documents Officer accounting or financial data that have an impact on the condensed semiannual financial statements or the annual statutory and consolidated financial statements, or are certified by the Corporate Accounting Documents Officer pursuant to Article 154-bis, such data submissions must be accompanied by an Affidavit signed by the subsidiary's General Manager or Chief Executive Officer attesting that: i) adequate accounting and administrative procedures consistent with the guidelines provided by the Corporate Accounting Documents Officer have been adopted; ii) the abovementioned procedures were effectively applied during the period to which the accounting data apply; iii) the accounting data are consistent with the books of accounts and other accounting records; iv) the accounting data provide a truthful and fair presentation of the balance sheet, income statement and financial position of the company they are responsible for managing; v) for the annual statutory and consolidated financial statements, the report on operations include the disclosures required by Article 154-*bis*, Section 5, Letter e), of the Uniform Financial Code; and vi) for the condensed semiannual financial statements, the interim report on operations include the disclosures required by Article 154-*bis*, Section 5, Letter f), of the Uniform Financial Code. The Chief Executive Officer and the Corporate Accounting Documents Officer are primarily responsible for the implementation of this Model.

Consistent with the requirements of Article 2428, Section 1, of the Italian Civil Code and the Corporate Governance Code published by Borsa Italiana (Implementation Guideline 8.C.1, Letter a) concerning risks and uncertainties, the Group has been implementing for several years a semiannual risk self-assessment process for operational risks. This projects entails the collection of self-assessment questionnaires from local managers concerning the main external and internal operational risks and how managers of the Group's subsidiaries managed these risks, with the support of the relevant departments of Parmalat S.p.A..

Statutory Independent Audits of the Financial Statements

The statutory independent audits of the financial statements are performed by a firm of independent auditors listed in the special register required by Legislative Decree No. 39/10.

The firm of independent auditors is *PricewaterhouseCoopers SpA* which has been appointed by the resolution of the Shareholders' Meetings of March 15, 2005 and it has been extended by the resolution approved by the Shareholders' Meeting of April 28, 2007. The abovementioned firm will be in charge until the date in which the shareholders' meeting will approve the 2013 financial statements. In addition, in order to ensure that all accounting control issues are specifically monitored, the Group decided to extend the accounting auditing process to all of the statutory financial statements of Italian and foreign operating subsidiaries, in addition to the consolidation package.

Corporate Accounting Documents Officer

The Corporate Accounting Documents Officer must meet the following requirements: (i) he must have served as a corporate executive for at least 5 year; (ii) he must have worked in the accounting or control areas or served in another management function at a corporation with a share capital of at least 2 million euros; and (iii) he must meet the law's standards of integrity and professionalism. These requirements are set forth in Article 20-bis of the Bylaws.

The Company appointed a Corporate Accounting Documents Officer (hereinafter the "Documents Officer"), as required by Article 154-*bis* of the Uniform Financial Code (Legislative Decree No. 58/98). The appointment of the Documents Officer was carried out by a resolution that the Board of Directors, acting based on a prior favorable opinion provided by the Board of Statutory Auditors and the Internal Control and Corporate Governance Committee, adopted on July 28, 2011, naming the Group Chief Financial Officer to the post of Corporate Accounting Documents Officer. Earlier at the same meeting, the Board of Directors named Pierluigi Bonavita, who at the time served as Manager of Planning, Control and Consolidated Financial Statements, to the post of Chief Financial Officer, as a replacement for Pier Luigi De Angelis, who resigned. Consequently, Mr. Bonavita also took over as Corporate Accounting Documents Officer.
At the same meeting, the Board of Directors approved guidelines to govern the tasks assigned to the Documents Officer; the manner in which the Documents Officer is appointed, is terminated or dismissed; the powers and resources awarded to the Documents Officer; and the relationships between the Documents Officer and other corporate governance bodies and departments.
At a meeting held on March 9, 2012, the Board of Directors approved the 2012 expense budget for the Documents Officer, who is required to report to the Board of Directors at least semiannually about the use of his budget. At the same meeting, the Documents Officer reported to the Board of Directors about the use of the allocated budget.
Consistent with the scope of the powers and functions allocated to him, through the approval, by the Board of Directors, of Guidelines in July 2011, the Documents Officer may exceed the limits of the approved budget to address specific and demonstrable needs, provided he is expressly authorized by the Board of Directors.
The Documents Officer is part of the senior management team and is a member of the Chief Executive Officer's staff. The Documents Officer is empowered to organize his activity with maximum autonomy.

The Documents Officer was appointed for an undetermined term of office. In other words, he will serve until his appointment is revoked or he resigns.
Consequently, the Documents Officer can be automatically removed from his office only in the following cases: i) he is terminated as an employee of the Company or of a company in the Parmalat

Group by which he was employed; or ii) he no longer meets the integrity requirements he possessed when he was appointed.
The Documents Officer can also be dismissed by the Board of Directors. In such cases, the dismissal must be justified and the requirements of Article 2383 of the Italian Civil Code that apply to the dismissal of Directors must be met.
If the Documents Officer is removed or dismissed, the Board of Directors shall take action promptly and urgently to appoint a replacement.

Guidelines for Transactions with Related Parties

On November 11, 2010, the Board of Directors approved the Procedure Governing Transactions with Related Parties, in compliance with the requirements of Consob Regulation No. 17221 of March 12, 2010, as amended by Resolution No. 17389 of June 23, 2010, and taking into account the recommendations of Consob Communication No. DEM/10078683 of September 24, 2010. The Procedure was reviewed in advance by the Internal Control and Corporate Governance Committee, which issued a favorable opinion on November 9, 2010. On July 29, 2010, the Board of Directors had entrusted to this Committee the task of rendering an opinion about this Procedure prior to its approval. In addition, Parmalat's Board of Directors designated the internal Control and Corporate Governance Committee as the *"Committee Comprised Exclusively of Independent Directors"* responsible for performing the role required by the abovementioned Regulation. Pursuant to Article 148, Section 3, of the Uniform Financial Code and as required by the Corporate Governance Code of Borsa Italiana (Section 3.C.1), the Committee is comprised of three Independent Directors.

The Procedure sets forth the principles that Parmalat SpA must abide by in order to ensure the fairness and transparency of transactions with related parties with respect to three main issues: identification of the counterparties, handling of the transaction and reporting transparency. With this in mind, the Procedure identifies the parties who qualify as related parties and the transactions that qualify as related-party transactions. In analyzing any relationship with a related party, attention must be focused on the substance of the relationship and not merely on legal form.

The expression transaction with a related party shall be understood to mean any transfer of resources, services or obligations between related parties, whether consideration is stipulated or not.
More specifically, the Procedure classifies related-party transaction into the following categories: (a) Highly Material Transactions, (b) Less Material Transactions, and (c) Transactions of Inconsequential Amount.

The Procedure also provides for situations in which the applicability of this procedure may be waived. This Procedure shall not apply to the following transaction categories: (a) *Resolutions concerning the compensation of Directors and executives serving in special capacities and managers with strategic responsibilities*. However, if a transaction does not qualify for the exemptions referred to in Section 8, Letter a), "Resolutions concerning the compensation of Directors and executives serving in special capacities and managers with strategic responsibilities," only in this specific case, the Board of Directors

shall designate the Nominating and Compensation Committee as the Committee with jurisdiction over reviewing the compensation referred to in the abovementioned Section, pursuant to this Procedure; (b) Compensation plans based on financial instruments approved by the Shareholders' Meeting (stock option plans), pursuant to Article 114-bis of the Uniform Financial Code, and transaction executed to implement them; (c) Intra-Group transactions; (d) Transactions executed in the ordinary course of business on terms consistent with market or standard terms, it being understood that these are routine transactions executed on terms comparable to those usually applied in transactions of similar nature, amount or risk with non-related parties, or transactions based on regulated rates or controlled prices or transactions with counterparties with whom the Company is required by law to stipulate a specific consideration; (e) Transactions executed in accordance with instructions issued by the regulatory authorities or based on instructions issued by the Group's Parent Company to implement instructions issued by the regulatory authorities to bolster the Group's stability.

The adopted Procedure was applied as of as of January 1, 2011 and is available to the public on the Company website: www.parmalat.com > Corporate Governance page.

Consistent with the provisions of the Code, the Board of Directors has established a special process to review and approve transactions with related parties. More specifically, the Board of Directors is responsible for verifying that transactions in which a Director has a personal interest, either directly or for the benefit of a third party, are executed transparently and in a manner that is fair both substantively and procedurally.

On October 6, 2011, Parmalat S.p.A. agreed to join the cash pooling system of the Lactalis Group. The purpose of this transaction was to optimize the use of financial resources—particularly in the case of short-term cash flows—at the Group level and enable Parmalat S.p.A. to retain maximum financial flexibility and a short-term investment profile, while earning a variable interest rate equal to the one-month Euribor plus a spread consistent with the credit rating of the Lactalis Group.

Under this cash pooling system, the Group's liquid assets are centrally held by B.S.A. Finances snc, a company under French law that is wholly owned by B.S.A. S.A., the Group's Parent Company, either directly or through its subsidiaries.
Parmalat and BSA Finances are related parties, as they are both controlled by BSA.

The Board of Directors of Parmalat Spa evaluated and approved this transaction in accordance with the most stringent criteria and procedures applicable to related-party transactions and, consequently, consistent with the requirements for highly material transactions of Consob Regulation No. 17221 of March 12, 2010 (Related-party Transaction Regulation) and the Procedure Governing Related-party Transactions approved by Parmalat's Board of Directors on November 11, 2010.

Moreover, this transaction was previously the subject of a favorable binding opinion issued by the Internal Control and Corporate Governance Committee, which is comprised exclusively of independent Directors. In this process, the Committee was supported by a financial advisor, who issued a fairness opinion regarding this transaction, stating that the terms of the transaction were fair.

Election of Statutory Auditors

The Board of Statutory Auditors is the governance body charged with ensuring that the Company is operating in compliance with the law and the Bylaws and performs a management oversight function. By law, it is not responsible for auditing the financial statements, as this function is performed by independent auditors selected by the Shareholders' Meeting.

Pursuant to Article 21 of the Bylaws, the Board of Statutory Auditors comprises three Statutory Auditors and two Alternates, all of whom are elected on the basis of slates of candidates to ensure that a Statutory Auditor and an Alternate are elected by minority shareholders. Only shareholders who, alone or together with other shareholders, hold a number of shares equal in the aggregate to at least 1% of the Company's shares that convey the right to vote at Regular Shareholders' Meetings are entitled to file slates of candidates.

At a meeting held on July 29, 2010, the Board of Directors adopted the mandatory amendments to the Bylaws required by Legislative Decree No. 27 of February 27, 2010 concerning the election of Directors and Statutory Auditors.

In accordance with Article 21 of the Bylaws, as amended by the Board of Directors on July 29, 2010, slates of candidates presented by the shareholders must be filed and published in accordance with the regulations published by the Consob, it being understood that this shall not affect the obligation to publish the slates in at least two of the newspapers referred to in Article 8 of the Bylaws and the Financial Times. Other issues concerning the methods and eligibility to file slates of candidates are governed by the provisions of Article 11 of the Bylaws, insofar as they are not in conflict with the provisions of Article 144-sexies, Section 5, of the Issuers' Regulations.

Together with each slate of candidates, shareholders must file and publish affidavits by which each candidate accepts to stand for election and attests, on his responsibility, that there is nothing that would bar the candidate's election or make the candidate unsuitable to hold office and that he has met the requirements for election to the respective office. Each candidate must file a curriculum vitae together with his affidavit, listing his personal and professional data.

Pursuant to Article 21 of Parmalat's Bylaws, the first 2 (two) candidates from the slate that received the highest number of votes and the first candidate from the slate with the second highest number of votes will be elected to the post of Statutory Auditor. The candidate from the slate with the second highest number of votes will serve as Chairman of the Board of Statutory Auditors. The first candidate from the slate with the highest number of votes and the first candidate from the slate with the second highest number of votes will be elected to the post of Alternate.

In case of a tie involving two or more slates, the oldest candidates will be elected to the post of statutory Auditor until all posts are filled.

If only one slate is filed, the candidates in that slate will be elected to the posts of Statutory Auditor and Alternate.

If a Statutory Auditor needs to be replaced, the vacancy will be filled by the Alternate elected from the same slate as the Auditor who is being replaced.

Lastly, if no slate of candidates is filed twenty-five days before the Shareholders' Meeting, or if only one slate is filed, or if no slate is filed by shareholders who are linked with each other

pursuant to Article 144-quinquies of the Issuer's Regulations, slates of candidates may be filed up to five days after the expiration of the 15-day deadline, as allowed by Article 144-*sexies* of the Issuer's Regulations. A specific disclosure shall be provided by means of a notice published the Company.

Statutory Auditors can also be selected among candidates who qualify as independent based on the criteria provided in the Code for Directors. The Board of Statutory Auditors will verify compliance with these criteria after the election and, subsequently, once a year. The results of this review process shall be disclosed in the Annual Report on Corporate Governance.

Individuals who, pursuant to laws or regulations, are not electable, are no longer allowed to remain in office or lack the required qualifications may not be elected Statutory Auditors and, if elected, must forfeit their office. The requirements of Article 1, Section 2, Letters b) and c), and Section 3 of Ministerial Decree No. 162 of March 30, 2000 apply when a candidate's professional qualifications refer, respectively, to the Company's area of business and to the fields of law, economics, finance and technology/science.
In addition to the other cases listed in the applicable law, individuals who serve as Statutory Auditors in more than 5 (five) companies whose shares are traded in regulated markets in Italy or who are in one of the situations described in the last paragraph of Article 11 of the Bylaws may not be elected Statutory Auditors and, if elected, must forfeit their office and, in particular it is not admitted to elect those individuals: (i) individuals against whom the Company or its predecessors in title have filed legal actions at least 180 (one hundred eighty) days prior to the date of the Shareholders' Meeting convened to elect the Board of Directors; (ii) individuals who, prior to June 30, 2003, served as Directors, Statutory Auditors, General Managers or Chief Financial Officers of companies that at time were part of the Parmalat Group; (iii) individuals who are defendants in criminal proceedings related to the insolvency of the Parmalat Group or who have been found guilty in such proceedings and ordered to pay damages, even if the decision is not final.

Statutory Auditors

The current Board of Statutory Auditors was elected by the Shareholders' Meeting on June 28, 2011. It will remain in office until the Shareholders' Meeting convened to approve the financial statements at December 31, 2013. The current Board of Statutory Auditors includes members elected by minority shareholders, because multiple slates were filed when elections were held in 2011.

The current Board of Statutory Auditors includes the following three Statutory Auditors:

Alfredo Malguzzi *Statutory Auditor*
Roberto Cravero *Statutory Auditor*
as Statutory Auditors drawn from the slate filed by Groupe Lactalis on March 18, 2011

and Mario Stella Richter (Chairman)
as candidate drawn from the Assogestioni slate, which received the second highest number of vote, and, consequently, pursuant to Article 21 of the Company Bylaws, was named Chairman of the Board of Statutory Auditors.

The following Alternate Statutory Auditors were also elected:

Andrea Lionzo *Alternate*
Michele Rutigliano *Alternate*
drawn from slates filed by Groupe Lactalis and Assogestioni on March 18, 2011.

The table that follows lists the main posts held by the Statutory Auditors.

NAME OF STATUTORY AUDITORS	POST HELD AT PARMALAT SPA	POSTS HELD AT OTHER COMPANIES AND ENTITIES
Mario Stella Richter	Chairman	■ Director and member of the Internal Control Committee of Snam SpA ■ Deputy Extraordinary Commissioner of SIAE
Alfredo Malguzzi	Statutory Auditor	■ Director of Autogrill SpA ■ Director of Benetton Group SpA ■ Director of Candy SpA ■ Director of FinecoBank SpA ■ Chairman of the Board of Directors LaGare SpA ■ Director of Borgo Scopeto and Tenuta Caparzo Srl Azienda Agricola ■ Statutory Auditor of Big Srl ■ Statutory Auditor of BNP Paribas Lease Group SpA ■ Chairman of the Board of Statutory Auditors of Fare Holding SpA ■ Statutory Auditor of Gruppo Lactalis Italia SpA ■ Statutory Auditor of SpA Egidio Galbani
Roberto Cravero	Statutory Auditor	■ Chairman of the Board of Statutory Auditors of Anthilia SGR SpA ■ Director of Banca Ifis SpA ■ Director of Cassa Lombarda SpA ■ Statutory Auditor of Ermenegildo Zegna Holditalia SpA ■ Director of Fiduciaria Orefici SIM spa

The Statutory Auditors currently in office, in addition to meeting the requirements of independence set forth in the Code, also meet the statutory requirements of integrity and professionalism.

The Board of Statutory Auditors in office until the Shareholders' Meeting of June 28, 2011 included the following three Statutory auditors:

Alessandro Dolcetti *Chairman*
Enzio Bermani *Statutory Auditor*
Renato Colavolpe *Statutory Auditor*

and two Alternates:

Marco Benvenuto Lovati *Alternate*
Giuseppe Pirola *Alternate (elected by the Shareholders' Meeting of April 1, 2010)*.

As part of the tasks that it is required to perform pursuant to law, the Board of Statutory Auditors verified that the criteria and procedures adopted by the Board of Directors to assess the independence of its members were being correctly applied.

At a meeting held on December 16, 2010, the Board of Statutory Auditors in office at that time verified whether its members continued to meet the independence requirements set forth in Guideline 10.C.2 of the Corporate Governance Code of Borsa Italiana for Statutory auditors, consistent with

the Code's independence requirements. The current Board of Statutory Auditors verified whether its members continued to meet the independence requirements at the meetings held on July 18, 2011 and March 8, 2012.

Information about the personal and professional backgrounds of the Statutory Auditors referred to in Article 144-*octies*, Letter "a", of the Issuers' Regulations, as cited in Article 144-*decies* of the Issuers' Regulations, is provided in Annex "B" to this Report.

In 2011, the Board of Statutory Auditors worked in close cooperation with the Internal Control and Corporate Governance Committee. The Chairman of the Board of Statutory Auditors, or another member of the Board, attended all Committee meetings.

In the performance of its duties, the Board of Statutory Auditors makes it a practice to coordinate its activities with the Internal Audit Department.

Lastly, the Board of Statutory Auditors monitored the independence of the firm of independent auditors.

In 2011, the Board of Statutory Auditors met 23 (twenty three) times, including 15 (fifteen) meetings attended by virtually all members of the Board of Statutory Auditors whose term of office ended on June 28, 2011 and 8 (eight) meeting attended by virtually all members of the Board of Statutory auditors elected on June 28, 2011. A breakdown of the meetings of the Board of Statutory Auditors is provided below:

STATUTORY AUDITORS	NUMBER OF MEETINGS ATTENDED IN 2011	ATTENDANCE PERCENTAGE
Alessandro Dolcetti	14	93.33
Enzio Bermani	14	93.33
Renato Colavolpe	13	86.67

STATUTORY AUDITORS	NUMBER OF MEETINGS ATTENDED IN 2011	ATTENDANCE PERCENTAGE
Mario Stella Richter	8	100.00
Alfredo Malguzzi	8	100.00
Roberto Cravero	7	87.50

Relationship with Shareholders

Parmalat's communication policy has always been based on providing a steady flow of information to institutional investors, shareholders and the market in general. The objective pursued by this approach to communications is to ensure the dissemination of complete, accurate and timely information on a regular basis.

The disclosure of information to investors, the market and the media is achieved by means of press releases; meetings with institutional investors and the financial community; and documents that are posted on the Company website: www.parmalat.com.

The Company supports any initiative that encourages the largest possible number of shareholders to attend Shareholders' Meetings and helps them exercise their rights. Accordingly, it publishes all

Notices of Shareholders' Meetings on the Company website and in at least two Italian newspapers with national circulation and the *Financial Times*, and makes material with relevant information available on its website, pursuant to law.

In addition to the opportunities provided by the Shareholders' Meetings, the Company's ongoing dialog with its shareholders is maintained by the Investor Relations Office.

Shareholders' Meeting

The Shareholders' Meeting of June 28, 2011, convened in Extraordinary Session, resolved to adopt the optional amendments to the Bylaws required by Legislative Decree No. 27 of January 27, 2010.

More specifically, it resolved to:

- Amend Article 8 of the Bylaws providing the Board of Directors with the option to convene the Ordinary and Extraordinary Shareholders' Meeting in a single session, should it deem it necessary;
- Amend article 9 of the Bylaws so that Parmalat may avail itself of the option to expressly designate one or more shareholder representatives, pursuant to Article 135-undicies of Legislative Decree No. 58 of February 24, 1998 (Uniform Financial Code) introduced by Legislative Decree No. 27 of January 27, 2010;
- Amend the title of the section concerning independent auditing, replacing "independent auditing" with "statutory independent audits of the financial statements" and, consequently, amend Article 23 of the Bylaws pursuant to Legislative Decree No. 39 of January 27, 2010;
- Lastly, approve the amended version of the Bylaws.

Pursuant to the Bylaws (Article 8), Shareholders' Meetings are convened by means of a notice published on the Company website, as well as by other means required by Consob regulations, and in two of the following newspapers: *Corriere della Sera*, *La Repubblica* or *Il Sole 24 Ore*, as well as in the *Financial Times*. The procedure for convening a Shareholders' Meeting, which may take place anywhere in Italy, including outside the municipality where the Company's registered office is located, and the manner by which shareholders may be represented at the meeting are governed by the applicable law. The Notice of Shareholders' Meeting must state the date of the Meeting's second or third calling. If such information is not provided, the Shareholders' Meeting must be convened on the second or third calling within 30 (thirty) days from the first or second calling, respectively, and the deadline required under Article 2366 of the Italian Civil Code may be shortened to 8 (eight) days.

In addition, the Company provides the public with information about the items on the Meeting's Agenda by making relevant material available at its headquarter, communicating it to Borsa Italiana through the NIS system and posting it on its website (www.parmalat.com).

As described in Article 9 of the Bylaws, the eligibility to attend the Shareholders' Meeting and exercise the right to vote shall be certified by means of a communication sent to the issuer by the intermediary, in accordance with the data in its accounting records, for the benefit of the party qualified to exercise the right to vote.
The abovementioned communication shall be sent by the intermediary, based on the corresponding evidence available at the expiration of the record date, seven stock market trading day before the date set for the first calling of the Shareholders' Meeting. Debit or credit entries posted to the accounting records after this deadline are irrelevant for purpose of determining the eligibility to exercise the right

to vote at the Shareholders' Meeting. The communication must reach the Company by the close of business three stock market trading day before the date set for the first calling of the Shareholders' Meeting or other deadline required by the Consob pursuant to regulations issued in concert with the Bank of Italy. However, shareholders will be eligible to attend the Shareholders' Meeting and vote even if the communications are delivered to the Company after the deadline set forth in this paragraph, provided they are delivered before a Shareholders' Meeting convened with a single notice is called to order.
Any shareholder who is entitled to attend the Shareholders' Meeting may be represented at the Meeting, pursuant to law, by means of a written or electronically conveyed proxy, when allowed by the applicable regulations and in the manner set forth therein. If electronic means are used, the notice of the proxy may be given using the page of the Company website provided for this purpose or in accordance with any other method listed in the notice of the Shareholders' Meeting.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors. If the Chairman is absent, Meetings are chaired by the Deputy Chairman (however, one has not been appointed at this point) or by a person elected by the Shareholders' Meeting.

Insofar as the handling of Shareholders' Meetings is concerned, thus far, the Company has chosen not to propose the adoption of specific Meeting Regulations, since the powers attributed to the Chairman of the Meeting pursuant to the Bylaws should be sufficient to enable the Chairman to conduct orderly Shareholders' Meetings. This approach avoids the risks and inconveniences that could result if the Shareholders' Meeting should fail to comply with all of the provisions of such Regulations.
Pursuant to Article 10 of the Bylaws, the Chairman is responsible for determining whether a Shareholders' Meeting has been properly convened, overseeing the Meeting's activities and discussions and verifying the outcomes of votes.

On the occasion of the Shareholders' Meeting, the Board of Directors reported on its past and planned activities and answered specific questions asked by shareholders. The Board has strived to provide shareholders with ample disclosures about issues that are relevant to the process of making informed decisions about matters over which the Shareholders' Meeting has jurisdiction.

In 2011, a Shareholders' Meeting was held on June 28, 2011 for the purpose of approving the 2010 Annual Report. The Shareholders' Meeting also elected a Board of Directors, the Chairman of the Board of Directors and a Board of Statutory Auditors, and approved amendments to the Bylaws.

Changes Occurring Since the End of the Reporting Year

The Company's system of corporate governance has not changed during the period between the end of the reporting year and the date when this Report was submitted for approval.

Information About Compliance with the Code

This Report also serves the purpose of providing a detailed disclosure of the Company's compliance with the recommendations of the Code and lists any deviations from said recommendation, providing reasons for these deviations.

Annex "A"

Equity investments held by members of the corporate governance bodies

FIRST AND LAST NAME	INVESTEE COMPANY	NUMBER OF SHARES HELD AT JANUARY 1, 2011	NUMBER OF SHARES BOUGHT IN 2011	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT DECEMBER 31, 2011
Directors					
Francesco Tatò	-	-	-	-	-
Yvon Guérin	-	-	-	-	-
Antonio Sala	-	-	-	-	-
Marco Reboa	-	-	-	-	-
Francesco Gatti	-	-	-	-	-
Daniel Jaouen	-	-	-	-	-
Marco Jesi	-	-	-	-	-
Riccardo Zingales	-	-	-	-	-
Ferdinando Grimaldi Quartieri	-	-	-	-	-
Gaetano Mele					
Nigel William Cooper	-	-	-	-	-
Statutory Auditors					
Mario Stella Richter	-	-	-	-	-
Alfredo Malguzzi	-	-	-	-	-
Roberto Cravero	-	-	-	-	-

Annex "B"

Personal and professional data of the members of the Board of Statutory Auditors

MARIO STELLA RICHTER – Chairman of the Board of Statutory Auditors

Born in Rome in 1965, he graduated from Università di Roma La Sapienza with a Law Decree; he later earned a Master of Laws from Columbia University, in New York, and a Doctorate in Economics Law from Università di Roma La Sapienza.
Since 2000, he is Tenured Professor of Commercial Law and since 2006 teaches at the Law School of Tor Vergata University in Rome. He is has published about 140 papers and other works.
He has been a practicing attorney since 1992 and a Court of Cassation lawyer since 2001. He is currently a Director SNAM s.p.a. and a member of its Internal Control Committee and serves as Deputy Extraordinary Commissioner of S.I.A.E.

ALFREDO MALGUZZI – Statutory Auditor

Born in Lerici (SP) in 1962, he graduated from Università Commerciale Luigi Bocconi with a Degree in Business Economics, Independent Professional Practice major. He is a member of the Italian Board of Certified Public Accountants and Accounting Experts and is listed in the Register of Independent Auditors. Areas if activity: taxation and corporate consulting services, with specialization in tax and corporate issues related to mergers and acquisitions, private equity and venture capital transactions, stock listings, international taxation, tax treatment of stock-based incentive plans, and tax disputes; he published several works on taxation. He is a Director of Autogrill SpA, Benetton Group SpA, Candy SpA, Finecobank SpA (Unicredito Italiano Group), LaGare SpA and Borgo Scopeto e Tenuta Caparzo Srl Società Agricola. He is a Statutory Auditor of Gruppo Lactalis Italia SpA, Egidio Galbani SpA, biG Srl, BNP PARIBAS Lease Group SpA and FARE Holding SpA (DeACapital Group).

ROBERTO CRAVERO – Statutory Auditor

Born in Occhieppo Inferiore (BI) in 1959, he graduated from Università degli Studi of Turin with a Degree in Business Economics on March 1983. He succeeded in the examinations of Certified Public Accountants in 1984, in Turin, and since that date he is listed in the Register of Certified Public Accountants of Biella.
He is Independent Auditor and he has also been a member of the Commission for the training of the Public Accountants at the National Certified Public Accountants for two mandates and Director of the Certified Public Accountants Register in Biella.
He is partner of Cravero & Associates Firm (five certified associated public accountants) with offices in Biella and Milan.
He is also a Member of Internal Control Committees and of the Statutory Auditors in banks, listed companies and industrial companies.

Key Events of 2011

Proposal of Settlement with PPL Partecipações Limitada in Bankruptcy

The settlement agreement between Parmalat S.p.A. and PPL Partecipações Limitada in Bankruptcy, formerly Parmalat Partecipações do Brasil Limitada, which was subject to several conditions, including acceptance by the creditors of PPL in bankruptcy, could not be implemented due to the objections of several creditors.

The Banks Indicted for Stock Manipulation in the Parmalat Bankruptcy Found Not Guilty

On April 18, 2011, the judges of the Second Criminal Section of the Court of Milan handed down a decision ruling that the four banks indicted for stock manipulation in the Parmalat bankruptcy - Morgan Stanley, Bank of America, Citibank and Deutsche Bank - were not guilty. A not-guilty verdict was also issued for five bank managers, for whom the prosecution had requested sentences ranging between one year and one year and four months.

Final Outcome of the Tender Offer

The voluntary, all inclusive tender offer (the "Offer") launched on April 26, 2011 for the common shares of Parmalat S.p.A. by Sofil S.a.s. directly and on behalf of B.S.A. S.A. and Groupe Lactalis S.A. ended in July 2011.

On the Offer price payment date (July 15, 2011), Sofil S.a.s., together with BSA and Groupe Lactalis S.A., owned a total of 1,448,214,141 common shares of Parmalat S.p.A., equal to 83.3% of the subscribed and paid-in share capital of Parmalat S.p.A. (currently, the ownership interest is 82.5%).

Standard & Poor's Ordered to Refund to Parmalat the Rating Fees It Received

By a decision filed on July 1, 2011, the Court of Milan allowed in part the claims put forth by Parmalat against "The MCGraw - Hill Companies" (Standard & Poor's), ordering that the defendant refund the fees it received for the "investment grade" rating it constantly awarded to the Group from November 2000 until 2003, shortly before the Group's collapse, amounting to 784,000 euros, and pay the plaintiff's legal costs. However, the Court denied the claim for damages and the counterclaims lodged by "The MCGraw – Hill Companies" (Standard & Poor's).

Cash Pooling Transaction

On October 6, 2011, the Board of Directors of Parmalat S.p.A. (hereinafter "Parmalat" or the "Company") unanimously approved the Company's inclusion in the cash pooling system of the Lactalis Group.

The purpose of this transaction is to optimize the use of financial resources - particularly in the case of short-term cash flows - at the Group level, while enabling Parmalat to retain maximum financial flexibility and a short-term investment profile, with higher rates of return than those currently available.

Under this system, the Group's liquid assets are centrally held by B.S.A. Finances snc ("BSA Finances"), a company under French law that is wholly owned by B.S.A. S.A. ("BSA"), the Group's Parent Company, either directly or through its subsidiaries.

Parmalat and BSA Finances are related parties, as they are both controlled by BSA.

The cash pooling system is of the zero-balance type, pursuant to which credit and debit balance in the individual current accounts of Group companies are transferred daily to one or more bank current accounts established in the name of BSA Finances, the system's central company.
The Board of Directors assessed and approved this transaction in accordance with the most stringent criteria and procedures applicable to related-party transactions and, consequently, consistent with the requirements for highly material transactions of Consob Regulation No. 17221 of March 12, 2010 (Related-party Transaction Regulation) and the Procedure Governing Related-party Transactions approved by Parmalat's Board of Directors on November 11, 2010.

Events Occurring After December 31, 2011

Investment Held by Parmalat in Centrale del Latte di Roma

In March 2010, after a series of contrasting decisions by administrative judges, the Council of State voided the procedure launched and finalized in 1998 by the City of Rome to privatize Centrale del Latte di Roma. Parmalat appealed this decision before the Court of Cassation, which, convened in Joint Sections mode, ruled, by a decision handed down on January 27, 2012, that the appeal was inadmissible. This decision by the Joint Sections of the Court of Cassation does not undermine the position argued by Parmalat, namely that the ownership of a majority of the shares of Centrale cannot automatically "revert" to the City of Rome simply because the documents of the bidding process and the subsequent transactions for the sale of the shares to the Parmalat Group by the Cirio Group, finalized in July 1999, were declared null and void. This is because Parmalat, the current owner of the shares, acquired title to the share by virtue of events totally unrelated to the initial sale. These civil law issues will be decided by the Lower Court of Rome upon the conclusion of the lawsuit filed by Parmalat in January 2011. In this lawsuit, the plaintiff is also asking, subordinately, that the Court recognize Parmalat's right to receive from the City of Rome compensation equal to the increase in value created, ordering the City of Rome to pay to Parmalat all reimbursements and indemnities owed for improvements made. On November 14, 2011, Ariete Fattoria Latte Sano filed a motion for determination of jurisdiction with the Court of Cassation, arguing that the civil law judge lacked jurisdiction and that it is indeed the administrative judge who has jurisdiction. Parmalat filed a counter motion: a hearing for oral arguments has been scheduled for May 8, 2012. On March 20, 2012, the Council of State issued a ruling with regard to the motion for compliance filed by Ariete Fattoria Latte Sano and the City of Rome, finding that it has jurisdiction over the claim for restitution of the Centrale del Latte di Roma shares filed by the City of Rome and ordering Parmalat to return the Centrale del Latte di Roma shares to the City of Rome. On March 27, 2012, Parmalat, pending a decision in the lawsuit it filed before the Rome Lower Court, filed a motion with the Court of Cassation challenging the decision by the Council of State on the grounds of lack of jurisdiction. On March 23, 2012, Parmalat filed a motion with the Rome Lower Court asking for the judicial impoundment of the Centrale del Latte shares while the lawsuit is in progress. The motion was denied and this decision is being challenged in a complaint filed on April 2, 2012.

Liquidity Payment Agreement

On June 29, 2004, Parmalat Canada Inc. (successor to Parmalat Dairy & Bakery Inc.) ("Parmalat Canada") entered into a loan agreement with the Ontario Teachers' Pension Plan Board ("OTPPB") for a facility in the amount of 530 million Canadian dollars, maturing on June 29, 2007 and accruing interest at an annual rate of 13%, and a liquidity payment agreement ("LPA") expiring in June 2011. On July 7, 2006, the Board of Directors of Parmalat Canada agreed to proceed with the early repayment of the loan, which required the payment of a penalty of 8.4 million Canadian dollars. However, the parties failed to proceed with an early termination of the LPA, which included, inter alia, Parmalat Canada's

obligation to pay to OTPPB an amount equal to 10% of Parmalat Canada's Net Value, as defined in the LPA, if a Liquidity Event, also as defined in the LPA, were to occur prior to the expiration date of the LPA (June 29, 2011). A Liquidity Event could occur, inter alia, if an Indirect Change of Control, as defined in LPA, were to take place while the LPA was in effect. On July 21, 2011, OTPPB filed for arbitration pursuant to the terms of the LPA, claiming that it was owed a Liquidity Payment, due to the resolutions adopted by the Shareholders' Meeting on June 28, 2011.

Parmalat's position was that no Liquidity Event occurred (i) as a result of the acquisition by the Lactalis Group of a 28.97% interest in the share capital of Parmalat S.p.A.; or because (ii) the Tender Offer by the Lactalis Group was launched after the Shareholders' Meeting of June 28, 2011; or due to the fact (iii) that the election of a majority of the members of the Board of Directors by the Lactalis group was due merely to the fact that no shareholder controlled a larger percentage of the votes.

On March 26, 2012, the proceedings' Sole Arbitrator handed down an award favorable to OTPPB, having found that an Indirect Change of Control did occur on June 28, 2011, with the election of the Board of Directors by the Shareholders' Meeting of Parmalat S.p.A. The Arbitrator did not issue a ruling with regard to the amount of the payment owed to OTPPB, since this issue was not the subject of the arbitration proceedings, indicating that his involvement would be needed only if the parties fail to reach an agreement.

The arbitration award is final and cannot be appealed. Therefore, even though Parmalat believes that all available revision options should be verified, in accordance with the Arbitrator's award, it evaluated the liability and recognized in the financial statements of the Canadian subsidiary and in the consolidated financial statements of the Group a provision for risks, whose net effect on the result for the year amounts to 53.9 million euros.

Parmalat vs. Citigroup, Inc. et al.

On December 22, 2011, the New Jersey Appellate Division upheld the decision denying the claim filed by Parmalat on July 29, 2004 for damages owed by Citigroup for joint liability and violation of its fiduciary duties in connection with the improper disbursements that occurred at Parmalat before December 2003. In addition, the Court of Appeals confirmed the award of damages to Citibank in the amount of 364 million U.S. dollars, plus interest, for its claims against Parmalat. Consistent with the decision handed down by the New York Bankruptcy Court, Citigroup will have to submit its claim to the Parma Bankruptcy Court asking it to execute the decision by the U.S. court. If the Parma Bankruptcy Court, if and when such action is appropriate, asking it to enforce the decision of the U.S. court. Should the Parma Bankruptcy Court proceed accordingly, Citibank would receive Parmalat shares valued at about 7% of the amount it was awarded. On January 10, 2012, Parmalat filed a motion asking that it be allowed to challenge the decision of the Court of Appeals before the Supreme Court of New Jersey. On February 17, 2012, the National Association of Bankruptcy Trustees filed an amicus brief in support of Parmalat's position.

Grant Thornton

The Federal Court of Appeals for the Second Circuit returned to the New York Federal District Court the lawsuit filed by Parmalat against Grant Thornton, asking it to reconsider, in accordance with correct principles of law, the motion for abstention filed by Parmalat. The Federal Court confirmed its earlier decision. The proceedings were then returned to the Court of Appeals, which handed down a favorable decision on February 21, 2012, ruling that the lawsuit should continue before the Illinois State Court.

Amendments to the Financial Statements Due to the Council of State Decision and the Canadian Arbitration Award

On March 9, 2012, the Board of Directors approved the draft statutory financial statements and the consolidated financial statements for 2011, with the accompanying report on operations. On April 5, 2012, the Board of Directors met to consider the potential need to amend the financial statements and the accompanying reports, due to the decision by the Council of State in the proceedings regarding Centrale del Latte di Roma and the Canadian arbitration award, agreeing to reconvene on April 11, 2012 to adopt the appropriate resolutions. Also on April 5, 2012, both the Independent Auditors *PricewaterhouseCoopers* and the Board of Statutory Auditors withdrew their respective reports, pending further resolutions by the Board of Directors. Also on April 5, 2012, the certifications provided by the Corporate Accounting Documents Officer and the Chief Executive Officer pursuant to Article *81-ter* of Consob Regulation No. 11971 (which cites by reference Article *154-bis*, Section 5, of the Uniform Financial Code) of May 14, 1999, as amended, were also withdrawn. On April 13, 2012, the Board of Directors of Parmalat S.p.A. adopted resolutions agreeing to approve the Report on Operations, refrain from amending the 2011 statutory financial statements and, taking into account the review performed by the Canadian subsidiary, update the 2011 consolidated financial statements for the effects of the Canadian arbitration award. In adopting these resolutions on April 13, 2012, the Board of Directors relied on legal opinions provided to the Company by highly respected counsel.

Business Outlook

In the current year, the Group's activities are focused on increasing sales volumes and revenues. Marketing activities that target the Group's primary brands and programs to strengthen its presence in market segments with high growth rates, albeit with lower profit margins, are already being deployed in support of this goal. An acceleration in the implementation of innovation-oriented projects is another important element in the effort to stimulate growth.

Programs already under way to contain costs along the entire value chain, which, consequently, will affect the procurement, transformation, distribution and service processes, are aimed at freeing resources to support growth, while maintaining and adequate profitability profile.

Guidance

At constant exchange rates, estimates for 2012 call for net revenues in growth of 3%-5% compared with 2011 and EBITDA in growth of 2%-3% compared with 2011.

This document contains forward looking statements, particularly in the section entitled "Business Outlook." Projections for 2012 are based on the Group's performance in the fourth quarter of 2011 and on trends at the beginning of this year. The Group's performance is also affected by changes in exogenous variables that Could have an unpredictable impact on its reported results: these variables, which reflect the peculiarities of the different countries where the Group operates, are related to developments concerning weather conditions and the economic, socio-political and regulatory framework.

Motion Submitted by the Board of Directors to the Shareholders' Meeting

Dear Shareholders:

We recommend that you:

(i) approve the annual financial statements at December 31, 2011, which show a net profit of 188,701,162 euros, and the report on operations for the same year;

(ii) allocate 5% of the year's net profit, amounting to 9,435,058 euros, to the statutory reserve;

(iii) appropriate:
a) 50% of the remaining net profit as a dividend for a rounded up amount of 0.052 euros on each of the 1,755,432,531 common shares outstanding at March 19, 2012 (net of the 2,049,096 own shares attributed to creditors who failed to identify themselves and which, pursuant to Article 9.4 of the Composition with Creditors, have reverted to the Company), which amounts to 91,282,492 euros;
b) the remaining 87,983,612 euros as retained earnings.

The dividend of 0.052 euros per share, corresponding to Coupon No. 8, will be payable on June 21, 2012, record date June 18, 2012.

Collecchio, April 13, 2012

The Board of Directors
by: Francesco Tatò
Chairman

Yvon Guérin
Chief Executive Officer

Parmalat S.p.A.

Financial Statements at December 31, 2011


lasce da Parmalat la linea
il Latte del Benessere.
Chiedi di più al tuo latte.
Il Latte del Benessere
Fibresse
Calcium Plus
Omega 3 Plus
parmalat
parmalat
parmalat
parmalat
Il latte oggi.

Statement of Financial Position

ASSETS

NOTE	(€)	12.31.2011	12.31.2010
	NON-CURRENT ASSETS	**1,403,123,552**	**1,466,706,661**
(1)	Goodwill	183,994,144	183,994,144
(2)	Trademarks with an indefinite useful life	170,000,000	178,000,000
(3)	Other intangibles	14,685,016	16,510,043
(4)	Property, plant and equipment	147,459,331	155,853,008
(5)	Investments in associates	807,852,797	766,121,859
(6)	Other non-current financial assets	41,588,010	126,713,028
	amount of intercompany and related-party financial receivables	*37,949,565*	*123,219,608*
(7)	Deferred-tax assets	37,544,254	39,514,579
	CURRENT ASSETS	**1,930,434,996**	**1,726,382,350**
(8)	Inventories	46,335,051	42,645,132
(9)	Trade receivables	188,522,772	188,856,696
	amount of intercompany and related-party receivables	*14,482,630*	*28,894,911*
(10)	Other current assets	129,205,025	143,182,499
	amount of intercompany and related-party receivables	*1,325,260*	*299,405*
(11)	Current financial assets	1,482,282,877	1,217,205,774
	amount of intercompany and related-party receivables	*1,462,224,178*	*82,818,345*
(12)	Cash and cash equivalents	84,089,271	134,492,249
	Available-for-sale assets	**0**	**0**
	TOTAL ASSETS	**3,333,558,548**	**3,193,089,011**

LIABILITIES

NOTE	(€)	12.31.2011	12.31.2010
	SHAREHOLDERS' EQUITY	**3,024,019,767**	**2,860,062,519**
(13)	Share capital	1,755,401,822	1,732,915,571
(14)	Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	153,685,373	153,746,500
(15)	Statutory reserve	87,784,504	81,370,395
(16)	Other reserves and retained earnings	838,446,906	763,747,866
(17)	Profit for the year	188,701,162	128,282,187
	NON-CURRENT LIABILITIES	**96,251,929**	**98,154,657**
(18)	Long-term borrowings	461,240	1,922,009
(19)	Deferred-tax liabilities	34,263,061	29,980,843
(20)	Provisions for post-employment benefits	24,210,615	25,298,802
(21)	Provisions for risks and charges	31,247,340	36,521,519
(22)	Provision for contested preferential and prededuction claims	6,069,673	4,431,484
	CURRENT LIABILITIES	**213,286,852**	**234,871,835**
(23)	Short-term borrowings	3,774,604	4,756,265
	amount of intercompany and related-party financial payables	*2,248,847*	*2,263,588*
(24)	Trade payables	164,388,536	184,469,478
	amount of intercompany and related-party payables	*11,170,958*	*16,738,348*
(25)	Other current liabilities	45,123,712	45,646,092
	amount of intercompany and related-party payables	*478,101*	*274,411*
(26)	Income taxes payable	0	0
	Liabilities directly attributable to available-for-sale assets	**0**	**0**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,333,558,548**	**3,193,089,011**

Income Statement

NOTE	(€)	2011	2010
	REVENUES	**856,509,301**	**859,344,897**
(27)	Net sales revenues	820,716,501	820,548,165
	amount from intercompany and related-party transactions	*27,678,303*	*42,201,586*
(28)	Other revenues	35,792,800	38,796,732
	amount from intercompany and related-party transactions	*11,994,386*	*13,503,678*
(29)	Cost of sales	(569,458,592)	(555,495,662)
	amount from intercompany and related-party transactions	*(25,896,378)*	*(48,120,346)*
(30)	Distribution costs	(178,568,619)	(195,861,881)
	amount from intercompany and related-party transactions	*(1,162,389)*	*(6,761,004)*
(31)	Administrative expenses	(84,320,097)	(82,192,735)
	amount from intercompany and related-party transactions	*(1,309,434)*	*(201,564)*
(32)	Other (income) expense	38,606,722	80,119,856
	amount from intercompany and related-party transactions	*(353,925)*	*0*
(33)	Litigation-related legal expenses	(8,035,479)	(9,217,370)
(34)	Additions to/Reversals of provisions for losses of associates	(27,296,175)	1,331,719
	EBIT	**27,437,061**	**98,028,824**
(35)	Financial income	27,306,154	15,278,261
	amount from intercompany and related-party transactions	*12,385,860*	*2,226,319*
(35)	Financial expense	(1,034,808)	(1,983,944)
(36)	Other income from (Expense for) equity investments	165,991,162	42,406,606
	amount from intercompany and related-party transactions	*165,990,269*	*41,941,136*
	PROFIT BEFORE TAXES	**219,699,569**	**153,729,747**
(37)	Income taxes	(30,998,407)	(25,447,560)
	PROFIT FROM CONTINUING OPERATIONS	**188,701,162**	**128,282,187**
	NET PROFIT FOR THE YEAR	**188,701,162**	**128,282,187**

Statement of Comprehensive Income

(€)	2011	2010
Net profit for the year (A)	**188,701,162**	**128,282,187**
Other components of the comprehensive income statement		
Change in fair value of available-for-sale securities, net of tax effect	15,396,288	0
Total other components of the comprehensive income statement, net of tax effect (B)	**15,396,288**	**0**
Total comprehensive net profit (loss) for the year (A) + (B)	**204,097,450**	**128,282,187**

Statement of Cash Flows

NOTE	(€ K)	2011	2010
	OPERATING ACTIVITIES		
	Profit (Loss) from operating activities	188,701	128,282
(38)	Depreciation, amortization and writedowns of non-current assets	38,634	43,954
	Additions to provisions	73,925	47,792
	Interest and other financial expense	508	1,908
	Non-cash (income) expense items	(49,424)	(45,223)
	(Gains) Losses on divestments	0	120
(36)	Accrued dividends	(165,991)	(42,527)
(32)	Proceeds from actions to void and actions for damages	(11,963)	(46,119)
(33)	Litigation-related legal expenses	8,035	9,217
	Cash flows from operating activities before change in working capital	**82,425**	**97,404**
	Changes in net working capital and provisions:		
	Operating working capital	(26,153)	(9,538)
	Payments of income taxes on operating results	(3,800)	(5,211)
	Other assets/Other liabilities and provisions	11,247	(21,882)
	Total change in net working capital and provisions	**(18,706)**	**(36,631)**
	CASH FLOWS FROM OPERATING ACTIVITIES	**63,719**	**60,773**
	INVESTING ACTIVITIES		
	Investments:		
(3)	*- Intangibles*	*(4,814)*	*(10,229)*
(4)	*- Property, plant and equipment*	*(15,601)*	*(28,266)*
(5) (6)	*- Non-current financial assets*	*72,694*	*(69,987)*
	CASH FLOWS FROM INVESTING ACTIVITIES	**52,279**	**(108,482)**
	PROCEEDS FROM SETTLEMENTS	**12,189**	**48,726**
	INCOME TAXES PAID ON PROCEEDS FROM SETTLEMENTS	**(19,000)**	**(60,901)**
	LITIGATION-RELATED LEGAL EXPENSES	**(9,878)**	**(13,365)**
	PROCEEDS FROM DIVESTMENTS AND SUNDRY ITEMS	**0**	**924**
	DIVIDENDS RECEIVED	**160,242**	**39,034**
	FINANCING ACTIVITIES		
	New loans (finance leases and other transactions)	0	0
	Repayment of principal and interest due on loans and finance leases	(2,950)	(6,676)
	(Investments in) / Divestments of other current assets that mature later than three months after the date of purchase	(266,531)	(1,438)
	Dividends paid	(62,898)	(111,759)
	Exercise of warrants	22,425	5,249
	Other changes in shareholders' equity	0	(41)
	CASH FLOWS FROM FINANCING ACTIVITIES	**(309,954)**	**(114,665)**
	INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS FROM JANUARY 1 TO DECEMBER 31	**(50,403)**	**(147,956)**
(12)	**CASH AND CASH EQUIVALENTS AT JANUARY 1**	**134,492**	**282,448**
	Increase (decrease) in cash and cash equivalents from January 1 to December 31	**(50,403)**	**(147,956)**
(12)	**CASH AND CASH EQUIVALENTS AT DECEMBER 31**	**84,089**	**134,492**

Net interest income earned during the year: 18,413,576 euros.

Statement of Changes in Shareholders' Equity

The schedule below shows the changes that occurred in the Company's shareholders' equity in 2010 and 2011:

			OTHER RESERVES	
	SHARE CAPITAL	RESERVE CONVERTIBLE INTO SHARE CAPITAL[1]	STATU-TORY RESERVE	RES. FOR DIVIDENDS TO CHALLENGES AND CONDIT. CLAIMS
Balance at January 1, 2010	**1,712,558**	**168,855**	**62,730**	**25,932**
Share capital incr. from convertible reserves	15,108	(15,108)		
Allocation of shares to subscribers of warrants in 2009	41			
Exercise of warrants	5,208			
Appropriation of the 2009 profit			18,640	
2009 dividend				
Net profit for 2010				
Balance at December 31, 2010	**1,732,915**	**153,747**	**81,370**	**25,932**
Share capital incr. from convertible reserves	62	(62)		
Change in the fair value of available-for-sale securities				
Exercise of warrants	22,425			
Appropriation of the 2010 profit			6,414	
2010 dividend				
Net profit for 2011				
Balance at December 31, 2011	**1,755,402**	**153,685**	**87,784**	**25,932**
Note reference	*(13)*	*(14)*	*(15)*	*(16)*

(1) For creditors challenging exclusions and late-filing creditors.

(2) Limited to the amount of 65,723,000 euros (35,141,000 euros as per Shareholders' Meeting resolution of April 29, 2007 and 30,582,000 euros as per Shareholders' Meeting resolution of April 9, 2008), this reserve can be used to satisfy claims of late filing creditors and contested claims, when such claims are verified.

(€ K)

AND RETAINED EARNINGS				
SHARES SUBSCRIBED THROUGH EXERCISE OF WARRANTS	SUNDRY RESERVES[2]	INTERIM DIVIDEND	PROFIT (LOSS) FOR THE YEAR	SHAREHOLDERS' EQUITY
41	**562,358**	**(69,827)**	**372,802**	**2,835,448**
				0
(41)				0
				5,208
	175,458		(194,098)	0
		69,827	(178,704)	(108,877)
			128,282	128,282
0	**737,816**	**0**	**128,282**	**2,860,063**
				0
	15,396			15,396
				22,425
	59,303		(65,717)	0
			(62,565)	(62,565)
			188,701	188,701
0	**812,515**		**188,701**	**3,024,020**
	(16)		*(17)*	

Notes to the Separate Financial Statements

Foreword

The registered office of Parmalat S.p.A. is located in Italy, at 4 Via delle Nazioni Unite, in Collecchio (province of Parma). Its shares are traded on the Online Stock Market operated by Borsa Italiana. Parmalat S.p.A. is controlled by Sofil S.a.s., a French company, member of the Lactalis Group that owns 82.4% of Parmalat's share capital. Parmalat S.p.A. and its subsidiaries are organized into a food industry group that pursues a multinational strategy. The Group operates in 16 countries worldwide divided into five geographic regions: Europe, North America, Central and South America, Africa and Australia. The Group has an extensive and well structured product portfolio organized into three segments: *Milk* (UHT, pasteurized, condensed, powdered and flavored milk; cream and béchamel), *Dairy Products* (yogurt, fermented milk, desserts, cheese and butter) and *Fruit Beverages* (fruit juices, nectars and tea).
The Group is a world leader in the UHT milk and pasteurized milk market segments and has attained a highly competitive position in the rapidly growing market for fruit beverages. The Group benefits from strong brand awareness. The products in its portfolio are sold under global brands (Parmalat and Santàl), international brands (Zymil, Fibresse, PhisiCAL, Omega3 and Vaalia) and a number of strong local brands.
Parmalat is a company with a strong innovative tradition: the Group has been able to develop technologies in the leading segments of the food market, including UHT milk, ESL (extended shelf life) milk, conventional types of milk, functional fruit juices (fortified with wellness supplements) and cream-based white sauces.

The separate financial statements for the year ended December 31, 2011 are denominated in euros, which is the Company's reporting currency. They consist of a consolidate statement of financial position, an income statement, a statement of comprehensive income, a statement of cash flows, a statement of changes in shareholders' equity and the accompanying notes. All of the amounts listed in these notes are in millions of euros, except as noted.

PricewaterhouseCoopers S.p.A. audits the separate financial statements in accordance with an assignment it received by a resolution of the Shareholders' Meeting of March 15, 2005, as extended for the 2008-2013 period by the Shareholders' Meeting of April 28, 2007.

The Board of Directors first authorized the publication of these separate financial statements on March 9, 2012. Following the impact of the decision of the State Council on the subsidiary Centrale del Latte di Roma SpA and the Canadian arbitration award in favor of the fund Ontario Teachers Pension Plan Board, the Board of Directors met again to review and approve updates to be introduced in the financial statements and accompanying reports, authorizing the publication on April 13, 2012.

Format of the Financial Statements

In the statement of financial position, assets and liabilities are classified in accordance with the "current/non-current" approach, and "Available-for-sale assets" and "Liabilities directly attributable to available-for-sale assets" are shown as two separate line items, as required by IFRS 5.

The income statement is presented in a format with items classified "by destination", which is deemed to be more representative than the presentation by type of expense and is consistent with international practice in the food industry. Moreover, as required by IFRS 5, the profit (loss) from continuing operations is shown separately from the profit (loss) from discontinuing operations.

In the income statement presented in the abovementioned format "by destination," the EBIT breakdown includes separate listings for operating items and for income and expense items that are the result of transactions that occur infrequently in the normal course of business, such as income from actions to void in bankruptcy and actions for damages, litigation-related legal expenses, restructuring costs and any other nonrecurring income and expense items. This approach is best suited for assessing the actual performance of the Company's operations.

The statement of comprehensive income reflects, in addition to the result for the year, as per the income statement, changes in shareholders' equity other than those from transactions with shareholders.

The statement of cash flows was prepared in accordance with the indirect method.

Lastly, on the balance sheet, income statement and cash flow statement, the amounts attributable to positions or transactions with related parties are shown separately from the totals for the corresponding line items, as required by Consob Resolution No. 15519 of July 27, 2006.

Principles for the Preparation of the Separate Financial Statements

These separate financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") and adopted by the European Commission as they apply to the preparation the separate financial statements of companies whose equity and/or debt securities are traded on a regulated market in the European Union.

The abbreviation IFRSs means all of the International Financial Reporting Standards; all of the International Accounting Standards ("IAS"); and all of the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC"), as approved by the European Commission through the date of the meeting of the Board of Directors convened to approve the financial statements and incorporated in Regulations issued up to that date.

As a general rule, the separate financial statements are prepared in accordance with the historical cost principle, except in the case of those items for which, as explained in the valuation criteria, the IFRSs require measurement at fair value.

The following accounting principles, amendments and interpretations, as adopted by the European Commission, went into effect on January 1, 2011:

Amendments to IAS 32 – Classification of Rights Issues

Amendments to IAS 24 – Related-party Disclosures

Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement

Amendments to IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Minor revisions to the IFRSs ("IFRS improvements" – issued in 2010)

However, these accounting principles, amendments and interpretations apply to situations and issues that did not exist within the Company or, otherwise, did not have a material effect on the Company as of the date of these financial statements.

New Accounting Principles and Interpretations Approved by the E.U. But Not Yet in Effect

In 2011, the European Commission approved and published the following new accounting principles, amendments and interpretations, which supplement those approved and published by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Amendments to IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Asset (applicable to reporting periods beginning on or after July 1, 2011). The adoption of this amended version will have no impact on the valuation of items listed on the financial statements.

Valuation Criteria

The main valuation criteria adopted in the preparation of the consolidated financial statements at December 31, 2011 are reviewed below.

CURRENT ASSETS

Inventories

Inventories are carried at the lower of purchase/production cost or net realizable value, which is the amount that an enterprise expects to receive by selling these items in the normal course of business. The cost of inventories is determined by the weighted average cost method.

The value assigned to inventories includes direct costs for material and labor and a reasonably attributable portion of (fixed and variable) indirect production costs. When appropriate, provisions are recognized to account for obsolete or slow-moving inventory. If the circumstances that justified the recognition of the abovementioned provisions cease to apply or if there are clear indications that the net realizable value of the items in question has increased, the provisions are reversed for the full amount or for a portion thereof, so that the new carrying value is equal to the purchase or production cost of the items in question or their realizable value on the date of the financial statements, whichever is lower.

Financial expense incurred in connection with the purchase or production of an asset in large quantities and on a repetitive basis are charged in full to earnings, even if the asset in question, because of its nature, requires a significant length of time before it can be readied for sale.

Cash and Cash Equivalents

Cash and cash equivalents consist mainly of cash on hand, sight deposits with banks, other highly liquid short-term investments (that can be turned into cash within 90 days from the date of purchase) and overdraft facilities. Overdraft facilities are listed as current liabilities. The components of net cash are valued at fair value and any gains or losses are recognized in earnings.

NON-CURRENT ASSETS

Property, Plant and Equipment

Property, plant and equipment is recognized in accordance with the cost method and carried at purchase or production cost, including directly attributable incidental expenses that are necessary to make the assets available for use. Asset purchase or production costs are shown before deducting attributable capital grants, which are recognized when the conditions for their distribution have been met.

Assets acquired under finance leases, pursuant to which substantially all of the risks and benefits inherent in ownership are transferred to the Company, are recognized as components of property, plant and equipment at their fair value or at the present value of the minimum payments due pursuant to the lease, whichever is lower. The corresponding liability toward the lessor, which is equal to the aggregate principal included in the lease payments that are outstanding, is recognized as a financial liability. When there is no reasonable certainty that the Company will exercise its buyout option, the asset is depreciated over the life of the lease, if it is shorter than the asset's useful life.

Leases that require the lessor to retain substantially all of the risks and benefits inherent in ownership are classified as operating leases. The costs incurred for operating leases are recognized in earnings on a straight line over the life of the lease.

Property, plant and equipment is depreciated on a straight line over the useful life of the assets. The estimated useful life is the length of time during which the Company expects to use an asset. When an asset classified as property, plant and equipment consists of several components, each with a different useful life, each component should be depreciated separately. The amount to be depreciated is the asset's carrying value, less the asset's net realizable value at the end of its useful life, if such value is material and can be reasonably determined.

Land, including land purchased together with a building, is never depreciated.

Costs incurred for improvements and for modernization and transformation projects that increase the useful lives of assets are added to the assets' value and depreciated over their remaining useful lives.

The costs incurred to replace identifiable components of complex assets are recognized as assets and depreciated over their useful lives. The residual carrying value of the component that is being replaced is charged to income. The cost of regular maintenance and repairs is charged to income in the year it is incurred.

When an item of property, plant and equipment is affected by events that are presumed to have impaired its value, the recoverability of the affected asset should be tested by comparing its carrying value with its recoverable value, which is the larger of the asset's fair value, net of disposal costs, and its value in use.

Absent a binding sales agreement, fair value is determined based on the valuations available from recent transactions in an active market or based on the best available information that can be used to determine the amount that the Company could obtain by selling a given asset.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, if significant and reasonably measurable, and from its disposal at the end of its useful life. Cash flows should be determined based on reasonable and documentable assumptions that represent a best estimate of future economic conditions over the remaining useful life of an asset. The present value is determined by applying a rate that takes into account the risks inherent in the Company's business.

When the reason for a writedown ceases to apply, the affected asset is revalued and the adjustment is recognized in the income statement as a revaluation (reversal of writedown) in an amount equal to the writedown made or the lower of the asset's recoverable value or its carrying value before previous writedowns, but reduced by the depreciation that would have been taken had the asset not been written down.

Depreciation begins when an asset is available for use, i.e., the moment when this condition actually occurs.

The estimated useful lives of the various types of assets are as follows:

	USEFUL LIFE
Buildings	10 - 25 years
Plant and machinery	5 - 10 years
Office furniture and equipment	4 - 5 years
Other assets	3 - 8 years
Leasehold improvements	Length of lease

Financial expense incurred in connection with the purchase or production of an asset that, because of its nature, requires a significant length of time before it can be readied for use or sale are capitalized until the asset is put into use.

Intangibles

Intangible assets are identifiable, non-monetary assets without physical substance that are controllable and capable of generating future benefits.

Intangibles are recorded at cost, which is determined by using the same criteria as those used for property, plant and equipment.

Intangibles with a finite useful life are amortized on a straight line according to an estimate of the length of time the Company will use them. The recoverability of their carrying value is tested using the criteria provided above for property, plant and equipment.

(i) Goodwill

Goodwill represents the portion of the purchase price paid in excess of the fair value on the date of acquisition of the assets and liabilities that comprise a company or business. Goodwill is not amortized on a straight line. However, its carrying amount should be tested at least once a year for impairment losses. Such tests are carried out based on the individual cash generation units to which goodwill has been allocated. Goodwill is written down when its recoverable value is lower than its carrying amount. Recoverable value is the greater of the fair value of a cash generating unit, net of the cost to sell it, and its value in use, which is equal to the present value of future cash flows generated by the cash generating unit during its years of operation and by its disposal at the end of its useful life. Writedowns of goodwill may not be reversed subsequently.

If a writedown required by the results of an impairment test is greater than the value of the goodwill allocated to a given cash generating unit, the balance is allocated among the assets included in the cash generating unit, proportionately to their carrying amounts. The minimum limit of such an allocation is the greater of the following two amounts:

- the fair value of an asset, net of the cost to sell it;
- an asset's value in use, as defined above.

(ii) Industrial Patents and Intellectual Property Rights, Licenses and Similar Rights

The costs incurred to acquire industrial patents and intellectual property rights, licenses and similar rights are capitalized in the amounts actually paid.

Amortization is computed on a straight line so as to allocate the costs incurred to acquire the abovementioned rights over the expected period of utilization of the rights or the lengths of the underlying contracts, counting from the moment the purchase right is exercisable, whichever is shorter.

(iii) Trademarks
At this point, it is impossible to set a time limit to the cash flow generating ability of trademarks recognized on the consolidated balance sheet that are strategically important and for which a registration application has been on file for at least 10 years. These trademarks are deemed to have an indefinite useful life. Consequently, they are not amortized but are tested for impairment once a year.

Other trademarks that are not deemed to perform an unlimited strategic function for the Company are valued at cost and amortized over five years.

(iv) Software Costs
The costs incurred to develop and maintain software are charged to income in the year they are incurred. Costs that can be attributed directly to the development of unique software capable of generating future benefits over a period of more than one year are capitalized as an intangible asset. Direct costs, which must be identifiable and measurable, include labor costs for employees who worked on developing the software in question and an appropriate pro rata share of overhead, if applicable. Amortization is computed over the software's estimated useful life, which is deemed to be five years.

INVESTMENTS IN ASSOCIATES

Investments in subsidiaries, joint ventures and affiliated companies are valued at cost, adjusted for impairment losses.

Other investments in associates are valued at their fair value. When their fair value cannot be determined reliably, investments are valued at cost, adjusted for impairment losses.

The risk that arises from losses in excess of an investment's carrying value is recognized in a special reserve in an amount commensurate to the Company's commitment to honor the legal or implied obligations of the investee company or to cover its losses.

FINANCIAL ASSETS

When initially entered in the accounting records, financial assets other than investments in associates are recognized based on their maturity classified under one of the following categories:

- **Financial Assets Valued at Fair Value, with Changes in Value Recognized in Earnings: This category includes:**
  - financial assets that are purchased mainly to resell them over the short term;
  - financial assets that are earmarked for inclusion in this category upon initial recognition, provided they meet the applicable requirements;
  - derivatives, except for derivatives that are designated as cash flow hedges and limited to their effective portion.

Financial assets that are included in this category are measured at fair value and any changes in fair value that occur while the Company owns them are recognized in earnings. Financial instruments included in this category are classified as short term if they are "held for trading" or the Company expects to sell them within one year from the balance sheet date. Derivatives are treated as assets, if their fair value is positive, or as liabilities, if their fair value is negative. The positive and negative fair values generated by outstanding transactions executed with the same counterparty are offset, when contractually permissible.

- **Loans and receivables:** this category includes financial instruments that are neither derivatives nor instruments traded on an active market and are expected to produce fixed and determinable payments. They are listed as current assets, unless they are due after one year from the balance sheet date, in which case they are listed as non-current assets. These assets are valued at their amortized cost, which is determined by the effective interest-rate method. When there is objective evidence of the occurrence of impairment, the affected asset is written down by the amount necessary to make its carrying amount equal to the discounted value of future cash flows. Objective evidence that the value of the asset is impaired is deemed to exist when a debtor has significant financial difficulties, there is a possibility that the debtor will be declared bankrupt or become party to composition with creditors proceedings or there are unfavorable changes in payment history, such as an increasing number of payments in arrears. Impairment losses are recognized in earnings. When the reason for a writedown ceases to apply, the affected asset is revalued up to the value at which the asset would have been carried under the amortized cost method, had it not been written down. The amount includes the credit towards B.S.A. Finances S.n.c., related to Parmalat S.p.A. joining the *cash pooling* system of the Lactalis Group.

- **Held-to-maturity investments:** these are financial instruments other than derivatives that have fixed payments and a fixed maturity and that the Company has the intention and the ability to hold to maturity. When initially recognized, they are valued at their purchase cost, plus incidental transaction costs. Subsequently, held-to-maturity investments are valued by the amortized cost method, using the low effective interest criterion, adjusted for any decrease in value. The same principles described in the Loans and receivables paragraph apply in the event of impairment losses.

- **Held-for-sale investments:** these are financial instruments other than derivatives that are explicitly designated as held for sale or which cannot be classified in any of the other categories. These financial instruments are valued at fair value and any resulting gains or losses are posted to an equity reserve. Their impact is reflected on the income statement only when a financial asset is actually sold or, in the case of cumulative losses, when it becomes evident that the impairment loss recognized in equity cannot be recovered. There is objective evidence that a financial asset has been impaired when the decrease in the asset's fair value at the end of the reporting period is greater than 50% of its original carrying amount (so-called "materiality criterion") or when the asset's decreased fair value has been lower than its carrying amount for more than 36 consecutive months (so-called "duration criterion"). If their fair value cannot be determined, these instruments are valued at cost, less any impairment losses. Writedowns for impairment losses cannot be reversed if the assets in question are instruments representative of equity capital. The classification of these assets as current or non-current depends on the strategic choices made with regard to their holding period and the actual ability to sell them. They are classified as current assets if they can be sold within one year from the balance

sheet date. When there is evidence that a loss that cannot be recovered has occurred (e.g., an extended decline in market value) the corresponding equity reserve is reversed and the loss recognized in earnings.

Financial assets are removed from the balance sheet when the right to receive cash flow from a financial instrument has been extinguished and the Company has transferred substantially all of the risks and benefits inherent in the financial instrument as well as its control over the financial instrument.

FINANCIAL LIABILITIES

Financial liabilities consist of loans payable, including obligations arising from the assignment of receivables, and other financial liabilities, including derivatives and obligations related to assets acquired under finance leases. Initially, financial liabilities other than derivatives are recognized at their fair value, net of transaction costs. Subsequently, financial liabilities that are held to maturity are valued at their amortized cost in accordance with the effective interest rate method. Transaction costs that are incurred directly in connection with the process of incurring the liability are amortized over the useful life of the respective financing facility.

Financial liabilities are removed from the financial statements when the underlying obligations have been satisfied and all of the risks and charges inherent in the instrument in question have been transferred.

DERIVATIVES

Derivatives are classified as hedges when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, monitored periodically, is high. When derivatives are used to hedge the risk of changes in the fair value of the hedged instruments (fair value hedge, such as a hedge against changes in the fair value of assets/liabilities with fixed interest rates), the derivatives are measured at fair value and any resulting gains or losses are recognized in earnings. At the same time, the value of the hedged instruments is adjusted to reflect changes in fair value associated with the hedged risk. When derivatives are used to hedge the risk of changes in the cash flow associated with the hedged instruments (cash flow hedges, such as a hedge against changes in asset/liability cash flows caused by fluctuations in exchange rates or interest rates), the changes in the fair value of the effective derivatives are first recognized in equity and subsequently reflected in the income statements, consistent with the economic effect of the hedged transaction. Changes in the fair value of derivatives that do not qualify as hedges are recognized in earnings.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are established to fund quantifiable charges, the existence of which is certain or probable, but the amount or date of occurrence of which could not be determined as of the close of the reporting period. Additions are made to these provisions when: (i) it is probable that the Company will incur a statutory or implied obligation as a result of a past event; (ii) it is probable that meeting this obligation will be onerous; and (iii) the amount of the obligation can be estimated reliably. Additions are recognized at an amount that represents the best estimate of the sum that the Company will be reasonably expected to pay to satisfy an obligation or transfer it to a third party at the end of the reporting period. When the financial effect of the passing of time is material and the date when an obligation will become due can be reliably estimated, the addition to the provisions should be recognized at its present value.

The costs that the Company expects to incur in connection with restructuring programs should be recognized in the year in which the program is officially approved and there is a settled expectation among the affected parties that the restructuring program will be implemented.

These provisions are updated on a regular basis to reflect changes in estimates of costs, redemption timing and discount rates. Changes in the estimates of provisions are posted to the same income statement item under which the addition was originally recognized. Liabilities attributable to property, plant and equipment are recognized as offsets to the corresponding assets.

The notes to the financial statements contain a disclosure listing the Company's contingent liabilities, which include: (i) possible but not probable obligations that arise from past events, the existence of which will be confirmed only if one or more uncertain total events that are not totally under the Company's control occur or fail to occur; and (ii) existing obligations that arise from past events the amount of which cannot be determined reliably or the performance of which will probably not be onerous.

POST-EMPLOYMENT BENEFITS

(i) Benefits Provided After the End of Employment

Defined-benefit pension plans are based on the length of the working lives of employees and the wages earned by employees over a predetermined period of service. Specifically, the liability for severance benefits is recognized in the financial statements at its actuarial value because it can be classified as an employee benefit payable on the basis of a defined-benefit plan. The recognition of defined-benefit plans requires the use of actuarial techniques to estimate the amount of the benefits accrued by employees in exchange for the work performed during the current year and in previous years. The resulting benefit must then be discounted to determine the present value of the Company's obligation. The determination of the present value of the Company's obligation is made by an independent actuary, using the projected unit credit method. This method, which is part of a broad category of techniques applicable to vested benefits, treats each period of service provided by an employee to a company as an additional accrual unit. The actuarial liability must be quantified exclusively on the basis of the seniority achieved as of the date of valuation. Consequently, the total liability is prorated based on a ratio between the years of service accrued as of the valuation reference date and the total seniority that an employee is expected to have achieved when the benefit is paid. Moreover, this method requires taking into account future wage increases due for any reason (inflation, career moves, labor contract renewals, etc.) until the end of the employment relationship (except for the provision for severance indemnities). If these plans are financed or the Company pays the plan contributions to an outside entity, the plan assets are valued based on their expected rate of return.

The cost of defined-benefit plans accrued during the year, which is reflected in the income statement as part of labor costs, is equal to the sum of the average present value of the accrued benefits of current employees for service provided during the year and their annual vested interest in the present value of the Company's obligations at the beginning of the year, computed by discounting future outlays by the same rate as that used to estimate the Company's liability at the end of the previous year. The annual discount rate used for these computations was the same as the year-end market rate for zero-coupon bonds with a maturity equal to the average residual duration of the liability.

Actuarial gains and losses (defined as the difference between the carrying amount of the Company's liability and the present value of its obligation at the end of the year) that result from changes from the actuarial parameters used in the past are recognized in accordance with the "corridor" method, i.e., only when they exceed 10% of the present value of the Company's obligation at the end of the previous period. In such cases, the amount in excess of 10% is charged to income, based on the average remaining working lives of the employees, counting from the following year.

Until Budget Law No. 296 of December 27, 2006 and the relevant Implementation Decrees became effective, given the uncertainties that existed concerning the time of disbursement, the provision for employee severance benefits was treated as a defined-benefit plan.
As a result of the reform of the regulations that govern supplemental retirement benefits and, specifically, its impact on companies with 50 or more employees, the severance benefits vesting after January 1, 2007, depending on the choices made by the employee, were either invested in supplemental retirement benefit funds or in the "Treasury Fund" managed by the Italian social security administration (INPS). As a result, in accordance with IAS 19, the liability towards the INPS and the contributions to supplemental retirement benefit funds are treated as part of defined-contribution plans.
On the other hand, severance benefits that vested prior to January 1, 2007 and have not yet been disbursed will continue to be treated as part of a defined-benefit plan.

(ii) Benefits Payable to Employees Upon Termination of Employment and Incentives to Resign
Benefits owed to employees upon termination of employment are recognized as a liability and as a labor cost when a company is demonstrably committed to terminate the employment of an employee or group of employees before the normal retirement age or to provide incentives to the termination of employment in connection with a proposal to address redundancies with incentives to resign voluntarily. Benefits owed to employees due to termination of employment do not provide the Company with future economic benefits and, consequently, they are charged to income when incurred.

INCOME TAXES

Current income taxes are computed on the basis of the taxable income for the year and the applicable tax laws by applying the tax rates in force on the date of the financial statements.

Levies other than income taxes, such as taxes on real estate and net worth, are treated as operating expenses.

Deferred taxes are computed on all temporary differences between the values attributed to assets and liabilities for tax purposes and for financial reporting, with the exception of temporary differences that arise from investments in subsidiaries when the Company has control over the timing of the reversal of the difference and it is likely that they will not be reversed over a reasonably foreseeable length of time. The portion of deferred-tax assets, including those stemming from a tax loss carryforward, that is not offset by deferred-tax liabilities is recognized to the extent that it is likely that the Company will generate future earnings against which they may be recovered. Deferred-tax liabilities are computed using the tax rates that are expected to be in force in the years when the temporary difference will be realized or cancelled.

Current and deferred taxes are reflected on the income statement, except for those attributable to items that are debited or credited directly to shareholders' equity.

Tax assets and liabilities, including deferred-tax assets and liabilities that arise from income taxes, can be offset when they are levied by the same tax administration on the same taxpayer, provided the taxpayer has a legally exercisable right to offset the corresponding amounts and plans to exercise that right. Moreover, with regard to current taxes, the offset is permissible when several taxpayers have a legally exercisable right to settle tax assets and liabilities on a net basis and intend to exercise that right.

The Company's tax position and its recognition in the accounting records takes into account the impact of the inclusion of Parmalat Group companies domiciled in Italy into a national consolidated tax return.

The issues related to the filing of such a return are governed by Group Regulations that are based on the principles of neutrality and equal treatment and are designed to ensure that companies that agree to file a consolidated tax return are not penalized in way by such filing. At the consolidated level, the liability toward the tax administration is determined based on the tax liability or tax loss of each company included in the consolidated return and takes into account any taxes withheld from their income and any estimated tax payments they may have made.

AVAILABLE-FOR-SALE NON-CURRENT ASSETS

These assets include non-current assets or groups of assets attributable to discontinuing operations the carrying amount of which will be recovered mainly through a sale, rather than through their continuing use. Available-for-sale assets are valued at their net carrying amount or their fair value, net of costs to sell the assets, whichever is lower. When a depreciable or amortizable asset is reclassified under this category, the depreciation or amortization process stops upon reclassification. The profit or loss attributable to available-for-sale non-current assets is shown separately in the income statement net of the applicable tax effect when the assets in questions are part of discontinued operations. For comparative purposes, the prior year's corresponding amounts are reclassified and shown separately in the income statement net of the applicable tax effect.

RECOGNITION OF REVENUES AND EXPENSES

Initially, revenues are always recognized at the fair value of the consideration received, net of allowances, discounts and trade promotions.
Revenues from the sale of goods are recognized when the Company has transferred to the buyer substantially all of the risks and benefits inherent in the ownership of the goods, which generally coincides with the delivery of the goods.
Proceeds from actions to void and actions for damages are recognized in the income statement upon the closing of the corresponding transactions with the counterparty.
Expenses are recognized in the income statement when they apply to goods and services that were sold or used during the year or allocated over a straight line when their future usefulness cannot be determined.
Expenses incurred to study alternative products and services or incurred in connection with research and development activities that do not meet the requirements for capitalization are deemed to be current expenses and are charged to income in the year they are incurred.

FOREIGN EXCHANGE DIFFERENCES

Revenues and expenses arising from transactions in foreign currencies are recognized at the exchange rate in force on the day the underlying transaction is executed. Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rate in force at the

end of the reporting period and any resulting gains or losses are recognized in earnings. Non-cash assets and liabilities denominated in foreign currencies are recognized at the historical exchange rate and valued at cost.

RECOGNITION OF GOVERNMENT GRANTS

Grants that are the subject of a formal distribution resolution are recognized on an accrual basis, in direct correlation to the costs incurred. Operating grants are reflected on the income statement as Other revenues.
Capital grants that are attributable to property, plant and equipment are recognized as deferred income and posted to the Miscellaneous income and expense account. Such deferred income is recognized in the income statement in equal installments computed on the basis of the useful life of the assets for which the grant was received.

FINANCIAL INCOME AND EXPENSE

Interest is recognized on an accrual basis in accordance with the effective interest method, i.e., using an interest rate that equalizes all incoming and outgoing flows that are part of a given transaction.

DIVIDENDS

Dividends are recognized when shareholders become entitled to receive them. As a rule, this happens when the Shareholders' Meeting approves a resolution to distribute a dividend. The dividend distribution amount is then recognized as a liability on the balance sheet for the period during which the distribution was approved by the Shareholders' Meeting.

USE OF ESTIMATES

When preparing the statutory financial statements, Directors apply accounting principles and methods that, in some cases, are based on difficult and subjective valuations and estimates that are based on historical data and assumptions that, in each individual case, are deemed to be reasonable and realistic in light of the relevant circumstances. The use of these estimates and assumptions has an impact on the amounts reported in the financial statement schedules, which include a statement of financial position, an income statement and a statement of cash flows, and in additional disclosures. The ultimate amounts of those components of the financial statements for which the abovementioned estimates and assumptions were used could differ from those shown on the financial statements, due to the uncertainty that characterizes all assumptions and the conditions upon which the estimates were based. Estimates and assumptions are revised on a regular basis and the impact of any resulting change is recognized in the period when a revision of estimates occurred, if the revision affects only the current period, and is also applied to future periods, when the revision has an impact both on the current period and on future periods.
The financial statement items that require the most use of subjective judgment by Directors in developing estimates and with respect to which a change in the underlying assumptions used could have a material impact on the financial statements are those concerning goodwill; writedowns of property, plant and equipment; depreciation and amortization of non-current assets; deferred taxes; provisions for risks; the allowance for doubtful accounts; pension plans and post-employment benefits; and the reserves for creditor challenges and claims of late-filing creditors.

TRANSACTIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

Transactions between Parmalat S.p.A. and other Group companies and between Parmalat S.p.A. and related parties were neither atypical nor unusual and were carried out by the Company in the normal course of business. At December 31, 2011, the Company had positions outstanding with the companies listed below. Receivables are shown net of the corresponding allowances for doubtful accounts.

(€ m)

		12.31.2011					
COMPANY	COUNTRY	TRADE RECEIVABLES[1]	LONG-TERM LOANS RECEIVABLE[1]	OTHER CURRENT FINANCIAL ASSETS[1]	TRADE PAYABLES	LOANS PAYABLE	OTHER RECEIVABLES/ (PAYABLES)
Parmalat subsidiaries							
SATA S.r.l.	Italy		14.2				0.6
Dalmata S.r.l.	Italy		0.7				(0.1)
Latte Sole S.p.A.	Italy	0.3		2.6	(0.1)		
Parmalat Portugal Prod. Alim. Ltda	Portugal	0.1	3.6				
Curcastle Corporation NV	Ne. Antilles		1.8	0.5			
Parmalat Canada Inc.	Canada	1.4		176.6			
Centrale del Latte di Roma S.p.A.	Italy	6.3			(9.5)		0.5
Parmalat Botswana (PTY) Ltd	Botswana		1.6	0.4			
OOO Parmalat MK	Russia	0.7		16.6			
Parmalat Romania SA	Romania	0.3					
Oao Belgorodskij	Russia	0.2					
Parmalat South Africa (PTY) Ltd	South Africa	0.6			(0.1)		
Carnini S.p.A.	Italy	2.1		2.6			(0.4)
Parmalat Produtos Alimentares	Mozambique	0.6					
Parmalat del Ecuador	Ecuador	0.1					
Parmalat Colombia	Colombia	0.4					
Parmalat Food Products	Australia		16.0	4.2			
Parmalat Australia	Australia	0.5		70.5			
Other companies		0.2			(0.1)	(2.2)	0.2
Total Parmalat subsidiaries		**13.8**	**37.9**	**274.0**	**(9.8)**	**(2.2)**	**0.8**
Lactalis Group							
Lactalis Beurres & Cremes S.n.c.	France	0.7					
Egidio Galbani S.p.A.	Italy				(0.3)		
Italatte S.p.A.	Italy				(0.7)		
B.S.A. Finances S.n.c.	France			1,188.2			
Total Lactalis Group		**0.7**	**0.0**	**1,188.2**	**(1.0)**	**0.0**	**0.0**
Other Related Parties							
Studio Legale d'Urso Gatti Bianchi[2]					(0.4)		
Total Other Related Parties					**(0.4)**		
Total		**14.5**	**37.9**	**1,462.2**	**(11.2)**	**(2.2)**	**(0.8)**

(1) Net of the allowance for doubtful accounts
(2) With reference to the transactions with Parmalat S.p.A. Board of Directors' members, the Company allocated the amount of 0.4 million euros for professional services provided by Studio Legale Associato d'Urso Gatti Bianchi during the second half of 2011.

At the end of 2010, the Company had the following positions, outstanding with other Group companies or related parties, net of the corresponding allowances for doubtful accounts:

(€ m)

		12.31.2010					
COMPANY	**COUNTRY**	**TRADE RECEIVABLES[1]**	**LONG-TERM LOANS RECEIVABLE[1]**	**OTHER CURRENT FINANCIAL ASSETS[1]**	**TRADE PAYABLES**	**LOANS PAYABLE**	**OTHER RECEIVABLES/ (PAYABLES)**
SATA S.r.l.	Italy	0.1	14.2	0.3			
Dalmata S.p.A.	Italy		0.7				
Latte Sole S.p.A.	Italy	3.7	0.9		(0.1)		
Parmalat Portugal Prod. Alim. Ltda	Portugal	0.1	5.7	3.7			
Curcastle Corporation NV	Ne. Antilles		1.8	0.5			
Boschi Luigi & Figli S.p.A.	Italy	0.2					
Parmalat Canada Inc.	Canada	1.6	80.9	23.0			
Centrale del Latte di Roma S.p.A.	Italy	16.2			(14.0)		0.3
Parmalat Distribuzione Alim. S.r.l.	Italy				(2.4)		
OOO Parmalat MK	Russia	1.4	0.3	5.1			
Parmalat Romania SA	Romania	0.1					
Oao Belgorodskij	Russia	0.1					
Parmalat South Africa (PTY) Ltd	South Africa	1.7			(0.2)		
Carnini S.p.A.	Italy	2.4					(0.2)
Parmalat Botswana (PTY) Ltd	Botswana		2.0				
Parmalat del Ecuador	Ecuador	0.1					
Parmalat Colombia	Colombia	0.3					
Parmalat Food Products	Australia		16.0	0.2			
Parmalat Australia	Australia	0.4		50.0			
Other companies		0.5	0.7			(2.3)	(0.1)
Total		**28.9**	**123.2**	**82.8**	**(16.7)**	**(2.3)**	**0.0**

(1) Net of the allowance for doubtful accounts.

The table below provides a breakdown of intra-Group expenses and revenues in 2011:

These transactions were executed on market terms, i.e., on the terms that would have been applied by independent parties, and were carried out in the interest of Parmalat S.p.A..

COMPANY	COUNTRY	2011		
		SALES REVENUES AND OTHER REVENUES	FINANCIAL INCOME AND INCOME FROM EQUITY INVESTMENTS	COST OF MATERIALS AND SERVICES
Parmalat subsidiaries				
Centrale del Latte di Roma S.p.A.	Italy	20.3	3.2	25.7
Latte Sole S.p.A.	Italy	1.7		0.3
SATA S.r.l.	Italy		2.7	0.2
Dalmata S.r.l.	Italy		5.0	
Parmalat Romania	Romania	0.7	0.2	
OOO Parmalat MK	Russia	1.7	0.3	0.2
Oao Belgorodskij	Russia	0.1	1.5	
Parmalat Canada Inc.	Canada	1.6	114.0	
Parmalat Australia Limited	Australia	2.2	16.0	
Parmalat Investments	Australia		3.5	
Parmalat Food Products	Australia	0.1	0.7	
Carnini S.p.A.	Italy	5.0		0.1
Parmalat Belgium	Belgium		18.5	
Parmalat Colombia	Colombia	2.1	1.0	
Procesadora de Leches	Colombia		1.7	
Parmalat del Ecuador	Ecuador	0.4		
Parmalat Portugal Produtos Alimentares Ltda	Portugal	0.1	1.4	
Parmalat South Africa	Africa	2.2	1.8	
Other companies		0.8		0.1
Total Parmalat subsidiaries		**39.0**	**171.5**	**26.6**
Lactalis Group				
Italatte S.p.A.	Italy			1.4
Lactalis Beurres & Cremes S.n.c.	France	0.7		
Egidio Galbani S.p.A.	Italy			0.3
B.S.A. Finances S.p.A.	France		6.9	
Total Lactalis Group		**0.7**	**6.9**	**1.7**
Other Related Parties				
Studio Legale d'Urso Gatti Bianchi				0.4
Total Other Related Parties		**0.0**	**0.0**	**0.4**
Total		**39.7**	**178.4**	**28.8**

The table below provides a breakdown of intra-Group expenses and revenues in 2010:

(€ m)

COMPANY	COUNTRY	2010 SALES REVENUES AND OTHER REVENUES	2010 FINANCIAL INCOME AND INCOME FROM EQUITY INVESTMENTS	2010 COST OF MATERIALS AND SERVICES
Boschi Luigi & Figli S.p.A.	Italy		0.6	
Centrale del Latte di Roma S.p.A.	Italy	34.5	3.8	49.3
Latte Sole S.p.A.	Italy	2.8		0.4
Parmalat Distribuzione Alimenti S.r.l.	Italy	1.6		4.8
Parmalat Romania	Romania	0.4	0.1	
OOO Parmalat MK	Russia	1.6	1.1	0.2
Oao Belgorodskij	Russia	0.1	2.5	
Parmalat Canada Inc.	Canada	1.7	18.2	
Parmalat Australia Limited	Australia	1.8	13.6	
Parmalat Food Products	Australia		0.8	
Carnini S.p.A.	Italy	4.4	0.1	0.2
Parmalat Colombia	Colombia	2.1		
Procesadora de Leches	Colombia		0.9	
Parmalat del Ecuador	Ecuador	0.4		
Parmalat Portugal Produtos Alimentares Ltda	Portugal	0.1	1.9	
Parmalat South Africa	Africa	2.8	0.1	0.2
Other companies		1.4	0.4	
Total		**55.7**	**44.1**	**55.1**

Percentage of Financial Statement Amounts Represented by Transactions with Related Parties

	ASSETS	LIABILITIES	LIQUID ASSETS	REVENUES	COST OF SALES	DISTRIBUTION COSTS	ADMINISTRA-TIVE EXPENSES	OTHER INCOME AND (CHARGES)	NET FINANCIAL INCOME
Total	3,333.6	309.5	1,562.2	857.3	569.5	178.6	84.3	*38.6*	193.3
Intercompany and related-party amount	1,516.0	13.9	1,462.2	39.7	25.9	1.2	1.3	(0.4)	178.4
Percentage of the total	*45.5%*	*4.5%*	*93.6%*	*4.6%*	*4.5%*	*0.7%*	*1.5%*	*n.s.*	*92.3%*

Compensation Awarded to Directors and Statutory Auditors

The compensation awarded to members of the Board of Directors and Board of Statutory Auditors of Parmalat S.p.A. amounted to 1.6 million euros (1.5 million euros in 2010).

The compensation awarded to members of the Board of Statutory Auditors of Parmalat S.p.A. amounted to 0.2 million euros (0.2 million euros in 2010).

Compensation Awarded to Key Management Personnel

The table below shows the compensation awarded to the Chief Operating Officer and to Group executives with strategic responsibilities (key management personnel):

(€ m)

	2011	2010
Short-term benefits	2.8	3.6
Post-employment benefits	0.1	0.1
Severance benefits	3.2	-
Total	**6.1**	**3.7**

Notes to the Statement of Financial Position - Assets

(1) Goodwill

Goodwill amounted to 184.0 million euros, unchanged compared with December 31, 2010.

Pursuant to IAS 36, goodwill is not amortized. Instead, it is tested for impairment at least once a year or more frequently in response to specific events or circumstances that could indicate that its value has been impaired.

Concurrently with the preparation of the annual financial statements at December 31, 2011 and taking into account the Company's updated three-year plan, goodwill was again tested for impairment to determine if its carrying amount was higher than the corresponding recoverable value. The results of this test showed that no adjustment to the carrying value of goodwill was required.

Consistent with past practice, the abovementioned test was performed with the support of an independent advisor.

The recoverable value of goodwill was tested against its value in use, which is the present value of the expected cash flows from operations, before financial components (unlevered discounted cash flow), estimated based on the Company's plan for the next three years. For the years not covered by the plan, the process involved estimating a terminal value, which was computed as the cash flow from operations appropriately standardized to maintain standard operating business conditions, assuming a growth rate of 1%.

Cash flow projections were based on normal conditions of business activity and, consequently, do not include cash flows attributable to extraordinary transactions.

The discount rate used was consistent with current market valuations of the cost of money and took into account the applicable specific risks. The rate used, net of taxes, was 12.1%.

The process of obtaining information about the potential net realizable value of the Company's assets also involved the use of stock market multiples to determine the values of publicly traded companies in the same industry, which were used as benchmarks with regard to value in use.

Sensitivity Analysis

A sensitivity analysis concerning the recoverability of the carrying amount of goodwill as a result of changes in the main assumptions used to determine its value in use was carried out. Based on the assumptions used for model purposes, goodwill shows a surplus of recoverable value of 88.1 million euros over its carrying amount. In order for its carrying amount to be equal to its recoverable value, the following changes in assumptions would have to occur: a negative growth rate of terminal values or a pretax discount rate of 13.8%.

At this point, no change in assumptions that would result in the elimination of the abovementioned surplus can be reasonably projected.

(2) Trademarks with an Indefinite Useful Life

The carrying amounts of these trademarks totaled 170.0 million euros, compared with 178.0 million euros at December 31, 2010.

The table below provides a breakdown of trademarks with an indefinite useful life:

(€ m)

	12.31.2011	12.31.2010
Parmalat	121.9	121.9
Santàl	27.1	32.6
Chef	15.1	16.2
Elena	5.9	7.3
Total	**170.0**	**178.0**

The Company tests the recoverability of trademarks with an indefinite useful life at least once a year or more frequently, when there are indications that their value has been impaired.

Consistent with past practice, the impairment test was performed with the support of an independent advisor.

The recoverable value of trademarks with an indefinite useful life was tested against their value in use by means of the relief from royalty method.

The relief from royalty method was chosen as a valuation method because it is consistent with the widely accepted belief that the value of trademarks is closely related to the contribution that they provide to a company's operating results. Moreover, recent studies by major market research companies have shown that a product's brand is one of the main factors that motivates purchases of groceries.

The relief from royalty method consists of discounting to present value the royalty payments that the owner of a trademark avoids because of the ownership of the right to use that trademark. As a rule, royalties are computed as a percentage of net revenues before the impact of taxes.

The process followed to determine the net royalty flows involved using, for each trademark, the net revenue projections estimated in the Company's plan for the next three years. For the years not covered by the plan, the process involved estimating a terminal value, which was computed as the royalty flow appropriately standardized to maintain standard operating business conditions, assuming a growth rate of 1%.

The royalty rate that was applied to net revenues was determined based on studies and surveys carried out in this field by research institutions and professionals, as well as on internal analyses of licensing agreements executed in the food industry.

Moreover, since each individual trademark has its own distinctive characteristics relative to the product/market combination, the qualitative (competitive position, name recognition, customer loyalty and quality) and quantitative (profitability percentage) characteristics of the trademarks were also taken into account.

Based on these elements, each trademark was assigned a royalty rate of about 2.5%.

The discount rate used was consistent with current market valuations of the cost of money and took into account the specific risks attributable to the cash generating unit. The rate used, before taxes, was 12.1%.

An analysis of the value in use of these trademarks, carried out by means of the impairment testing process described above, showed the carrying amounts of the Santàl, Chef and Elena brands needed to be written down by a total of 8.0 million euros.

(3) Other Intangibles

A breakdown of other intangibles, which totaled 14.7 million euros, is as follows:

(€ m)

	12.31.2011	12.31.2010
Licenses and software	13.8	15.0
Other trademarks and sundry intangibles	0.9	1.5
Total	**14.7**	**16.5**

This item includes licenses for corporate software and trademarks with a finite useful life (which can be amortized) that are being used in Parmalat's restructured commercial operations. These trademarks are recognized at their fair value on the date of acquisition and are amortized over five years.

Other Trademarks and Sundry Intangibles

(€ m)

	12.31.2011	12.31.2010
Kyr	0.6	1.2
Sundry trademarks	0.3	0.3
Total	**0.9**	**1.5**

Changes in Other Intangibles

(€ m)

	TRADEMARKS WITH A FINITE LIFE	CONCESSIONS, LICENSES AND SIMILAR RIGHTS	WORK IN PROGR. AND ADVANCES	TOTAL
Balance at 12.31.2009	**15.3**	**11.7**		**26.9**
- Additions	0.6	9.1	0.5	10.2
- Disposals (-)		(0.4)		(0.4)
- Amortization (-)	(14.4)	(5.9)		(20.3)
Balance at 12.31.2010	**1.5**	**14.5**	**0.5**	**16.5**
- Additions		4.6	0.2	4.8
- Disposals (-)				0.0
- Amortization (-)	(0.6)	(6.0)		(6.6)
- Reclassifications		0.3	(0.3)	
Balance at 12.31.2011	**0.9**	**13.4**	**0.4**	**14.7**

Concessions, licenses and similar rights refer mainly to the backup data storage project, new SAP licenses and the implementation of the Group's IT archive.
Work in process of 0.4 million euros consists of software projects under development.

(4) Property, Plant and Equipment

Property, plant and equipment totaled 147.4 million euros. A breakdown is provided below:

(€ m)

	12.31.2011	12.31.2010
Land	23.2	23.2
Buildings	67.1	67.8
Plant and machinery	50.1	56.1
Industrial equipment	1.4	1.2
Other assets	2.8	3.6
Construction in progress	2.8	4.0
Total	**147.4**	**155.9**

Property, plant and equipment held under finance leases, which totaled 0.1 million euros, consisted exclusively of items classified as other assets.

Changes in Property, Plant and Equipment

(€ m)

	LAND	BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL EQUIPMENT	OTHER ASSETS	CONSTRUC-TION IN PROGRESS	TOTAL
Balance at 12.31.2009	**22.2**	**67.7**	**53.1**	**1.3**	**5.9**	**1.5**	**151.7**
- Additions	1.0	4.6	16.7	0.5	1.5	4.0	28.3
- Disposals (-)		(0.2)			(0.2)		(0.4)
- Writedowns (-)		(0.4)	(0.2)				(0.6)
- Depreciation (-)		(3.9)	(15.0)	(0.6)	(3.6)		(23.1)
- Reclassifications			1.5			(1.5)	0.0
Balance at 12.31.2010	**23.2**	**67.8**	**56.1**	**1.2**	**3.6**	**4.0**	**155.9**
- Additions		3.1	8.8	0.5	0.6	2.7	15.7
- Disposals (-)		(0.1)			(0.1)		(0.2)
- Writedowns (-)							
- Depreciation (-)		(4.0)	(17.4)	(0.6)	(2.0)		(24.0)
- Reclassifications		0.3	2.6	0.3	0.7	(3.9)	0.0
Balance at 12.31.2011	**23.2**	**67.1**	**50.1**	**1.4**	**2.8**	**2.8**	**147.4**

The main additions included the following:

- 3.1 million euros for buildings, used mainly to enlarge the packaging department at the Zevio factory, house the new cafeteria and employee locker rooms in Collecchio and renovate existing buildings to bring them in compliance with new regulatory requirements;
- 8.8 million euros for plant and machinery, used to install new production lines (at the Zevio and Collecchio plants) and upgrade existing lines;
- industrial equipment for a new plant cafeteria and laboratory in Collecchio;
- 0.6 million euros to purchase office furnishings, classified as other assets;
- 2.7 million euros for construction in progress, mainly concerning a new effluent treatment facility at the Albano plant.

The depreciation of property, plant and equipment was computed in accordance with regular annual rates based on their useful lives, which were the same as the rates used the previous year.

5) INVESTMENTS IN ASSOCIATES

A breakdown of this item, which amounted to 807.9 million euros, is as follows:

(€ m)

	12.31.2011	12.31.2010
Subsidiaries	747.9	762.9
Other companies	60.0	3.2
Total	**807.9**	**766.1**

Changes in Investments in Associates

(€ m)

	SUBSIDIARIES	OTHER COMPANIES	TOTAL
Balance at 12.31.2009	**749.3**	**3.5**	**752.8**
- Additions	12.3		12.3
- Divestments (-)		(0.3)	(0.3)
- Reversals of writedowns	1.3		1.3
Balance at 12.31.2010	**762.9**	**3.2**	**766.1**
- Additions	12.4	56.8	69.2
- Divestments (-)			
- Writedowns (-)	(27.4)		(27.4)
Balance at 12.31.2011	**747.9**	**60.0**	**807.9**

The main components of Additions attributable to subsidiaries, amounting to 12.4 million euros, include the advance on future capital contributions provided to Parmalat Portugal (5 million euros) and the recapitalization of Latte Sole (7.1 million euros, part in cash and part by forgiving the repayment of a loan).

Writedowns of 27.4 million euros reflects primarily the results of the annual impairment test of investments in subsidiaries, which required the recognition of writedowns of 22.1 million euros for Parmalat Portugal and 5.1 million euros for Centrale del Latte di Roma.

In 2011, the Court of Parma awarded to the Company ownership of a 22.64% interest in the share capital of Bonatti S.p.A. as an advance on the amount owed under a provisionally enforceable decision against defendants convicted of fraudulent bankruptcy by the lower court.

Following this award, the ownership stake increased to 32.9%, since the Company already held a 10.26% interest in Bonatti S.p.A. However, even though Parmalat S.p.A. controls more than 20% of the voting rights, it does not exercise a significant influence on this company because it is not represented on its Board of Directors and is not involved in the decision-making process. Consequently, this investment is carried at fair value.

The value of the awarded equity interest was determined based on a report prepared by an Independent Technical Consultant appointed by the Court of Parma for the purpose of selling the abovementioned equity interest at auction (there were no bidders at the Court sponsored auction). The same report by the Independent Technical Consultant was used to determine the fair value of the equity interest already held by Parmalat.

A breakdown of the investee companies included in "Investments in associates" at December 31, 2011 is as follows:

(€ m)

INVESTMENTS IN SUBSIDIARIES	COUNTRY	% INTEREST HELD	TOTAL VALUE
Parmalat Canada Inc.	Canada	100.0	203.9
Parmalat Africa S.p.A.	Italy	100.0	150.2
Parmalat Australia Ltd	Australia	90.0[1]	119.0
Centrale del Latte di Roma S.p.A.	Italy	75.0	99.1
Procesadora de Leches SA	Colombia	94.8	27.9
OAO Belgorodskij	Russia	99.7	20.1
Sata S.r.l.	Italy	100.0	16.6
Parmalat Colombia Ltda	Colombia	91.0	15.8
Parmalat Investments Pty	Australia	100.0	15.5
Dalmata S.p.A.	Italy	100.0	15.3
Parmalat Portugal Produtos Alimentares Ltda	Portugal	100.0	13.4
Parmalat South Africa Ltd	South Africa	10.8	11.0
Carnini S.p.A.	Italy	100.0	10.0
OOO Parmalat Mk	Russia	100.0	7.6
OOO Urallat	Russia	100.0	7.2
Latte Sole S.p.A.	Italy	100.0	7.1
Parmalat Romania SA	Romania	100.0	6.3
Citrus International Corp.	Cuba	55.0	1.8
Parmalat Distribuzione Alimenti Srl and 14 other companies			0.1
Total subsidiaries			**747.9**
Investments in other companies		**% INTEREST HELD**	**TOTAL VALUE**
Bonatti S.p.A.	Italy	32.9	59.9
Sundry companies			0.1
Total other companies			**60.0**
GRAND TOTAL			**807.9**

(1) Parmalat S.p.A. holds 100% of the Parmalat Australia Ltd preferred shares. The percentage interest held is computed on the entire share capital.

A complete list of the equity investments held by the Company is annexed to these Notes.
The Company prepares consolidated financial statements, which are being provided together with these statutory financial statements and contain information about the performance of the Group as a whole.

(6) Other Non-current Financial Assets

Other non-current financial assets totaled 41.6 million euros. A breakdown is as follows:

(€ m)

	12.31.2011	12.31.2010
Loans receivable from subsidiaries	37.9	123.2
Loans receivable from others	3.7	3.5
Total	**41.6**	**126.7**

The changes that occurred in 2011 are listed below.

Changes in Other Non-current Financial Assets

(€ m)

	LOANS RECEIVABLE FROM SUBSIDIARIES	LOANS RECEIVABLE FROM OTHERS	TOTAL
Net carrying amount at 12.31.2010	**123.2**	**3.5**	**126.7**
Disbursements	2.0	0.2	2.2
Repayments	(2.9)		(2.9)
Forgiven loans/Conversions	(0.1)		(0.1)
Reclassifications from/ to current receivables	(84.3)		(84.3)
Addition to the provision for writedowns	0.0		0.0
Reversal of the provision for writedowns	0.0		0.0
Net carrying amount at 12.31.2011	**37.9**	**3.7**	**41.6**

The amount of 2.0 million euros shown for Disbursements of loans receivable from subsidiaries refers to a facility provided to Parmalat Portugal.

Repayments of 2.9 million euros include:
- 0.9 million euros by Latte Sole;
- 1.3 million euros by Parmalat Portugal (partial loan repayment);
- 0.6 million euros by Parmalat Belgium.

The amount shown for Forgiven loans/Conversions refers to the capitalization of the net loans owed by the Parmalat Paraguay subsidiary, which was carried out by forgiving the loan owed by this subsidiary.

Reclassification from/to current receivables, in the amount of 84.3 million euros, represents the portion of outstanding loans that has to be repaid by the end of 2012, the largest component of which is a loan of 80.9 million euros owed by the Parmalat Canada subsidiary.

(7) Deferred-tax Assets

A breakdown of Deferred-tax assets, which amounted to 37.5 million euros, is provided below:

(€ m)

DEFERRED-TAX ASSETS	TAX RATE	TEMPORARY DIFFERENCES AT 12.31.2011	BALANCE AT 12.31.2011	TAX AMOUNT SET ASIDE	UTILIZATIONS	BALANCE AT 12.31.2010
Provisions for restructuring	27.50%	11.7	3.2	1.2	(1.2)	3.2
Provision for prize contests	31.40%	0.3	0.1	0.1	(0.4)	0.4
Maintenance expenses	27.50%	14.8	4.1	1.1	(1.8)	4.8
Provision for invent. writedowns	31.40%	7.9	2.5			2.5
Tax-deductible amortization of trademarks	31.40%	44.7	14.1		(1.2)	15.3
Sundry items		48.9	13.5	2.3	(2.1)	13.3
Total			**37.5**	**4.7**	**(6.7)**	**39.5**

Most of the increases refers to costs incurred in 2011 that will become tax deductible when the financial impact of the underlying transaction actually occurs or, as is the case for Maintenance expenses and for Tax-deductible amortization of trademarks with a definite useful life, within the timeframe allowed under the applicable law.

At this point, the Company believes that it will generate sufficient taxable income in the future to recover the deferred-tax assets it carries on its balance sheet.

(8) Inventories

A breakdown of Inventories, which totaled 46.3 million euros, is as follows:

(€ m)

	12.31.2011	12.31.2010
Raw materials, auxiliaries and supplies	26.3	24.8
Work in progress and semifinished goods	0.0	0.0
Finished goods	21.8	19.5
Provision for inventory writedowns	(1.8)	(1.7)
Total	**46.3**	**42.6**

Changes in Inventories

(€ m)

	RAW MATERIALS, AUXILIARIES AND SUPPLIES	WORK IN PROGRESS AND SEMIFINISHED GOODS	FINISHED GOODS AND MERCHANDISE	TOTAL
Carrying amount at 12.31.2010	**24.8**		**19.5**	**44.3**
Increases/(Decreases)	1.5		2.3	3.8
Gross carrying amount at 12.31.2011	**26.3**		**21.8**	**48.1**
Provision for inventory writedowns at 12.31.2010	**(1.5)**		**(0.2)**	**(1.7)**
(Additions to)/Utilizations of provision	0.4		(0.5)	(0.1)
Provision for inventory writedowns at 12.31.2011	**(1.1)**		**(0.7)**	**(1.8)**
Net carrying amount at 12.31.2011	**25.2**		**21.1**	**46.3**

The higher inventory amount reflects an increase in PET containers purchases, which occurred at higher prices.

(9) Trade Receivables

Trade receivables amounted to 188.5 million euros. A breakdown is provided below:

(€ m)

	12.31.2011	12.31.2010
Gross trade receivables - Customers	297.8	293.6
Gross trade receivables - Subsidiaries and other Group companies	14.7	29.1
Allowance for doubtful accounts - Customers	(123.8)	(133.6)
Allowance for doubtful accounts - Subsidiaries	(0.2)	(0.2)
Total	**188.5**	**188.9**

Trade receivables originate from regular sales transactions, usually executed with national operators of supermarket chains, small retailers and business operators (processors and distributors).

The change in the amount of receivables from outsider customers, net of the corresponding allowance, is partly the result of an increase in the volume of sales to customers outside the Group. It is also related to the collection of large payments early in 2012.

The trade receivable amount corresponds to 73.4 day sales outstanding (69.3 days at the end of 2010).

The lower amount of receivables from subsidiaries reflects primarily a decrease in business volume with Centrale del Latte di Roma S.p.A. after it returned to a regular level of activity.

The Allowance for doubtful accounts – customers reflects the combined impact of the addition for the year (3.0 million euros), utilizations of 6.1 million euros, recognized upon the final disposition of items that were part of composition with creditors proceedings, and reversals of 6.7 million euros for the collection of positions that were written off in the past.

Aging of Trade Receivables from Outsiders

The table below shows the aging of trade receivables from outsiders, net of the corresponding allowance for doubtful accounts:

(€ m)

	12.31.2011		12.31.2010	
Current	123.1	71%	106.5	67%
up to 30 days	23.7	14%	24.0	15%
from 31 to 60 days	16.2	9%	13.2	8%
from 61 to 120 days	5.1	3%	7.6	5%
over 120 days	5.9	3%	8.7	5%
Total	**174.0**	**100%**	**160.0**	**100%**

Concentration by Sales Channel of Trade Receivables from Outsiders

The table below shows the credit risk exposure arising from net trade receivables at December 31, 2011, broken down by sales channel:

(€ m)

	12.31.2011	12.31.2010
Modern trade	108.7	98.8
Normal trade	13.2	13.1
Dealers	18.3	18.0
HO.RE.CA.	11.8	12.3
Contract production	5.8	5.2
Other	16.2	12.6
Total	**174.0**	**160.0**

Modern Trade: sales to supermarket chains, distribution organizations and discount outlets;
Normal Trade: sales in the traditional channel (e.g., small independent retailers);
HO.RE.CA.: sales to hotels, restaurants, cafeterias and catering;
Dealers: sales through franchisees.

The Modern Trade channel accounted for 62.2% of the Company's total credit exposure (67.1% at the end of 2010). The counterparties are distribution organizations and large supermarket chains (the latter being parties with a high credit rating) and the collectability of the corresponding receivables does not present a significant risk.

The Company did not execute transactions involving the derecognition of financial assets, such as assignments of receivables without recourse to factors.

(10) Other Current Assets

A breakdown of Other current assets, which amounted to 129.2 million euros, is provided below (due to the reclassification to Current financial assets of intercompany and related-party loans receivable, the comparable 2010 data were also reclassified):

(€ m)

	12.31.2011	12.31.2010
Miscellaneous receivables	128.0	142.3
Accrued income and prepaid expenses	1.2	0.9
Total	**129.2**	**143.2**

A breakdown of Miscellaneous receivables is as follows:

(€ m)

	12.31.2011	12.31.2010
Amount receivable for settlements	4.4	2.2
Amount receivable from the tax authorities for VAT	46.6	59.1
Accrued interest on VAT refunds receivable	1.8	1.5
Estimated tax refunds receivable and income taxes withheld	68.7	69.9
Sundry receivables	5.2	9.3
Amount receivable from subsidiaries included in the national consolidated tax return	1.3	0.3
Total	**128.0**	**142.3**

The bulk of the Amount receivable from the tax authorities for VAT consists of VAT overpayments in the quarters for which the Company filed a refund application. VAT overpayments by companies under extraordinary administration included in the composition with creditors account for most of the balance.

The amount shown for receivable from the tax authorities for estimated tax refunds and income taxes withheld is shown net of 21.7 million euros deducted directly from the Company's income tax liability, as allowed by the relevant accounting principles. With regard to tax refunds receivable, the Company has issued reminder notices and filed a motion to suspend the effect of the statute of limitations.

The balance shown for Miscellaneous receivables is net of an allowance for doubtful accounts amounting to 7.7 million euros, which was recognized to cover potential collection risks.
The resulting net balance is thus deemed to be fully collectible.

(11) Readily Available Financial Assets

A breakdown of the balance of 1,482.3 million euros is provided below (due to the reclassification to this account of intercompany and related-party loans receivable, the comparable 2010 data were also reclassified):

(€ m)

	12.31.2011	12.31.2010
Cash pooling receivable	1,188.2	0.0
Loans receivable from subsidiaries	274.0	82.8
Italian Treasury bills	0.0	341.6
Foreign debt securities (BTAN France)	0.0	132.4
Foreign debt securities (BRD Germany)	0.0	236.3
Bank time deposits	20.0	418.8
Total short-term investments of liquid assets	**1,482.2**	**1,211.9**
Accrued interest	0.1	5.3
Total	**1,482.3**	**1,217.2**

On October 6, 2011, Parmalat S.p.A. agreed to join the cash pooling system of the Lactalis Group. The purpose of this transaction was to optimize the use of financial resources - particularly in the case of short-term cash flows - at the Group level and enable Parmalat S.p.A. to retain maximum financial flexibility and a short-term investment profile, while earning a variable interest rate equal to the one-month Euribor plus a spread consistent with the credit rating of the Lactalis Group. As of December 31, 2011, the spread was 1.70%.

As of December 31, 2011, Parmalat had invested 1,188.2 million euros in the cash pooling system, under which liquid assets are centrally held by B.S.A. Finances snc, a company under French law that is wholly owned by B.S.A. S.A., the group's parent company, either directly or through its subsidiaries. Parmalat and BSA Finances are related parties, as they are both controlled by BSA.

Detailed information about the cash pooling transaction, including its approval process (as a related-party transaction) and the risk profiles, is provided in the Report on Operations.

Loans receivable from subsidiaries increased by 191.2 million euros, due in part to short-term financing provided to Group companies (the largest of these loans include: 95.1 million euros to the Parmalat Canada subsidiary, 20.0 million euros to the Parmalat Australia subsidiary, 12.8 million euros to the Parmalat MK subsidiary and 4 million euros to the Parmalat Food Products subsidiary, in Australia), net of loans repaid by the Parmalat Canada subsidiary (22.6 million euros) and the Parmalat Portugal subsidiary (3.7 million euros). The increase in Loans receivable also reflects the reclassification to this account of 84.3 million euros in non-current loans receivable maturing by the end of 2012.

As of the close of the financial statements, the Company held only one bank time deposit, with a face value of 20.0 million euros, maturing on May 7, 2012 and earning interest at a rate of 2.73%.

(12) Cash and Cash Equivalents

Cash and cash equivalents totaled 84.1 million euros. A breakdown is provided below:

(€ m)

	12.31.2011	12.31.2010
Sight bank deposits	83.5	133.9
Cash and securities on hand	0.3	0.5
Accrued interest	0.3	0.1
Total	**84.1**	**134.5**

This item includes amounts deposited by the Company in bank accounts, cash on hand and financial assets with an original maturity of three months or less at the time of purchase. The change compared with the end of 2010 reflects the daily flow of collections and payments and the change in investment decisions described in the preceding note.

The Company has no operating short-term credit lines.

The change in financial position, which reflects the Company's decision to join the cash pooling contract of the Lactalis Group, is shown in the Statement of Cash Flows, which should be consulted for additional information.

Credit Quality of Financial Assets (Cash Equivalents and Current Financial Assets)

The table below provides information about the credit quality of unimpaired financial assets outstanding at December 31:

	CREDIT RATING	12.31.2011	12.31.2010
Cash equivalents	A or higher	70.4	132.2
	Lower than A	12.5	2.3
	Not rated	1.2	0.0
Current financial assets	A or higher	20.1	1,134.4
	Lower than A	0.0	0.0
	Not rated	1,462.2	82.8
Total		**1,566.4**	**1,351.7**

The amounts listed as having a rating "lower than A" refer mainly to bank accounts with major Italian credit institutions whose rating was changed to triple B during the year.

The amount shown for "not rated" current financial assets refers to intercompany and related-party loans receivable (274.0 million euros in loans receivable from subsidiaries and 1,188.2 million euros in liquid assets invested in the cash pooling system of B.S.A. Finances S.n.c.).

Notes to the Statement of Financial Position - Shareholders' Equity

SUMMARY OF THE SHAREHOLDERS' EQUITY ACCOUNTS

(€ m)

	12.31.2011	12.31.2010
- Share capital	1,755.4	1,732.9
- Reserve for conversion exclusively into share capital of creditor challenges and claims of late-filing creditors	153.7	153.7
- Statutory reserve	87.8	81.4
- Other reserves and retained earnings	838.4	763.8
- Profit for the year	188.7	128.3
Total	**3,024.0**	**2,860.1**

The financial statements include a Statement of Changes in Shareholders' Equity.

(13) SHARE CAPITAL

The table below shows a breakdown of the change in the number of shares outstanding (par value 1 euro each) that occurred in 2011:

NUMBER OF SHARES	
Shares outstanding at 01.01.2011	**1,732,915,571**
Shares issued for claims of late-filing creditors and/or upon the settlement of challenges (using reserves established for this purpose)	61,127
Shares issued upon the conversion of warrants	22,425,124
Shares outstanding at 12.31.2011	**1,755,401,822**

Maximum Share Capital Amount

As shown below, the Company's share capital can be increased up to 2,025 million euros, pursuant to resolutions approved by the Shareholders' Meeting on March 1, 2005, September 19, 2005 and April 28, 2007:

- Increase reserved for creditors with unsecured claims included in the lists of verified claims	1,541.1
- Increase reserved for unsecured creditors with conditional claims and/or who are challenging their exclusion from the lists of verified claims	238.9
- Increase reserved for late-filing creditors	150.0
Total increases reserved for creditors	**1,930.0**
- Shares available for the conversion of warrants	95.0
Total capital increase	**2,025.0**

As shown above, the Company's share capital amounted to 1,755.4 million euros at December 31, 2011. As of the writing of these Notes, it had increased by 2.1 million euros to a total of 1,757.5 million euros.

As of the same date, 40,071,135 warrants were outstanding, which can be exercised until December 31, 2015.

(14) Reserve for Creditor Challenges and Claims of Late-filing Creditors Convertible into Share Capital

At December 31, 2011, this reserve convertible into share capital amounted to 153.7 million euros, following a fractional utilization during the year (offset by a corresponding increase in share capital) that produced no change in the balance of the reserve.

The utilization of this reserve will entail converting it into the share capital of Parmalat S.p.A. for an amount equal to the additional verified claims.

As mentioned in the Notes to the Financial Statements at December 31, 2010, following the settlements of numerous disputes, the Company developed an updated estimate of the risks to which it could be exposed with regard to amounts payable in "composition with creditors money" (i.e., Parmalat shares). Based on this estimate, the surplus in the Reserve for creditor challenges and claims of late-filing creditors convertible into share capital is about 90 million euros.

(15) Statutory Reserve

The statutory reserve amounted to 87.8 million euros (81.4 million euros at December 31, 2010).

(16) Other Reserves and Retained Earnings

This item amounted to 838.5 million euros, up from 763.7 million euros at the end of 2010.

The main reason for the increase compared with 2010 is the impact of the Ordinary Shareholders' Meeting of June 28, 2011, which approved a resolution: (i) to add to the statutory reserve 5% of the net profit earned in 2010, equal to 6.4 million euros; (ii) to appropriate (a) 50% of the balance of the 2010 net profit as a dividend, rounded up to 0.036 euros per share on each of the 1,737,925,715 common shares outstanding at March 16, 2011, for a total payout of 62.6 million euros; (b) the balance of 59.3 million euros to retained earnings.

Please note that, in accordance with resolutions approved by the Shareholders' Meeting in previous years, limited to a maximum amount of 65.7 million euros, these reserves may also be used to satisfy the claims of late filing creditors and creditors with challenged claims, when and if their claims are verified.

This item includes (net of tax effect) the Reserve for fair value measurement of available-for-sale securities, amounting to 15.4 million euros.

The following disclosure, which is being provided in accordance with the requirements of Article 2427 of the Italian Civil Code, as amended by Legislative Decree No. 6/2003, completes the information presented about the Company's shareholders' equity:

(€ K)

SHAREHOLDERS' EQUITY COMPONENTS	AMOUNT	UTILIZATION OPTIONS	AMOUNT OF OTHER RESERVES	SUMMARY OF UTILIZATIONS IN THE PAST THREE YEARS	
				To cover losses	Other
Share capital	**1,755,402**	**-**			
Capital reserves					
Reserve convertible into share capital	*153,685*	*A*[1]			*39,573*
Shares issued through the exercise of warrants		*A*			*49*
Earnings reserves					
Statutory reserve	87,784	B	-		
Reserve for dividends for challenged and conditional claims[2]	25,932	C	-		608
Miscellaneous reserves[3]	797,119	A, B, C[4]	731,396		
Other reserves					
Reserve for fair value measurement of held-for-sale securities	*15,396*				
Total	**2,835,318**		**731,396**		
Amount restricted pursuant to Article 109, Section 4, Letter B, of the Uniform Tax Code[5]			*(28,029)*		
REMAINING NON-TAXABLE AMOUNT			**703,367**		

A: for capital increase B: to cover losses C: for distribution to shareholders (for Parmalat, consider what reported in Note 2 and Note 3)

1 Limited to the surplus reported in Note 14 to these separate financial statements and up to that amount, this reserve can also be used to cover losses and for distribution to shareholders, after partial cancellation of the share capital increase resolutions taken in previous years.

2 Art. 7.7 of the Proposal of Composition with Creditors: *"If dividends and/or reserves are distributed, the Assumptor, drawing from the earnings amount that exceeds the percentage set forth in Section 5.2 above, shall set aside an amount proportionate to the number of shares that could be issued as part of the share capital increase referred to in Section 7.3a above). The amounts thus reserved, shall be used to satisfy the claims of creditors who challenged the exclusion of their claims or hold conditional claims, once their claims are verified."*

3 Limited to the amounts of 35,141,000 euros (Shareholders' Meeting resolution of April 29, 2007) and 30,582,000 euros (Shareholders' Meeting resolution of April 9, 2008), this reserve can be used to satisfy claims of late filing creditors and contested claims, when such claims are verified, by means of a capital increase.

4 Because this reserve was established (except as stated in Note 2) with earnings in excess of 50% of the result appropriated for dividend distributions in previous years, it qualifies as distributable only *"within the limits of and pursuant to Article 26, Section 3, of the Bylaws and in accordance with the provisions of Article 1, Section 2-septies, of Decree Law No. 225 of December 29, 2010, as amended and converted into Law No. 10 of February 26, 2011."*

5 This amount corresponds to the value of the amortization of deducted value adjustments and provisions compared with those recognized in earnings as of December 31, 2011, net of deferred taxes (Article 109, Section 4, Letter B, of Presidential Decree No. 917/86).

(17) Profit for the Year

In 2011, the Company earned a profit of 188.7 million euros.

Notes to the Statement of Financial Position - Liabilities

NON-CURRENT LIABILITIES

(18) Long-term Borrowings

A breakdown of Long-term borrowings, which amounted to 0.5 million euros, is as follows:

(€ m)

	12.31.2011	12.31.2010
Obligations under finance leases – amount due after one year	0.5	1.9
Total	**0.5**	**1.9**

Obligations under finance leases, recognized in accordance with IAS accounting principles, represent the remaining indebtedness due after one year under outstanding finance leases.
The change, compared with 2010, is the net result of the lease payments made.

(19) Deferred-tax Liabilities

Deferred-tax liabilities amounted to 34.3 million euros. The table below provides a breakdown of this item:

(€ m)

DEFERRED-TAX LIABILITIES	TAX RATE	TEMPORARY DIFFERENCES AT 12.31.2011	BALANCE AT 12.31.2011	ADDITIONAL LIABILITIES RECOGNIZED	UTILIZA-TIONS	BALANCE AT 12.31.2010
Amortization of goodwill recognized for tax purposes	31.40%	41.1	12.9	4.0		8.9
Amortization of trademarks recognized for tax purposes	31.40%	69.4	19.8	2.6	(2.5)	19.7
Measurement of employee severance benefits in accordance with IAS 19	27.50%	3.4	0.9		(0.1)	1.0
Other deferred-tax liabilities	27.50%	1.6	0.7	0.3		0.4
Total			**34.3**	**6.9**	**(2.6)**	**30.0**

Deferred taxes recognized in 2011 were computed on the portion of amortization booked exclusively for tax purposes, since it applies to assets with an indefinite useful life that, as such, cannot be amortized for reporting purposes.

Utilizations refer mainly to the recognition of impairment losses suffered by trademarks, which required a recomptutation of the corresponding provision.

(20) Post-employment Benefits

Following the reform of the regulations that govern supplemental retirement benefits, employees have the option of investing the benefits that vest after January 1, 2007 either in a supplemental retirement benefit fund or in the "Treasury Fund" managed by the Italian social security agency (INPS). As a result, in accordance with IAS 19, the obligation towards the INPS and the contributions to supplemental retirement benefit funds must be treated as applicable to a defined-contribution plan.
On the other hand, benefits that vested before January 1, 2007 and were still undistributed at the end of the reporting period will continue to be treated as applicable to a defined-benefit plan.

The table below provides a breakdown of the Provision for employee severance benefits and shows the changes that occurred in 2011.

The addition to the Provision for employee severance benefits includes 1.1 million euros classified as interest cost in accordance with IAS 19.
The annual discount rate applied to compute the benefit liability is assumed to be equal to the year-end market rate for zero coupon bonds with a maturity equal to the average residual duration of the liability.

Reconciliation of Plan Assets and Liabilities to the Amounts Recognized on the Statement of Financial Position

Defined-benefit plans (at 12.31.2010)	**25.3**
Interest cost	1.1
Benefits paid and/or transferred	(2.2)
Defined-benefit plans (at 12.31.2011)	**24.2**

(21) Provisions for Risks and Charges

A breakdown of provisions for risks and charges, which totaled 31.2 million euros, is provided below:

(€ m)

	12.31.2011	UTILIZATIONS/ PAYMENTS AND OTHER CHANGES	REVERSALS IN EARNINGS	ADDITIONS	12.31.2010
Provision for taxes	9.2	(0.9)		4.8	5.3
Provision for risks on investee companies	4.8		(0.5)		5.3
Provision for staff downsizing	9.4	(3.0)	(2.6)	4.5	10.5
Provision for supplemental sales agents benefits	4.0	(0.2)		0.4	3.8
Miscellaneous provisions	3.8	(7.8)			11.6
Total	**31.2**	**(11.9)**	**(3.1)**	**9.7**	**36.5**

Net of additions, these provisions decreased by 5.3 million euros in 2011.

The largest among the items that account for the decrease in these provisions is the utilization (part against payments made and part against classification to miscellaneous payables) of a provision recognized in 2010 for registration fees due on court decisions of lawsuits related to the extraordinary administration proceedings.

During 2011, Parmalat S.p.A. recognized adequate provisions for tax risks related to previous years and thought to be probable.

The change in the provision for staff downsizing reflects primarily an addition for the restructuring of the Company's sales network.

(22) Provision for Contested Preferential and Prededuction Claims

(€ m)

	12.31.2011	UTILIZATIONS/ PAYMENTS AND OTHER CHANGES	REVERSALS IN EARNINGS	ADDITIONS	12.31.2010
Provision for contested preferential and prededuction claims	6.1	0.9	(0.1)	0.9	4.4

The increase of 1.8 million euros is due to the addition for the year and the reclassification to this account of an amount attributable to a period prior to extraordinary administration, contested past the applicable deadline, for which the creditor is requesting satisfaction on a preferential basis. The reversal in earnings amount refers to creditors with whom the Company reached a settlement or to litigation that ended with a final decision in the Company's favor.

CURRENT LIABILITIES

(23) Short-term Borrowings

Short-term borrowings totaled 3.8 million euros. A breakdown is as follows:

(€ m)

	12.31.2011	12.31.2010
Obligations under leases – amount due within one year	1.5	2.5
Indebtedness owed to subsidiaries	2.3	2.3
Total	**3.8**	**4.8**

The overall decrease in Trade payables reflects mainly a reduction in purchases for investments and maintenance and a decrease in payables to subsidiaries.

(24) Trade Payables

A breakdown of trade payables, which totaled 164.4 million euros, is as follows:

(€ m)

	12.31.2011	12.31.2010
Trade payables – Suppliers	153.4	166.5
Liability for prize contests	0.3	1.3
Trade payables – Subsidiaries	10.7	16.7
Total	**164.4**	**184.5**

The overall decrease in Trade payables reflects mainly a reduction in purchases for investments and maintenance and a decrease in payables to subsidiaries.

(25) Other Current Liabilities

Other current liabilities of 45.1 million euros included the following:

(€ m)

	12.31.2011	12.31.2010
Amounts owed to the tax authorities	8.7	5.4
Contributions to pension and social security institutions	4.1	4.9
Amounts payable to employees	22.9	25.0
Amounts payable to shareholders for uncollected dividends	5.1	5.5
Amounts payable to subsidiaries under the national consolidated tax return	0.5	0.3
Accrued expenses and deferred income	1.8	2.3
Accounts payable to others	2.0	2.2
Total	**45.1**	**45.6**

The main components of the amounts owed to the tax authorities are income taxes withheld from employees, professionals, agents and other associates.

Amounts payable to employees include wages and salaries for December, accrued vacation days payable, personal and company bonuses payable and related social security benefit obligations.

Accrued expenses and deferred income refer mainly to deferred income from grants approved pursuant to Legislative Decree No. 173/1998.

(26) Income Taxes Payable

No liability for income taxes is recognized in the financial statements because the combined amounts of estimated tax payment made and taxes withheld are larger than the total liability for current taxes.

Guarantees and Commitments

(€ m)

	12.31.2011			12.31.2010		
	SURETIES	OTHER COMMITMENTS	TOTAL	SURETIES	OTHER COMMITMENTS	TOTAL
Guarantees provided by a third party on the Company's behalf	176.4	6.2	182.6	373.6	8.0	381.6
Total guarantees	**176.4**	**6.2**	**182.6**	**373.6**	**8.0**	**381.6**

The Guarantees provided by a third party on the Company's behalf (176.4 million euros) consist mainly of guarantees provided by banks and/or insurance companies to government agencies in connection with VAT refunds and prize contests.

The amount shown for Other commitments reflects the par value of the shares that the Company holds as custodian for Fondazione Creditori Parmalat, pending their award to trade creditors of the companies included in the 2005 Composition with Creditors who were identified by name (4.2 million euros) and to creditors who have not yet claimed their shares (2.0 million euros).

Legal Disputes and Contingent Liabilities at December 31, 2011

The Company is a defendant in civil and administrative proceedings that, based on the information currently available and in view of the existing provisions, are not expected to have a material negative impact on the financial statements.
Parmalat S.p.A. is also a plaintiff in some actions for damages, liability actions and actions to void in bankruptcy which it filed.

CHALLENGE TO THE COMPOSITION WITH CREDITORS

An appeal filed against the decision handed down by the Bologna Court of Appeals on January 16, 2008, which was favorable to Parmalat, is currently pending before the Court of Cassation.

* * *

Information about the main proceedings involving the Parmalat Group, updated as of December 31, 2011, is provided below.

CRIMINAL PROCEEDINGS

Criminal Court of Milan

In the proceedings for the crime of stock manipulation, the lower court issued a verdict in 2008; the appellate proceeding ended in May 2010 and the proceedings came to an end with a decision handed down by the Court of Cassation in May 2011. However, these proceedings are no longer relevant to Parmalat Finanziaria S.p.A. under extraordinary administration, since it reached a settlement with Bank of America.

A plea bargaining agreement was approved for the Grant Thornton auditors, whose position had been separated from the main proceedings.

The second segment of the stock manipulation proceedings pending before the lower court ended with a decision handed down in April 2011. No Parmalat company had joined these proceedings as a plaintiff seeking damages.

Criminal Court of Parma

One trial, in which former Directors, Statutory Auditors and employees of the old Parmalat Group companies were charged with the crime of fraudulent bankruptcy ended, on December 9, 2010, with the conviction of all defendants (except for two counts) and, with regard to civil law issues, with the granting of a provisionally enforceable award of 2,000,000,000 euros benefiting the companies of the Parmalat Group under extraordinary administration who joined these proceedings as a plaintiffs seeking damages.

In a second trial, the defendants are also former Directors, Statutory Auditors and employees of companies in the so-called "tourism" operations, and officers of some banks. Insofar as these bank officers are concerned, Parmalat withdrew from the proceedings as a plaintiff seeking damages, whenever settlements were reached with the respective banks. The proceedings before the lower court ended, on December 20, 2011, with the conviction of all defendants. The court is now expected to file a detailed decision, at which point it is likely that the convicted defendants will promptly appeal.

In other proceedings, which ended with a decision handed down in November 2011, the defendants are officers and employees of the former Banca di Roma. In these proceedings, the companies of the Parmalat Group under extraordinary administration, having reached an out-of-court settlement with the bank, withdrew the claims they put forth when they joined the proceedings as plaintiffs seeking damages.

In addition, hearings began in April 2011 in the trial of officers and employees of Citigroup/Citibank charged with fraudulent bankruptcy. Parmalat joined these proceedings as a plaintiff seeking damages, suing the bank as the liable party for activities it carried out in Milan, London and New York. The preliminary motions phase has been completed and the phase of discovery during trial is under way.

Lastly, proceedings targeting employees and/or officers of Standard & Poor's and JP Morgan, in connection with which companies of the Parmalat Group under extraordinary administration have the status of injured parties, are still in the discovery phase.

Two additional proceedings are currently in the discovery phase.
The first one stems from an investigation launched following the seizure of works of art allegedly owned by Calisto Tanzi. The second one is related to Parmacalcio. In both instances, Parmalat under extraordinary administration joined the proceedings as an injured party.

Court of Cassation

As a result of decisions handed down by the Court of Cassation in June 2011, the decision convicting Maurizio Bianchi, Luciano Del Soldato and Giampaolo Zini handed down by the Court of Parma following a summary judgment became final.

Florence Court of Appeals

Criminal proceedings against Carlo Alberto Steinhauslin are pending before the Florence Court of Appeals. In proceedings before the lower court, which Parmalat S.p.A. under extraordinary administration joined as a plaintiff seeking damages, Mr. Steinhauslin was found guilty of money laundering. Appellate hearings have not yet been set.

CIVIL LAWSUITS IN THE UNITED STATES OF AMERICA

Parmalat filed the following lawsuits in the United States against certain banks and independent auditors:

Lawsuit Against Grant Thornton

See the information provided in the section of the Report on Operations entitled "Events Occurring After December 31, 2011."

Parmalat vs. Citigroup, Inc. et al.

The New Jersey Court of appeals upheld the lower court's decision. Parmalat filed a motion seeking clearance to appeal the decision before the Supreme Court of New Jersey. A decision is pending.

CIVIL PROCEEDINGS FILED AGAINST THE GROUP

Insurance Companies vs. Parmalat Finanziaria S.p.A. in A.S.

The Milan Court of appeals, in a decision handed down on July 12, 2011, ruled in favor of the appeal filed by some insurance companies against a decision handed down by the lower court in Milan, in September 2007, by which it denied motions filed by some insurance companies asking that insurance policies taken out by the previous management of the Parmalat Group that provided protection from the risks inherent in the exercise of the offices of Director, Statutory Auditor and General Managers be declared null and void. The Company appealed the decision by the Court of Appeals before the Court of Cassation, which has not yet scheduled a hearing.

Giovanni Bonici vs. Industria Lactea Venezolana

The Court of Caracas granted in part the motions filed by Giovanni Bonici who, in February 2005, in his capacity as President of Industria Lactea Venezolana C.A., served a summons on the abovementioned company challenging his dismissal, of which he was informed in 2004. The plaintiff asked that his dismissal be declared invalid and that Industria Lactea Venezolana C.A. be ordered to pay damages for various reasons totaling about US$20 million.

However, it is worth mentioning that in the criminal proceedings in which Directors, Statutory Auditors and former employees of the old Parmalat Group companies were charged with fraudulent bankruptcy, Giovanni Bonici was found guilty by the Court of Parma with a verdict handed down on December 9, 2010.
An appeal against Bonici aimed at obtaining the release of funds under attachment at credit institutions is pending in Switzerland.

Liability Actions

Acting within the statutory deadline, Parmalat S.p.A. reinstated its civil liability lawsuits against those defendants in the criminal proceedings that agreed to a plea bargaining arrangement. The Court confirmed a decision dismissing the civil liability lawsuits filed by Parmalat Finanziaria S.p.A. in A.S. and Parmalat S.p.A. in A.S. but, insofar as the Assumptor is concerned, ordered the resumption of the lawsuit against the parties included in the reinstatement decision. In the reinstated proceedings,

the Court Appointed Technical Consultant filed his technical report. The judge then set a deadline by which the parties and the Technical Consultant must submit, respectively, briefs and counterarguments concerning the technical report, scheduling a hearing for October 5, 2011.
In the other liability action against a former Statutory Auditor of Parmalat Finanziaria S.p.A. in A.S., the Court Appointed Technical Consultant filed his technical report. The judge then set a deadline by which the parties and the Technical Consultant must submit, respectively, briefs and counterarguments concerning the technical report.

Boschi Luigi & Figli S.p.A. Liability Action

In 2004, Parmalat S.p.A. in A.S., who at that time owned an interest of 89.44% in Boschi Luigi & Figli S.p.A., sued asking the court to find the former Directors and Statutory Auditors of Boschi Luigi & Figli S.p.A. liable for the company's collapse.
Due the death of one of the defendants, the lawsuit was interrupted in 2006, but later resumed. Following the filing of a technical report requested by the court, the lawsuit is continuing against the other defendants and a hearing for oral arguments has been scheduled for September 19, 2012.

ADMINISTRATIVE PROCEEDINGS FILED AGAINST THE GROUP

Centrale del Latte di Roma

See the information provided in the section of the Report on Operation entitled "Events Occurring After December 31, 2011."

DECISIONS AND INVESTIGATIVE PROCEEDINGS BY THE ITALIAN ANTITRUST AUTHORITIES

On May 21, 2008, the Italian Antitrust Authority ordered Parmalat S.p.A. to pay an administrative fine of 2,226,000 euros.
Parmalat, having complied fully with the Italian Antitrust Authority's Resolution No. 16282 on April 18, 2008 (date when the contract to sell the shares of Newlat S.p.A. to TMT Finance SA was executed) and believing that the reasons that prevented it from complying with the October 30, 2007 deadline originally set by the Italian Antitrust Authority were beyond its control, challenged the Italian Antitrust Authority's decision of May 21, 2008 before the Regional Administrative Court of Latium, asking that it be set aside. On February 4, 2009, the Regional Administrative Court of Latium handed down a decision denying Parmalat's challenge and upholding the Italian Antitrust Authority's decision. On July 7, 2009, Parmalat filed a complaint challenging this decision before the Council of State. Parmalat's challenge was heard on February 15, 2011 and a decision favorable to Parmalat followed. The amount of the fine, plus interest, was refunded to Parmalat.

DISPUTES INVOLVING CHALLENGES TO THE COMPOSITION OF THE LISTS OF LIABILITIES

Challenges and Oppositions

At December 31, 2011, disputes stemming from challenges to the composition of the lists of liabilities of the companies included in the Composition with Creditors and late filings of claims involved 41 lawsuits filed before the Court of Parma and 142 lawsuits pending before the Bologna Court of Appeals. A significant portion of these disputes (about 100 lawsuits pending before the lower courts and at the appellate level) involves issues related to Article 2362 of the Italian Civil Code (previous wording) for the period during which Parmalat Finanziaria S.p.A. was the sole shareholder of Parmalat S.p.A..

Notes to the Income Statement

(27) Net Sales Revenues

Net sales revenues totaled 820.7 million euros in 2011, virtually unchanged compared with the total amount reported in 2010 (820.5 million euros). During the year, the Centrale del Latte di Roma subsidiary resumed normal operations and, consequently, intercompany sales decreased. However, higher sales to outside customers offset most of this reduction.

A breakdown of sales revenues is as follows:

(€ m)

	2011	2010
Gross sales and service revenues	1,377.3	1,316.8
Returns, discounts and trade promotions	(584.2)	(538.5)
Net sales to Group companies	27.7	42.2
Total	**820.7**	**820.5**

A breakdown of revenues by product category is as follows:

(€ m)

	2011	2010
Milk	639.1	633.6
Fruit beverages	87.8	88.1
Dairy products	74.2	73.5
Other products	19.6	25.3
Total	**820.7**	**820.5**

A breakdown of revenues by geographic region is as follows:

(€ m)

	2011	2010
Italy	810.7	809.9
Other EU countries	4.5	5.7
Other countries	5.5	4.9
Total	**820.7**	**820.5**

(28) Other revenues

A breakdown of other revenues, which amounted to 35.8 million euros, is provided below:

(€ m)

	2011	2010
Rebilling of advertising expenses	7.5	5.4
Rebilling and recovery of costs	9.9	12.6
Royalties	11.9	15.2
Rent	0.3	0.5
Gains on asset disposals	0.1	0.8
Miscellaneous revenues	6.1	4.3
Total	**35.8**	**38.8**

The decrease compared with 2010 is due in part to lower royalty income, which returned to a level consistent with regular operations, following a nonrecurring royalty amount recognized in 2010 after the settlement of a dispute with a licensee.

EXPENSES

(29) Cost of Sales

Cost of sales of 569.5 million euros included the following:

(€ m)

	2011	2010
Raw materials and finished goods used	457.7	442.6
Services and maintenance	20.8	23.0
Personnel	50.0	51.5
Depreciation, amortization and writedowns	20.1	18.7
Energy, gas and water	17.5	16.5
Miscellaneous	3.4	3.2
Total	**569.5**	**555.5**

The amount of the cost of sales reflects to a large extent changes in the price of raw milk and the cost of packaging materials.

(30) Distribution Costs

Distribution costs amounted to 178.6 million euros, broken down as follows:

(€ m)

	2011	2010
Advertising and promotions	29.6	36.3
Sales commissions and royalties paid	51.8	50.9
Distribution freight	39.2	35.4
Fees to franchisees	12.2	12.7
Personnel	22.0	22.8
Depreciation, amortization and writedowns	13.3	26.2
Commercial services	9.0	8.0
Other costs	1.5	3.6
Total	**178.6**	**195.9**

The main changes that occurred within Distribution costs included reductions in Depreciation, amortization and writedowns (down sharply, as some trademarks are now fully amortized) and Advertising and promotions.

(31) Administrative Expenses

A breakdown of Administrative expenses, which totaled 84.3 million euros in 2011, is provided below:

(€ m)

	2011	2010
Personnel	33.8	33.1
Auditing and certification fees	1.5	1.5
Depreciation and amortization	8.3	7.8
Purchases of materials	24.2	23.5
Outside services	11.4	12.0
Fees paid to Directors	1.6	1.5
Fees paid to the Board of Statutory Auditors	0.2	0.2
Other expenses	3.3	2.6
Total	**84.3**	**82.2**

The individual components of administrative expenses show limited change compared with 2010.

(32) Other Income and Expenses

Net other income amounted to 38.6 million euros. A breakdown is as follows:

(€ m)

	2011	2010
Proceeds from settlements, actions to void and compensation	53.0	46.1
Reversal in earnings of the provision for investment in associates	0.5	41.2
Reversal in earnings of the provision for preferential/prededuction claims	0.0	0.7
Reversal in earnings of other provisions for risks	2.6	2.0
Miscellaneous (income)/expenses	(17.5)	(9.9)
Total	**38.6**	**80.1**

Proceeds from settlements, actions to void and compensation include:
- partial payment of the provisionally enforceable award granted by the Court of Parma with a decision handed down on December 9, 2010;
- amount paid by the companies under extraordinary administration (Hit S.p.A., licensees and Eliair Srl) as distributions for verified claims included among the liabilities in the bankruptcy proceedings;
- proceeds from settlements reached with some credit institutions to end pending litigation.

The main components of net miscellaneous expenses include: non-recoverable withholdings on dividends, nonrecurring expenses related to the tender offer for Parmalat shares launched during the year and additions to provisions for miscellaneous risks to cover potential costs related to disputes concerning verified liabilities.

(33) Litigation-related Legal Expenses

The balance in this account reflects the fees paid to law firms (8.0 million euros, compared with 9.2 million euros in 2010) retained as counsel in connection with the actions for damages and actions to void filed by the companies under extraordinary administration prior to the implementation of the Composition with Creditors, which the Company is continuing to pursue.

The abovementioned legal actions are gradually coming to a conclusion. Additional information is provided in the section of this Report entitled “Legal Disputes and Contingent Liabilities.”

(34) Additions to/Reversals of Provisions for Losses of Associates

The net adjustment to the carrying amount of investments in associates (27.3 million euros) reflects the results of the annual impairment test of investments in subsidiaries, which required writedowns of the investments in Parmalat Portugal (22.1 million euros), Centrale del Latte di Roma (5.1 million euros) and sundry companies (0.1 million euros).

(35) Financial Income and Financial Expense

The tables below provide, respectively, breakdowns of the financial income and expense amounts attributable to 2011.

(€ m)

	2011	2010
Income from readily available financial assets	5.7	4.4
Interest and other financial income from intercompany and related-party transactions	12.4	2.2
Interest earned on bank accounts	6.9	5.7
Gain on translation of receivables/payables in foreign currencies	0.4	1.4
Interest earned on receivables from the tax authorities	1.8	1.6
Other financial income	0.1	0.0
Total financial income	**27.3**	**15.3**

	2011	2010
Bank interest and fees paid	0.3	0.5
Interest paid on finance leases	0.1	0.2
Loss on translation of receivables/payable in foreign currencies	0.5	1.2
Other financial expense	0.1	0.1
Total financial expense	**1.0**	**2.0**

The Company benefited from higher interest rate available in 2011 and from an increase in interest income from Group intercompany and related-party transactions, due to the amount invested with B.S.A. Finances S.n.c. under the cash pooling system.

(36) Other Income from (Expenses for) Equity Investments

The table below provides a breakdown of income from and expense for equity investments:

(€ m)

	2011	2010
Dividends from subsidiaries	166.0	41.9
Dividends from other companies	0.0	0.6
Losses on the sale of equity investments	0.0	(0.1)
Total	**166.0**	**42.4**

Dividends from subsidiaries include the amounts paid by Parmalat Canada (111.3 million euros), Parmalat Belgium (18.5 million euros), Parmalat Australia (14.4 million euros), Dalmata S.p.a. (5.0 million euros), Parmalat Food Products (Australia) (3.5 million euros), Centrale Latte Roma S.p.A. (3.2 million euros), Sata Srl (2.7 million euros), Parmalat South Africa (1.8 million euros), Procesadora de Leches SA (Colombia) (1.7 million euros), OAO Belgorodskij Moloknij Kombinat (Russia) (1.5 million euros), Parmalat Portugal Lda (1.1 million euros), Parmalat Colombia (1.0 million euros), Parmalat Romania (0.2 million euros) and OOO Parmalat MK (Russia) (0.1 million euros).

(37) Income Taxes

Reconciliation of the Theoretical Tax Liability to the Actual Tax Liability Shown in the Income Statement

(€ K)

	CORPORATE INCOME TAX (IRES)	REGIONAL TAX (IRAP)	TOTAL
Profit before taxes	219,700	219,700	
Difference in taxable income for IRES and IRAP purposes:			
Non-taxable extraordinary income (incl. proceeds from settlements)	(1,552)	(38,607)	
Net financial income from equity investments		(192,263)	
Personnel expense		105,776	
Non-deductible additions to provisions and writedowns		3,000	
	218,148	**97,606**	
Applicable tax rate (%)	*27.5%*	*3.9%*	*31.4%*
Theoretical tax liability	59,991	3,807	63,798
Tax savings on dividends and capital gains (taxed at 5%)	(43,365)		(43,365)
Effect of filing a consolidated tax return	(1,073)		(1,073)
Higher/(Lower) taxes on non-deductible writedowns of investments in associates	7,506	1,065	8,571
IRAP reduction for payroll tax relief		(1,322)	(1,322)
Higher/(Lower) taxes for deductions not recognized for accounting purposes and other permanent differences	4,354	35	4,389
Actual income tax liability shown on the income statement at December 31, 2011	**27,413**	**3,585**	**30,998**
Actual tax rate (%)	*12.48%*	*1.63%*	*14.11%*

(38) OTHER INFORMATION

Material Nonrecurring Transactions and Atypical and/or Unusual Transactions

The Company did not execute material nonrecurring transactions or atypical or unusual transactions, pursuant to Consob Communication No. DEM/6064293 of July 28, 2006.

Net Financial Position

In accordance with the requirements of the Consob Communication of July 28, 2006 and consistent with the CESR's Recommendation of February 10, 2005 "Recommendations for a Uniform Implementation of the European Commission's Prospectus Regulation," a schedule showing the Company's net financial position at December 31, 2011 is provided below:

(€ m)

	12.31.2011	12.31.2010
A) Cash on hand	0.3	0.5
B) Cash equivalents and readily available financial assets:		
- Bank and postal accounts	83.5	133.9
- Treasury securities (Italian and foreign)	0.0	710.3
- Accrued interest receivable	0.3	5.4
- Time deposits	20.0	418.8
C) Negotiable securities	0.0	0.0
D) Liquid assets (A+B+C)	**104.1**	**1,268.9**
E1) Current loans receivable	274.1	82.8
E2) Cash pooling receivable	1,188.2	0.0
F) Current bank debt	0.0	0.0
G) Current portion of non-current indebtedness	1.5	2.5
H) Other current borrowings	2.2	2.3
I) Current indebtedness (F+G+H)	**3.7**	**4.8**
J) Current net financial position (I-E1-E2-D)	**(1,562.7)**	**(1,346.9)**
K) Non-current bank debt	0.0	0.0
L) Debt securities outstanding		
M) Other non-current borrowings (finance leases)	0.5	1.9
N) Non-current indebtedness (K+L+M)	**0.5**	**1.9**
O) Net financial position (J+N)	**(1,562.2)**	**(1,345.0)**

Breakdown of Labor Costs by Type

A breakdown is as follows:

(€ m)

	2011	2010
Wages and salaries	74.3	74.7
Social security contributions	24.1	23.5
Severance benefits	5.6	5.9
Other labor costs	1.8	3.3
Total	**105.8**	**107.4**

Number of Employees

The table below provides a breakdown by category of the Company's staff at December 31, 2011:

	AT 12.31.2011	AVERAGE FOR 2011	AT 12.31.2010
Executives	58	62.3	62
Middle managers and office staff	864	861.2	860
Production staff	708	730.0	748
Total	**1,630**	**1,653.5**	**1,670**

Depreciation, Amortization and Writedowns of Non-current Assets

A breakdown is as follows:

(€ m)

DESTINATION	2011		
	AMORTIZATION OF INTANGIBLES	DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	TOTAL
Cost of sales	0.1	20.0	20.1
Distribution costs	8.5	1.8	10.3
Administrative expenses	6.0	2.2	8.2
Total	**14.6**	**24.0**	**38.6**

(€ m)

DESTINATION	2010		
	AMORTIZATION OF INTANGIBLES	DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	TOTAL
Cost of sales	0.1	18.6	18.7
Distribution costs	14.4	3.1	17.5
Administrative expenses	5.8	2.0	7.8
Total	**20.3**	**23.7**	**44.0**

Fees Paid to the Independent Auditors

As required by Article 149 – duodecies of Consob Resolution No. 15915 of May 3, 2007, published on May 15, 2007 in Issue No. 111 of the *Official Gazette of the Italian Republic* (S.O. No. 115), the table below lists the fees attributable to 2011 that were paid for services provided to Parmalat S.p.A. by its Independent Auditors and by entities included in the network headed by these independent auditors.

(€ m)

TYPE OF SERVICES	2011	2010
A) Auditing assignments	1.3	1.2
B) Assignments involving the issuance of a certification		
C) Other services		
- Tax services		
- Due Diligence		
- Other services to support lawsuit settlements	*0.3*	*0.2*
Total	**1.6**	**1.4**

The amounts listed above represent payments for contractual fees. Additional charges include 0.2 million euros for out-of-pocket expenses incurred in connection with auditing assignments.

(39) DISCLOSURE REQUIRED BY IFRS 7

The disclosure about financial instruments provided below is in addition to the information provided in the notes to the financial statements.

Classification of Financial Instruments by Type (Excluding Intra-Group Positions)

(€ m)

	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES	HELD TO MATURITY INVESTMENTS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	TOTAL
12.31.2011						
Investments in associates					59.9	59.9
Other financial assets	3.6					3.6
Trade receivables	174.0					174.0
Other current assets	9.6					9.6
Cash and cash equivalents	84.1					84.1
Current financial assets	1,188.2			20.1		1,208.3
Total financial assets	**1,459.5**			**20.1**	**59.9**	**1,539.5**

(€ m)

	FINANCIAL LIABILITIES AT AMORTIZED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES	TOTAL
12.31.2011				
Financial liabilities	2.0			2.0
Trade payables	153.6			153.6
Total liabilities	**155.6**			**155.6**

(€ m)

	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES	HELD TO MATURITY INVESTMENTS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	TOTAL
12.31.2010						
Other financial assets	3.5					3.5
Trade receivables	160.0					160.0
Other current assets	11.5					11.5
Cash and cash equivalents	134.5					134.5
Current financial assets				1,134.4		1,134.4
Total assets	**309.5**	**0.0**	**0.0**	**1,134.4**	**0.0**	**1,443.9**

(€ m)

	FINANCIAL LIABILITIES AT AMORTIZED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES	TOTAL
12.31.2010				
Financial liabilities	4.4			4.4
Trade payables	167.7			167.7
Total financial liabilities	**172.1**	**0.0**	**0.0**	**172.1**

The carrying amount of financial assets and financial liabilities is substantially the same as their fair value.

Hierarchical Ranking of Fair Value Measurement

IFRS 7 requires that financial instruments measured at fair value be classified based on a hierarchical ranking that reflects the reliability of the inputs used to measure fair value. This hierarchical ranking includes the following levels:

- Level 1 – prices quoted in an active market for the assets or liabilities that are being measured;
- Level 2 – inputs other than the quoted prices of Level 1, but which are observable directly (prices) or indirectly (derived from prices) in the market;
- Level 3 – inputs not based on observable market data.

At December 31, 2011, Parmalat S.p.A. carried on its financial statements Investments in associates measured at fair value for a total of 59.9 million euros. These assets were classified at Level 3 in the hierarchical ranking.

The table below shows the changes that occurred within Level 3 in 2011:

(€ m)

	INVESTMENTS IN ASSOCIATES
Balance at 12.31.2010	**3.1**
Gains/(Losses) recognized in the income statement[1]	41.2
Gains/(Losses) recognized in the statement of comprehensive income	15.6
Transfers from and to Level 3	-
Balance at 12.31.2011	**59.9**

1 Included in Other income and expense.

Financial assets denominated in currencies other than the euro do not represent a material amount.

Contractual Maturity of Financial Liabilities and Trade Payables (Excluding Intra-Group Positions)

The contractual maturities of financial liabilities are summarized below:

(€ m)

	CARRYING AMOUNT	FUTURE CASH FLOWS	WITHIN 60 DAYS	FROM 60 DAYS TO 120 DAYS	FROM 120 DAYS TO 360 DAYS	FROM 1 YEAR TO 2 YEARS	FROM 2 YEARS TO 5 YEARS	MORE THAN 5 YEARS
Financial liabilities	2.0	2.0	0.3	0.3	0.9	0.5		
Trade payables	153.6	153.6	138.4	14.8	0.4			
Balance at 12.31.2011	**155.6**	**155.6**	**138.7**	**15.1**	**1.3**	**0.5**	**0.0**	**0.0**

(€ m)

	CARRYING AMOUNT	FUTURE CASH FLOWS	WITHIN 60 DAYS	FROM 60 DAYS TO 120 DAYS	FROM 120 DAYS TO 360 DAYS	FROM 1 YEAR TO 2 YEARS	FROM 2 YEARS TO 5 YEARS	MORE THAN 5 YEARS
Financial liabilities	4.4	4.4	0.4	0.4	1.7	1.9		
Trade payables	167.7	167.7	151.4	14.9	1.4			
Balance at 12.31.2010	**172.1**	**172.1**	**151.8**	**15.3**	**3.1**	**1.9**	**0.0**	**0.0**

EQUITY INVESTMENTS HELD BY PARMALAT AT DECEMBER 31, 2011

COMPANY	TYPE	SHARE CAPITAL		EQUITY INVESTMENT			COMPANY'S SHAREHOLDERS' EQUITY	GROUP INTEREST IN SHAREHOLD. EQUITY
NAME REGISTERED OFFICE		CURR.	AMOUNT	VOTING SHARES/ INTERESTS HELD	NO. OF SHARES/ INTERESTS HELD	% OF TOT. NO. OF SHARES/ INTERESTS		
EUROPE								
ITALIAN SUBSIDIARIES								
CARNINI S.P.A. Villa Guardia (CO)	CORP.	EUR	3,300,000	600	600	100.000	7,424,328	7,424,328
CENTRALE DEL LATTE DI ROMA S.P.A. Rome	CORP.	EUR	37,736,000	5,661,400	5,661,400	75.013	63,447,385	47,591,883
DALMATA S.P.A. Collecchio	CORP.	EUR	120,000	120,000	120,000	100.000	17,086,514	17,086,514
LATTE SOLE S.P.A. Collecchio	CORP.	EUR	3,042,145	6,000,000	6,000,000	100.000	7,091,530	7,091,530
PARMALAT AFRICA S.P.A. Collecchio	CORP.	EUR	38,860,408	38,860,408	38,860,408	100.000	72,104,606	72,104,606
PARMALAT DISTRIBUZIONE ALIMENTI SRL Collecchio	LLC	EUR	1,000,000	1	1	100.000	949,653	949,653
SATA SRL Collecchio	LLC	EUR	500,000	500,000	500,000	100.000	19,329,092	19,329,092
OTHER ITALIAN COMPANIES								
BONATTI S.P.A. Parma	CORP.	EUR	28,813,404	1,837,082	1,837,082	32.9	196,272,446	64,573,635
CE.PI.M S.P.A. Parma	CORP.	EUR	6,642,928	464,193	464,193	0.840	NA	
SO.GE.AP S.p.A. Parma	CORP.	EUR	3,631,561.64	1,975	1,975	0.725	NA	
TECNOALIMENTI SCPA Milan	CORP.	EUR	780,000			4.330	NA	
COOPERFACTOR S.P.A. Bologna	CORP.	EUR	11,000,000	10,329	10,329	0.094	NA	
BELGIUM								
PARMALAT BELGIUM SA Bruxelles	F	EUR	1,000,000	40,000	40,000	100.00	12,176,758	12,176,758
PORTUGAL								
PARMALAT PORTUGAL PROD. ALIMENT. LDA Sintra	F	EUR	11,651,450.04	11,646,450	11,646,450	99.957	9,257,386	9,253,406
ROMANIA								
LA SANTAMARA SRL Baia Mare	F	RON	6,667,50	535	535	84.252	51,885	43,713

COMPANY	TYPE	SHARE CAPITAL		EQUITY INVESTMENT			COMPANY'S SHAREHOLDERS' EQUITY	GROUP INTEREST IN SHAREHOLD. EQUITY
NAME REGISTERED OFFICE		CURR.	AMOUNT	VOTING SHARES/ INTERESTS HELD	NO. OF SHARES/ INTERESTS HELD	% OF TOT. NO. OF SHARES/ INTERESTS		
PARMALAT ROMANIA SA Comuna Tunari	F	RON	26,089,760	2,608,975	2,608,975	99.999	9,182,601	9,182,509
RUSSIA								
OAO BELGORODSKIJ MOLOCNIJ KOMBINAT Belgorod	F	RUB	67,123,000	66,958,000	66,958,000	99.754	25,878,727	25,818,112
OOO PARMALAT MK Moscow	F	RUB	81,015,950	1	1	100.000	7,243,068	7,243,068
OOO URALLAT Berezovsky	F	RUB	129,618,210	1	1	100.000	-787,257	-787,257
NORTH AMERICA								
CANADA								
PARMALAT CANADA INC. Toronto	F	CAD	982,479,550	848,019 Class A 134,460 Class B	848,019 134,460	86.314 13.685	481,425,167	481,425,167
CENTRAL AMERICA								
CUBA								
Citrus International Corporation SA Pinar del Rio	F	USD	11,400,000	627	627	55.000	6,152,045	3,383,625
NICARAGUA								
PARMALAT NICARAGUA SA in liquidation Managua	F	NIO	2,000,000	57	57	2.850	-5,533,729	-157,711
SOUTH AMERICA								
BRAZIL								
PRM ADMIN E PART DO BRASIL LTDA in liq. Saõ Paolo	F	BRL	1,000,000	810,348	810,348	81.035	NA	
PPL PARTICIPACOES DO BRASIL LTDA Saõ Paolo	F	BRL	1,271,257.235	1,260,921.807	1,260,921.807	99.187	NA	
CHILE								
PARMALAT CHILE SA Santiago	F	CLP	13,267,315.372	2,096,083	2,096,083	99.999	NA	
COLOMBIA								
PARMALAT COLOMBIA LTDA Bogotá	F	COP	20,466,360.000	18,621,581	18,621,581	90.986	17,688,095	16,094,398
PROCESADORA DE LECHES SA (Proleche sa) Bogotá	F	COP	173,062,136	131,212,931	131,212,931	94.773	35,024,753	33,194,009

COMPANY	TYPE	SHARE CAPITAL		EQUITY INVESTMENT			COMPANY'S SHAREHOLDERS' EQUITY	GROUP INTEREST IN SHAREHOLD. EQUITY
NAME REGISTERED OFFICE		CURR.	AMOUNT	VOTING SHARES/ INTERESTS HELD	NO. OF SHARES/ INTERESTS HELD	% OF TOT. NO. OF SHARES/ INTERESTS		
ECUADOR								
LACTEOSMILK SA								
Quito	F	USD	345,344	8,633,598	8,633,598	100.000	-3,116,380	-3,116,380
PARMALAT DEL ECUADOR (formerly Lechecotopaxi Lecocem)								
Quito	F	USD	6,167,720	100,067,937	100,067,937	64.897	739,807	480,578
PARAGUAY								
PARMALAT PARAGUAY SA								
Asuncion	F	PYG	9,730,000,000	9,632	9,632	98.993	1,033,733	1,023,292
URUGUAY								
AIRETCAL SA in liquidation								
Montevideo	F	UYU	2,767,156	2,767,156	2,767,156	100.000	NA	
WISHAW TRADING SA								
Montevideo	F	USD	30,000	50	50	16.667	NA	
VENEZUELA								
INDUSTRIA LACTEA VENEZOLANA CA (INDULAC)								
Caracas	F	VEB	34,720,471.6	343,108,495	343,108,495	98.820	124,566,308	124,566,308
AFRICA								
SOUTH AFRICA								
PARMALAT SOUTH AFRICA PTY								
Stellenbosch	F	ZAR	1,368,288,73	14,818,873	14,818,873	10.83	149,558,816	16,197,519
ASIA								
CHINA								
PARMALAT (ZHAODONG) DAIRY CORP. LTD								
Zhaodong	F	CNY	56,517,260	53,301,760	53,301,760	94.311	NA	
INDIA								
SWOJAS ENERGY FOODS LIMITED in liquidation								
Shivajinagar	F	INR	309,626,500	21,624,311	21,624,311	69.840	NA	
ASIA PACIFIC								
AUSTRALIA								
PARMALAT AUSTRALIA LTD.								
South Brisbane	F	AUD	222,627,759	200,313,371 pr.	200,313,371	89.97 pr.	314,236,436	282,718,521
PARMALAT INVESTMENT PTY LTD.								
South Brisbane	F	AUD	27,000,000	27,000,000	27,000,000	100.00	21,207,152	21,207,152

Certification of the statutory financial statements pursuant to Article 81-ter of Consob Regulation No. 11971 (which cites by reference Article 154-*bis*, Section 5, of the Uniform Financial Code) of May 14, 1999, as amended

Whereas:

- On March 9, 2012, the Board of Directors of Parmalat SpA, having prepared draft statutory and consolidated financial statements at December 31, 2011, agreed to convene a Shareholders' Meeting for April 20, 2012 (on a single calling) to approve the financial statements;
- On March 12, 2012, *PricewaterhouseCoopers*, in its capacity as the party retained to perform a statutory independent audit of the Company's financial statements, issued audit reports both on the statutory and consolidated financial statements at December 31, 2011;
- On March 16, 2012, the Board of Statutory Auditors has released reports on the financial statements;
- On March 20, 2012, the Council of State handed down a decision granting in part the motions put forth in the appeal filed by the City of Rome and Ariete Fattoria Latte Sano and ordering that the shares of the Centrale del Latte di Roma subsidiary be returned to the City of Rome, as stated in a special press release issued by Parmalat SpA on March 21, 2012;
- On March 27, 2012, Parmalat SpA issued a press release disclosing that, on March 26, 2012, in the arbitration proceedings activated by the Ontario Teachers Pension Plan Board ("OTPPB") versus Parmalat Canada Inc., formerly Parmalat Dairy and Bakery Inc., in connection with the Liquidity Payment Agreement (LPA) executed in 2004, the Sole Arbitrator handed down an award favorable to the OTPPB, finding that a change of control, as defined in the LPA, did occur on June 28, 2011, upon the election of a Board of Directors by the Shareholders' Meeting of Parmalat SpA;
- On April 5, 2012, both the Independent Auditors *PricewaterhouseCoopers* and the Board of Statutory Auditors withdrew their respective reports, pending further resolutions by the Board of Directors regarding amendments/additions to the 2011 statutory financial statements of Parmalat SpA and the 2011 consolidated financial statements resulting from the effect of the abovementioned decision and award;
- Also on April 5, 2012, further to the Independent Auditors and the Board of Statutory Auditors withdrawing their reports, the certifications provided by the Corporate Accounting Documents Officer and the Chief Executive Officer pursuant to Article 81-ter of Consob Regulation No. 11971 (which cites by reference Article 154-bis, Section 5, of the Uniform Financial Code) of May 14, 1999, as amended, were also withdrawn;
- On April 13, 2012, the Board of Directors of Parmalat SpA approved amendments to the disclosures provided in the Report on Operations accompanying the 2011 statutory financial statements with regard to the abovementioned decision by the Council of State and the Canadian arbitration award and updates to the 2011 consolidated financial statements with regard to the Canadian arbitration award;
- The resolution dated April 13, 2012, was adopted by the Board of Directors relying on the support of authoritative legal opinions obtained by the Company;

Now, therefore:
we, the undersigned, Yvon Guérin, in my capacity as Chief Executive Officer, and Pierluigi Bonavita, in my capacity as Corporate Accounting Documents Officer, of Parmalat S.p.A., taking into account the provisions of Article 154-bis, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, and the previous preliminary remarks,

CERTIFY

1. that the administrative and accounting procedures for the preparation of the statutory financial statements for the year ended December 31, 2011 were adequate in light of the characteristics of the business enterprise (taking also into account any changes that occurred during the year) and were effectively applied. The process of assessing the adequacy of the administrative and accounting procedures for the preparation of the statutory financial statements at December 31, 2011 was carried out consistent with the Internal Control – Integrated Framework model published by the Committee of Sponsoring Organizations of the Treadway Commission, which constitutes a frame of reference generally accepted at the international level;

2. and that:

   a) the statutory financial statements are consistent with the data in the Group's documents and accounting records;

   b) the statutory financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the statutes enacted to implement Legislative Decree No. 38/2005 and, to the best of our knowledge, are suitable for providing a truthful and fair presentation of the statement of financial position, income statement and cash flow of the issuer company.

3. the Report on Operations provides a reliable analysis of the results from operations and of the financial position of the issuer company and all of the companies included in the consolidation; it also includes a description of the main risks and uncertainties to which the abovementioned companies are exposed.

Date: April 13, 2012

Signed:
The Chief Executive Officer

Signed:
The Corporate Accounting Documents Officer

Report of the Independent Auditors

Parmalat S.p.A.


premium
blu
la bontà che
dura di più
BUONO
COME COMPRATO
OGNI MATTINA.
SENZA COMPRARLO
OGNI MATTINA.
Grazie alla
microfiltrazione
Parmalat
Blu è il latte che
dura 15 giorni.
FAI IL PIENO
DI BONTÁ
parmalat
Il latte oggi.

pwc

REISSUANCE OF THE AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Parmalat SpA

Introduction

In execution of our audit engagement, we had audited the separate financial statements of Parmalat SpA ("the Company") as at 31 December 2011, as approved by the Board of Directors on 9 March 2012, and we had consequently issued our audit report on these financial statements on 12 March 2012.

On 20 March 2012, the State Council issued its decision granting in part the appeals of Roma Capitale and Ariete Fattoria Latte Sano, and ruled that the stock of Centrale del Latte di Roma shall be returned to Roma Capitale.

With regard to the arbitration proceedings between Ontario Teachers Pension Plan Board ("OTPPB") and Parmalat Dairy and Bakery Inc., now Parmalat Canada Inc. ("Parmalat Canada"), concerning the Liquidity Payment Agreement dated as of June 29, 2004 between the above Parties ("LPA"), the arbitrator, on March 26, 2012, issued an award in favor of OTPPB on the grounds that an "Indirect Change of Control", as that term is defined in the LPA, occurred as of June 28, 2011 upon the election of the board of directors by the shareholders' meeting of Parmalat SpA.

As a consequence of the events described above, we withdrew our audit report dated 12 March 2012 as communicated to the Board of Directors on 5 April 2012.

On 13 March 2012, the Board of Directors of Parmalat SpA has approved the revised separate financial statements as at 31 December 2011, modified compared to the previous ones to update the disclosure related to the events described above.

The revised separate financial statements has been submitted to our attention as auditor of Parmalat SpA in order to be able to issue our audit report.

Conclusions:

Now therefore here below is our audit report on the separate financial statements of Parmalat SpA as at 31 December 2011:

1. We have audited the separate financial statements of Parmalat SpA as of 31 December 2011, as approved by the Board of Directors held on 13 April 2012, which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and related notes. The directors of Parmalat SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 2 March 2011.

3. In our opinion, the separate financial statements of Parmalat SpA as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Parmalat SpA for the period then ended.

4. The directors of Parmalat SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership structure, solely with reference to the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the specific section of the aforementioned report are consistent with the separate financial statements of Parmalat SpA as of 31 December 2011.

Milan, 16 April 2012

PricewaterhouseCoopers SpA

Signed by
Elena Cogliati
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

Parmalat Group

Financial Statements at December 31, 2011


NGRYTHIRSTY IS A STATE
F WEAK INDECISION
S WHEN YOU ARE NEITHER HUNGRY NOR
IRSTY BUT A BIT OF BOTH.
HERE IS ONLY ONE CURE FOR HUNGRYTHIRSTY
ND THAT'S OAK. WITH ITS FULL STRENGTH
ND FULL TASTE, IT'S FULL ON.
OAK
CHOCOLATE
OAK
OAK
STRAWBERRY

Consolidated Statement of Financial Position

ASSETS

NOTE REF.	(€ m)	12.31.2011	12.31.2010
	NON-CURRENT ASSETS	**2,125.8**	**2,073.6**
(1)	Goodwill	445.4	461.7
(2)	Trademarks with an indefinite useful life	594.9	613.0
(3)	Other intangibles	43.7	41.7
(4)	Property, plant and equipment	899.0	864.3
(5)	Investments in associates	60.1	3.3
(6)	Other non-current financial assets	7.1	7.6
(7)	Deferred-tax assets	75.6	82.0
	CURRENT ASSETS	**2,671.3**	**2,570.1**
(8)	Inventories	378.6	390.5
(9)	Trade receivables	525.8	484.0
	amount from transactions with related parties	*1.2*	
(10)	Other current assets	209.1	222.3
(11)	Cash and cash equivalents	303.3	318.0
(12)	Current financial assets	1,254.5	1,155.3
	amount from transactions with related parties	*1,188.2*	
	Available-for-sale assets	**3.0**	**0.5**
TOTAL ASSETS		**4,800.1**	**4,644.2**

LIABILITIES

NOTE REF.	(€ m)	12.31.2011	12.31.2010
	SHAREHOLDERS' EQUITY	**3,655.3**	**3,531.8**
(13)	Share capital	1,755.4	1,732.9
(14)	Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	153.7	153.7
	Other reserves and retained earnings:		
(15)	*- Reserve for currency translation differences*	*30.7*	*51.6*
(16)	*- Cash-flow hedge reserve*	*0.6*	*(0.2)*
(17)	*- Miscellaneous reserves*	*1,519.4*	*1,285.3*
(18)	Profit for the year	170.4	282.0
	Shareholders' equity attributable to Parent Co. shareholders	**3,630.2**	**3,505.3**
(19)	**Shareholders' equity attributable to minority shareholders**	**25.1**	**26.5**
	NON-CURRENT LIABILITIES	**421.0**	**384.4**
(20)	Long-term borrowings	8.0	13.7
	amount from transactions with related parties	*1.2*	*1.2*
(21)	Deferred-tax liabilities	170.3	189.0
(22)	Provisions for employee benefits	89.0	97.2
(23)	Provisions for risks and charges	147.2	79.7
(24)	Provision for contested preferential and prededuction claims	6.5	4.8
	CURRENT LIABILITIES	**723.8**	**728.0**
(20)	Short-term borrowings	31.4	24.4
	amount from transactions with related parties	*3.3*	*3.3*
(25)	Trade payables	540.1	545.9
	amount from transactions with related parties	*2.1*	
(26)	Other current liabilities	146.3	142.2
	amount from transactions with related parties	*0.1*	
(27)	Income taxes payable	6.0	15.5
	Liabilities directly attributable to available-for-sale assets	**0.0**	**0.0**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,800.1**	**4,644.2**

Consolidated Income Statement

NOTE REF.	(€ m)	2011	2010
(28)	**REVENUES**	**4,538.0**	**4,360.6**
	Net revenues	4,491.2	4,301.0
	amount from transactions with related parties	*1.5*	
	Other revenues	46.8	59.6
(29)	Cost of sales	(3,568.2)	(3,400.9)
	amount from transactions with related parties	*(3.4)*	
(29)	Distribution costs	(436.6)	(436.1)
(29)	Administrative expenses	(302.6)	(294.7)
	amount from transactions with related parties	*(0.3)*	
	Other (income) expense:		
(30)	- Litigation-related legal expenses	(8.1)	(9.2)
(31)	- Miscellaneous income and expense	(23.1)	114.5
	amount from transactions with related parties	*(0.4)*	
EBIT		**199.4**	**334.2**
(32)	Financial income	59.7	49.8
	amount from transactions with related parties	*6.9*	
(32)	Financial expense	(16.2)	(42.6)
	Interest in the result of companies valued by the equity method	0.1	(0.8)
(33)	Other income from (Expense for) equity investments	8.1	0.6
PROFIT BEFORE TAXES		**251.1**	**341.2**
(34)	Income taxes	(80.2)	(56.1)
PROFIT FROM CONTINUING OPERATIONS		**170.9**	**285.1**
PROFIT FOR THE YEAR		**170.9**	**285.1**
Minority interest in (profit) loss		(0.5)	(3.1)
Group interest in profit (loss)		170.4	282.0
Continuing operations:			
Basic earnings per share		**0.0978**	**0.1632**
Diluted earnings per share		**0.0961**	**0.1599**

Consolidated Statement of Comprehensive Income

NOTE REF.	(€ m)	2011	2010
	Net profit for the year (A)	**170.9**	**285.1**
	Other components of the comprehensive income statement		
(16)	Change in fair value of derivatives (cash flow hedge), net of tax effect	(1.0)	(0.2)
	Change in fair value of available-for-sale securities, net of tax effect	15.4	0.1
	Difference on translation of financial statements in foreign currencies	(12.9)	94.2
(16)	Reversal into profit or loss of the cash-flow hedge reserve	1.8	1.5
	Reversal into profit or loss of the reserve for fair value measurement of available-for-sale securities upon their sale	-	(0.8)
(33)	Reversal into profit or loss of the reserve for currency translations upon the sale/liquidation of equity investments	(7.9)	0.3
	Total other components of the comprehensive income statement, net of tax effect (B)	**(4.6)**	**95.1**
	Total comprehensive net profit (loss) for the period (A) + (B)	**166.3**	**380.2**
	Total comprehensive net profit (loss) for the period attributable to:		
	- Minority shareholders	(0.6)	(3.5)
	- Group shareholders	165.7	376.7

Consolidated Statement of Cash Flows

NOTES	(€ m)	2011	2010
	OPERATING ACTIVITIES		
	Profit from operating activities	170.9	285.1
(35)	Depreciation, amortization and writedowns of non-current assets	143.5	148.4
	Additions to provisions	218.1	116.9
	Interest and other financial expense	4.8	25.9
	Non-cash (income) expense items	(44.5)	(102.5)
	(Gains) Losses on divestments	(1.4)	(0.5)
	Dividends received	(0.2)	(0.9)
(31)	Proceeds from actions to void and actions for damages	(55.8)	(52.2)
(30)	Litigation-related legal expenses	8.1	9.2
	Cash flow from operating activities before change in working capital	**443.5**	**429.4**
	Changes in net working capital and provisions:		
	Operating working capital	(42.7)	15.6
	Payments of income taxes on operating result	(66.6)	(73.4)
	Other assets/Other liabilities and provisions	(49.6)	(47.2)
	Total change in net working capital and provisions	**(158.9)**	**(105.0)**
	CASH FLOWS FROM OPERATING ACTIVITIES	**284.6**	**324.4**
	Amount from transactions with related parties	*2.8*	
	INVESTING ACTIVITIES		
	Investments:		
(3)	*- Intangibles*	*(11.1)*	*(13.6)*
(4)	*- Property, plant and equipment*	*(125.4)*	*(142.3)*
	- Non-current financial assets	*(0.2)*	*(0.1)*
	- Investments in associates	*-*	*(0.8)*
	Acquisition of minority interests	(1.2)	-
	Proceeds from divestments and sundry items	4.0	5.8
(33)	Dividends received	0.2	0.9
	CASH FLOWS FROM INVESTING ACTIVITIES	**(133.7)**	**(150.1)**

CONTINUED

NOTES	(€ m)	2011	2010
	PROCEEDS FROM SETTLEMENTS	**14.9**	**54.6**
	LITIGATION-RELATED LEGAL EXPENSES	**(10.0)**	**(13.4)**
	INCOME TAXES PAID ON PROCEEDS FROM SETTLEMENTS	**(19.0)**	**(60.9)**
	FINANCING ACTIVITIES		
(20)	New loans and finance leases	18.8	9.9
(20)	Repayment of principal and accrued interest due on loans and finance leases	(25.7)	(225.4)
	Investments in other current assets that mature later than three months after the date of purchase	(98.0)	54.6
	Dividends paid	(64.3)	(113.3)
	Exercise of warrants	22.4	5.2
	CASH FLOWS FROM FINANCING ACTIVITIES	**(146.8)**	**(269.0)**
	INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM JANUARY 1 TO DECEMBER 31	**(10.0)**	**(114.4)**
(11)	**CASH AND CASH EQUIVALENTS AT JANUARY 1**	**318.0**	**428.2**
	Increase (decrease) in cash and cash equivalents from January 1 to December 31	(10.0)	(114.4)
	Net impact of the translation of cash and cash equivalents denominated in foreign currencies	(4.7)	4.2
(11)	**CASH AND CASH EQUIVALENTS AT DECEMBER 31**	**303.3**	**318.0**

Loan interest income amounted to 14.6 million euros.

Statement of Changes in Consolidated Shareholders' Equity

	SHARE CAPITAL	RESERVE CONVERTIBLE INTO SHARE CAPITAL[1]	OTHER RESERVES AND		
			STATU-TORY RESERVE	RES. FOR DIVIDENDS TO CHALLENGED AND CONDIT. CLAIMS	RESERVE FOR TRANSLATION DIFFERENCES
Balance at 01.01.2010	**1,712.6**	**168.8**	**62.7**	**25.9**	**(42.7)**
Profit for the year					
Difference from the translation of financial statements in foreign currencies					94.0
Change in fair value of derivatives					
Change in fair value of available-for-sale securities					
Reversal into profit or loss of the cash-flow hedge reserve					
Reversal into profit or loss of the reserve for fair value measurement of available-for-sale securities upon their sale					
Reversal into profit or loss of the reserve for currency translations upon the sale of equity investments					0.3
Comprehensive profit for the year	**-**	**-**	**-**	**-**	**94.3**
Share capital incr. from convertible reserves	15.1	(15.1)			
Exercise of warrants	5.2				
Appropriation of the 2009 profit			18.7		
2009 dividend					
Balance at 12.31.2010	**1,732.9**	**153.7**	**81.4**	**25.9**	**51.6**
Profit for the year					
Difference from the translation of financial statements in foreign currencies					(13.0)
Change in fair value of derivatives					
Change in fair value of available-for-sale securities					
Reversal into profit or loss of the cash-flow hedge reserve					
Reversal into profit or loss of the reserve for currency translations upon the liquidation of equity investments					(7.9)
Comprehensive profit for the year	**-**	**-**	**-**	**-**	**(20.9)**
Exercise of warrants	22.5				
Appropriation of the 2010 profit			6.4		
2010 dividend					
Acquisition of minority interest					
Balance at 12.31.2011	**1,755.4**	**153.7**	**87.8**	**25.9**	**30.7**

(1) For creditors challenging exclusions and late-filing creditors.
(2) Limited to 65,723,000 euros (35,141,000 euros as per Shareholders' Meeting resolution of April 29, 2007 and 30,582,000 euros as per Shareholders' Meeting resolution of April 9, 2008), this reserve can be used to satisfy claims of late filing creditors and contested claims, when such claims are verified.

(€ m)

RETAINED EARNINGS							
SHARES ISSUED THROUGH EXERCISE OF WARRANTS	CASH-FLOW HEDGE RESERVE	SUNDRY RESERVES[2]	INTERIM DIVIDEND	PROFIT (LOSS) FOR THE YEAR	GROUP INTEREST IN SHAREHOLD. EQUITY	MINORITY INTEREST IN SHAREHOLD. EQUITY	TOTAL SHAREHOLD. EQUITY
-	**(1.3)**	**857.1**	**(69.8)**	**519.0**	**3,232.3**	**24.5**	**3,256.8**
				282.0	282.0	3.1	285.1
	(0.2)				93.8	0.4	94.2
	(0.2)				(0.2)	-	(0.2)
		0.1			0.1	-	0.1
	1.5				1.5	-	1.5
		(0.8)			(0.8)	-	(0.8)
					0.3	-	0.3
-	**1.1**	**(0.7)**	**-**	**282.0**	**376.7**	**3.5**	**380.2**
					-	-	-
					5.2	-	5.2
		321.6		(340.3)	-	-	-
			69.8	(178.7)	(108.9)	(1.5)	(110.4)
-	**(0.2)**	**1,178.0**	**-**	**282.0**	**3,505.3**	**26.5**	**3,531.8**
				170.4	170.4	0.5	170.9
					(13.0)	0.1	(12.9)
	(1.0)				(1.0)	-	(1.0)
		15.4			15.4	-	15.4
	1.8				1.8	-	1.8
					(7.9)	-	(7.9)
-	**0.8**	**15.4**	**-**	**170.4**	**165.7**	**0.6**	**166.3**
					22.5	-	22.5
		213.0		(219.4)	-	-	-
				(62.6)	(62.6)	(1.5)	(64.1)
		(0.7)			(0.7)	(0.5)	(1.2)
-	**0.6**	**1,405.7**	**-**	**170.4**	**3,630.2**	**25.1**	**3,655.3**

Notes to the Consolidated Financial Statements

Foreword

The registered office of Parmalat S.p.A. is located in Italy, at 4 Via delle Nazioni Unite, in Collecchio (province of Parma). Its shares are traded on the Online Stock Market operated by Borsa Italiana. Parmalat S.p.A. is controlled by Sofil S.a.s., a French company, member of the Lactalis Group, that owns 82.4% of its share capital.
Parmalat S.p.A. and its subsidiaries are organized into a food industry group that pursues a multinational strategy. The Group operates in 16 countries worldwide divided into five geographic regions: Europe, North America, Central and South America, Africa and Australia. The Group has an extensive and well structured product portfolio organized into three segments: *Milk* (UHT, pasteurized, condensed, powdered and flavored milk; cream and béchamel), *Dairy Products* (yogurt, fermented milk, desserts, cheese and butter) and *Fruit Beverages* (fruit juices, nectars and tea).
The Group is a world leader in the UHT milk and pasteurized milk market segments and has attained a highly competitive position in the rapidly growing market for fruit beverages. The Group benefits from strong brand awareness. The products in its portfolio are sold under global brands (Parmalat and Santàl), international brands (Zymil, Fibresse, PhisiCAL, Omega3 and Vaalia) and a number of strong local brands.
Parmalat is a company with a strong innovative tradition: the Group has been able to develop leading-edge technologies in the leading segments of the food market, including UHT milk, ESL (extended shelf life) milk, conventional types of milk, functional fruit juices (fortified with wellness supplements) and cream-based white sauces.

The consolidated financial statements for the year ended December 31, 2011 are denominated in euros, which is the reporting currency of Parmalat S.p.A., the Group's Parent Company. They consist of a consolidate statement of financial position, an income statement, a statement of comprehensive income, a statement of cash flows, a statement of changes in shareholders' equity and the accompanying notes. All of the amounts listed in these notes are in millions of euros, except as noted.

PricewaterhouseCoopers S.p.A. audits the consolidated financial statements in accordance with an assignment it received by a resolution of the Shareholders' Meeting of May 15, 2005, as extended for the 2008-2013 period by the Shareholders' Meeting of April 28, 2007.

The Board of Directors first authorized the publication of these consolidated financial statements on March 9, 2012. Following the impact of the decision of the State Council on the subsidiary Centrale del Latte di Roma SpA and the Canadian arbitration award in favor of the fund Ontario Teachers Pension Plan Board, the Board of Directors met again to review and approve updates to be introduced in the financial statements and accompanying reports, authorizing the publication on April 13, 2012.

Format of the Financial Statements

In the consolidate statement of financial position, assets and liabilities are classified in accordance with the "current/non-current" approach, and "Available-for-sale assets" and "Liabilities directly

attributable to available-for-sale assets" are shown as two separate line items, as required by IFRS 5. The consolidated income statement is presented in a format with items classified "by destination," which is deemed to be more representative than the presentation by type of expense and is consistent with international practice in the food industry. Moreover, as required by IFRS 5, the profit (loss) from continuing operations is shown separately from the profit (loss) from discontinuing operations.

In the income statement presented in the abovementioned format "by destination," the EBIT breakdown includes separate listings for operating items and for income and expense items that are the result of transactions that occur infrequently in the normal course of business, such as income from actions to void in bankruptcy and actions for damages, litigation-related legal expenses, restructuring costs and any other nonrecurring income and expense items. This approach is best suited for assessing the actual performance of the Group's operations.

The consolidated statement of comprehensive income includes the profit for the year, as shown in the consolidated income statement, as well as other changes of shareholders' equity other than those from transactions with shareholders.

The consolidated statement of cash flows was prepared in accordance with the indirect method.

Lastly, on the balance sheet, income statement and cash flow statement, the amounts attributable to positions or transactions with related parties are shown separately from the totals for the corresponding line items, as required by Consob Resolution No. 15519 of July 27, 2006.

Principles for the Preparation of the Consolidated Financial Statements

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") and adopted by the European Commission as they apply to the preparation the consolidated financial statements of companies whose equity and/or debt securities are traded on a regulated market in the European Union.

The abbreviation IFRSs means all of the International Financial Reporting Standards; all of the International Accounting Standards ("IAS"); and all of the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC"), as approved by the European Commission through the date of the meeting of the Board of Directors convened to approve the financial statements and incorporated in Regulations issued up to that date.

The consolidated financial statements were prepared in accordance with the historical cost principle, except in the case of those items for which, as explained in the valuation criteria, the IFRSs require measurement at fair value.

The following accounting principles, amendments and interpretations, as adopted by the European Commission, went into effect on January 1, 2011:

- *Amendments to IAS 32 – Classification of Rights Issues*
- *Amendments to IAS 24 – Related-party Disclosures*
- *Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement*
- *Amendments to IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments*
- *Minor revisions to the IFRSs ("IFRS improvements" – issued in 2010)*

However, these accounting principles, amendments and interpretations apply to situations and issues that did not exist within the Group or, otherwise, did not have a material effect on the Group as of the date of these financial statements.

New Accounting Principles and Interpretations Approved by the E.U. But Not Yet in Effect

In 2011, the European Commission approved and published the following new accounting principles, amendments and interpretations, which supplement those approved and published by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Amendments to IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Asset (applicable to reporting periods beginning on or after July 1, 2011). The adoption of this amended version will have no impact on the valuation of items listed on the financial statements.

Principles of Consolidation

The consolidated financial statements include the financial statements of all subsidiaries from the moment control is established until it ceases.

Control is exercised when the Group has the power to determine the financial and operating policies of the investee company, directly or indirectly, and receives the resulting benefits.

The financial statements used for consolidation purposes are the statutory financial statements of the individual companies or the consolidated financial statements of business sectors, as approved by the corporate governance bodies of the various companies, restated when necessary to make them consistent with the accounting principles adopted by the Group.

The financial statements of subsidiaries are consolidated line by line. According to this method, the consolidated financial statements include line by line the assets and liabilities and the revenues and expenses of the consolidated companies, allocating to minority shareholders the interest they hold in consolidated shareholders' equity and profit, when applicable. These items are shown separately on the balance sheet and on the income statement.

The carrying value of equity investments is offset against the corresponding pro rata interests in the shareholders' equities of the investee companies. On the date when control was acquired, the value of shareholders' equities of investee companies was determined by measuring individual assets and liabilities at their current value. Any difference between acquisition cost and current value is recognized as goodwill, if positive, or recognized in earnings, if negative.

Balances resulting from transactions between consolidated companies and unrealized gains or losses generated by transactions with outsiders are eliminated. Unrealized losses are not eliminated when they are indicative of an impairment loss.

The financial statements of companies included in the scope of consolidation that operate outside the euro zone were translated into euros by applying end-of-period exchange rates to assets and liabilities, historical exchange rates to the components of shareholders' equity and average exchange rate for the year to income statement items. As for the currency translation differences that result from the use of different exchange rates for assets and liabilities, shareholders' equity and the income statement, the portion attributable to the Group is posted to the shareholders' equity account entitled "Other reserves," while the portion attributable to minority shareholders is posted to the "Minority interest in shareholders' equity" account. The reserve for currency translation differences is reversed in earnings when an equity investment is sold or the invested capital is reimbursed. In the preparation of the cash flow statement, average exchange rates were used to convert the cash flows of foreign subsidiaries included in the scope of consolidation.

Goodwill and fair value adjustments generated by the acquisition of a foreign company are recognized in the corresponding currency and translated at year-end exchange rates.

A comprehensive loss must be allocated both to the shareholders of the Parent Company and the minority shareholders, even when the shareholders' equity attributable to minority shareholders is negative on balance.

When an ownership interest is acquired subsequent to the acquisition of control (acquisition of minority interests), any positive difference between the purchase cost and the value of the corresponding acquired interest in shareholders' equity shall be recognized in equity. The effects of a sale of a minority interest that does not result in the loss of control shall be recognized in the same manner.

Scope of Consolidation

The equity investments of the Parmalat Group are listed in the schedules provided in the Annex. The guidelines followed in consolidating these equity investments are reviewed below. The scope of consolidation at December 31, 2011 included the financial statements of the Group's Parent Company and those of the Italian and foreign companies in which the Parent Company holds, either directly or indirectly, an interest equal to more than 50% of the voting shares. Control also exists when the Group's Parent Company holds 50% or less of the votes that may be exercised at a Shareholders' Meeting if:

- It controls more than 50% of the voting rights by virtue of an agreement with other investors;
- It has the power to determine the financial and operating policies of the investee company pursuant to a clause in the Bylaws of the investee company or a contract;

- It has the power to appoint or remove a majority of the members of the Board of Directors or equivalent corporate governance body and said Board or body controls the investee company;
- It has the power to exercise a majority of the votes at meetings of the Board of Directors or equivalent corporate governance body.

Because the Group's Parent Company no longer has the power to determine their financial and operating policies nor benefits from their operations, the following companies are no longer consolidated line by line:

- Companies in which the Parent Company holds, either directly or indirectly, an interest equal to more than 50% of the voting shares but are now parties to separate bankruptcy proceedings under local laws and their subsidiaries. Companies that have become eligible for extraordinary administration proceedings include: Deutsche Parmalat GmbH in A.S. (Germany), Dairies Holding International BV in A.S. (Netherlands) and Olex sa in A.S. (Luxembourg). The extraordinary administration proceedings applicable to these companies are still in effect, pursuant to law.
  These companies have been included in the list of the Group's equity investments because the Group owns their capital stock.
  At this point, there is no expectation of a full or partial recovery of the investments in these companies upon conclusion of the individual bankruptcy proceedings. There is also no expectation that Parmalat S.p.A. will incur any liability in connection with these investments and there is no commitment or desire on the Company's part to cover the negative equity of these companies.

- Companies earmarked for liquidation in the best available manner. The only company in this category is Wishaw Trading Sa (Uruguay). It is unlikely that the Group will incur any liability in connection with these investments and there is no commitment or desire on the Group's part to cover the negative equity of these companies. Even if the existence and amount of any claims against it that are related to Wishaw Trading SA should ever be verified, the creditors would be unsecured creditors with claims the title and/or cause of which predates the start of the extraordinary administration proceedings for the companies that are parties to the Proposal of Composition with Creditors and, consequently, would only be entitled to receive shares and warrants of Parmalat S.p.A. based on an amount decreased by the claim reduction, in accordance with Section 7.8 of the Proposal of Composition with Creditors.

- Companies in which the Parent Company holds, either directly or indirectly, an interest equal to more than 50% of the voting shares that are in voluntary liquidation and their subsidiaries. These companies, which are not large in size and operate in several countries, are:
  - PRM Administraçao e Participaçao do Brasil (Brazil);
  - Airetcal SA (Uruguay);
  - Swojas Energy Foods Limited (India).

- Companies in which the Parent Company holds, either directly or indirectly, an interest equal to more than 50% of the voting shares but no longer has the power to determine their financial and operating policies and benefit from their operations and their subsidiaries. These companies, which are not large in size and operate in several countries, are:
  - Parmalat Chile SA (Chile);
  - Parmalat (Zhaodong) Dairy Corp. Ltd (China).

The following entries were made in connection with the companies that are no longer consolidated line by line:

- The carrying value of the investments was written off;
- The receivables owed by these companies to other Group companies were written off;
- A provision for risks in connection with indebtedness guaranteed by Group companies was recognized;
- The receivables owed to the companies listed above by Group companies continued to be included in the indebtedness of Group companies.

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 the national consumer price index (INPC). At the reference date of the financial statements the index was 265.6 (208.2 in 2010); the change in the index compared with the previous year was 25.57%.

The convertibility of the local currency (bolivar) is strictly regulated. The main channel to access U.S. dollars is the local foreign exchange entity (CADIVI – *Comisión de Administración de Divisas*), which, since January 1, 2011, allows only a single exchange rate of 4.30 bolivar for one U.S. dollar (VEF/US$). In practice, actual access to U.S. dollars by local residents is controlled by the CADIVI. In addition, the Venezuelan Central Bank *(Banco Central de Venezuela)* has sole jurisdiction over regulating transactions involving securities of any issuer denominated in foreign currencies. Transactions in these securities through the "SITME" *(Sistema de Transacciones con Títulos en Moneda Extranjera)* mechanism provide residents with a source of foreign currency in addition the amount available through CADIVI. Merely for reference purpose, please note that, in 2001, the SITME implied exchange rate was about 5.3 VEF/US$.
Lastly, there is the possibility of bidding at public auctions for the allocation of securities *("bonos")* denominated in U.S. dollars. The frequency of these auctions, the amounts offered and the auction allocation methods are unpredictable.

Parmalat used the official exchange rate of 4.30 VEF/US$ to convert the income statement and balance sheet data of its subsidiary for inclusion in the consolidated financial statements of the Group at December 31, 2011.

Valuation Criteria

The main valuation criteria adopted in the preparation of the consolidated financial statements at December 31, 2011 are reviewed below.

CURRENT ASSETS

Inventories

Inventories are carried at the lower of purchase/production cost or net realizable value, which is the amount that an enterprise expects to receive by selling these items in the normal course of business. The cost of inventories is determined by the weighted average cost method.

The value assigned to inventories includes direct costs for material and labor and a reasonably attributable portion of (fixed and variable) indirect production costs. When appropriate, provisions are recognized to account for obsolete or slow-moving inventory. If the circumstances that justified the recognition of the abovementioned provisions cease to apply or if there are clear indications that the net realizable value of the items in question has increased, the provisions are reversed for the full amount or for a portion thereof, so that the new carrying value is equal to the purchase or production cost of the items in question or their realizable value on the date of the financial statements, whichever is lower.

Financial expense incurred in connection with the purchase or production of an asset in large quantities and on a repetitive basis are charged in full to earnings, even if the asset in question, because of its nature, requires a significant length of time before it can be readied for sale (aged cheese).

Cash and Cash Equivalents

Cash and cash equivalents consist mainly of cash on hand, sight deposits with banks, other highly liquid short-term investments (that can be turned into cash within 90 days from the date of purchase) and overdraft facilities. Overdraft facilities are listed as current liabilities. The components of net cash are valued at fair value and any gains or losses are recognized in earnings.

NON-CURRENT ASSETS

Property, Plant and Equipment

Property, plant and equipment is recognized in accordance with the cost method and carried at purchase or production cost, including directly attributable incidental expenses that are necessary to make the assets available for use. Asset purchase or production costs are shown before deducting attributable capital grants, which are recognized when the conditions for their distribution have been met.

Assets acquired under finance leases, pursuant to which substantially all of the risks and benefits inherent in ownership are transferred to the Group, are recognized as components of property, plant and equipment at their fair value or at the present value of the minimum payments due pursuant to the lease, whichever is lower. The corresponding liability toward the lessor, which is equal to the aggregate principal included in the lease payments that are outstanding, is recognized as a financial liability. When there is no reasonable certainty that the Company will exercise its buyout option, the asset is depreciated over the life of the lease, if it is shorter than the asset's useful life. Leases that require the lessor to retain substantially all of the risks and benefits inherent in ownership are classified as operating leases. The costs incurred for operating leases are recognized in earnings on a straight line over the life of the lease.

Property, plant and equipment is depreciated on a straight line over the useful life of the assets. The estimated useful life is the length of time during which the Company expects to use an asset. When an

asset classified as property, plant and equipment consists of several components, each with a different useful life, each component should be depreciated separately. The amount to be depreciated is the asset's carrying value, less the asset's net realizable value at the end of its useful life, if such value is material and can be reasonably determined.

Land, including land purchased together with a building, is never depreciated.

Costs incurred for improvements and for modernization and transformation projects that increase the useful lives of assets are added to the assets' value and depreciated over their remaining useful lives.

The costs incurred to replace identifiable components of complex assets are recognized as assets and depreciated over their useful lives. The residual carrying value of the component that is being replaced is charged to income. The cost of regular maintenance and repairs is charged to income in the year it is incurred.

When an item of property, plant and equipment is affected by events that are presumed to have impaired its value, the recoverability of the affected asset should be tested by comparing its carrying value with its recoverable value, which is the larger of the asset's fair value, net of disposal costs, and its value in use.

Absent a binding sales agreement, fair value is determined based on the valuations available from recent transactions in an active market or based on the best available information that can be used to determine the amount that the Company could obtain by selling a given asset.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, if significant and reasonably measurable, and from its disposal at the end of its useful life. Cash flows should be determined based on reasonable and documentable assumptions that represent a best estimate of future economic conditions over the remaining useful life of an asset. The present value is determined by applying a rate that takes into account the risks inherent in the Company's business.

When the reason for a writedown ceases to apply, the affected asset is revalued and the adjustment is recognized in the income statement as a revaluation (reversal of writedown) in an amount equal to the writedown made or the lower of the asset's recoverable value or its carrying value before previous writedowns, but reduced by the depreciation that would have been taken had the asset not been written down.

Depreciation begins when an asset is available for use, i.e., the moment when this condition actually occurs.

The estimated useful lives of the various types of assets are as follows:

	USEFUL LIFE
Buildings	10 - 25 years
Plant and machinery	5 - 10 years
Office furniture and equipment	4 - 5 years
Other assets	4 - 8 years
Leasehold improvements	Length of lease

Financial expense incurred in connection with the purchase or production of an asset that, because of its nature, requires a significant length of time before it can be readied for use or sale are capitalized until the asset is put into use.

Intangibles

Intangible assets are identifiable, non-monetary assets without physical substance that are controllable and capable of generating future benefits.

Intangibles are recorded at cost, which is determined by using the same criteria as those used for property, plant and equipment.

Intangibles with a finite useful life are amortized on a straight line according to an estimate of the length of time the Company will use them. The recoverability of their carrying value is tested using the criteria provided above for property, plant and equipment.

(i) Goodwill

Goodwill represents the portion of the purchase price paid in excess of the fair value on the date of acquisition of the assets and liabilities that comprise a company or business. Goodwill is not amortized on a straight line. However, its carrying amount should be tested at least once a year for impairment losses. Such tests are carried out based on the individual cash generation units to which goodwill has been allocated. Goodwill is written down when its recoverable value is lower than its carrying amount. Recoverable value is the greater of the fair value of a cash generating unit, net of the cost to sell it, and its value in use, which is equal to the present value of future cash flows generated by the cash generating unit during its years of operation and by its disposal at the end of its useful life. Writedowns of goodwill may not be reversed subsequently.

If a writedown required by the results of an impairment test is greater than the value of the goodwill allocated to a given cash generating unit, the balance is allocated among the assets included in the cash generating unit, proportionately to their carrying amounts. The minimum limit of such an allocation is the greater of the following two amounts:

- the fair value of an asset, net of the cost to sell it;
- an asset's value in use, as defined above.

Goodwill was allocated to the cash generating units, which, consistent with the Group's organizational structure and the methods used to control its operating activities, were identified as the Group's geographic regions, without exceeding the maximum aggregation ceiling, which cannot be larger than the operating segment identified pursuant to IFRS 8.

(ii) Industrial Patents and Intellectual Property Rights, Licenses and Similar Rights

The costs incurred to acquire industrial patents and intellectual property rights, licenses and similar rights are capitalized in the amounts actually paid.

Amortization is computed on a straight line so as to allocate the costs incurred to acquire the abovementioned rights over the expected period of utilization of the rights or the lengths of the underlying contracts, counting from the moment the purchase right is exercisable, whichever is shorter.

(iii) Trademarks

At this point, it is impossible to set a time limit to the cash flow generating ability of trademarks recognized on the consolidated balance sheet that are strategically important and for which a registration application has been on file for at least 10 years. These trademarks include "global" trademarks that are registered

and used in all of the Group's core countries (Parmalat and Santàl), international trademarks (Chef and PhisiCAL) and a local trademark (Beatrice, Lactantia, Black Diamond, Astro, Pauls, Bonnita, Centrale Latte Roma and other less well-known trademarks). These trademarks are deemed to have an indefinite useful life. Consequently, they are not amortized but are tested for impairment once a year.

Other trademarks that are not deemed to perform an unlimited strategic function for the Group are valued at cost and amortized over five years.

(iv) Software Costs
The costs incurred to develop and maintain software are charged to income in the year they are incurred. Costs that can be attributed directly to the development of unique software capable of generating future benefits over a period of more than one year are capitalized as an intangible asset. Direct costs, which must be identifiable and measurable, include labor costs for employees who worked on developing the software in question and an appropriate pro rata share of overhead, if applicable. Amortization is computed over the software's estimated useful life, which is deemed to be five years.

INVESTMENTS IN ASSOCIATES

Investments in affiliated companies and joint ventures are valued by the equity method from the date when significant influence or joint control begins until such a situation ceases to exist. The risk that arises from losses in excess of an investment's carrying value is recognized in a special reserve for an amount commensurate to the investor company's commitment to honor the legal or implied obligations of the investee company or, otherwise, to cover its losses.

Other investments in associates that constitute available-for-sale assets are valued at their fair value. Changes in the value of these investments are recognized in a special equity reserve that will be reversed into comprehensive profit or loss at the time of sale or when an impairment loss becomes permanent. When their fair value cannot be determined reliably, investments are valued at cost, adjusted for impairment losses.

FINANCIAL ASSETS

When initially entered in the accounting records, financial assets are recognized based on their maturity classified under one of the following categories:

- **Financial Assets Valued at Fair Value, with Changes in Value Recognized in Earnings:** This category includes:
  - financial assets that are purchased mainly to resell them over the short term;
  - financial assets that are earmarked for inclusion in this category upon initial recognition, provided they meet the applicable requirements;
  - derivatives, except for derivatives that are designated as cash flow hedges and limited to their effective portion.

Financial assets that are included in this category are measured at fair value and any changes in fair value that occur while the Company owns them are recognized in earnings. Financial instruments included in this category are classified as short term if they are "held for trading" or the Company expects to sell them within one year from the balance sheet date. Derivatives are treated as assets, if their fair value is positive, or as liabilities, if their fair value is negative. The positive and negative fair values generated by outstanding transactions executed with the same counterparty are offset, when contractually permissible.

- **Loans and receivables:** this category includes financial instruments, consisting primarily of a cash pooling receivable, that are neither derivatives nor instruments traded on an active market) that are expected to produce fixed and determinable payments. They are listed as current assets, unless they are due after one year from the balance sheet date, in which case they are listed as non-current assets. These assets are valued at their amortized cost, which is determined by the effective interest-rate method. When there is objective evidence of the occurrence of impairment, the affected asset is written down by the amount necessary to make its carrying amount equal to the discounted value of future cash flows. Objective evidence that the value of the asset is impaired is deemed to exist when a debtor has significant financial difficulties, there is a possibility that the debtor will be declared bankrupt or become party to composition with creditors proceedings or there are unfavorable changes in payment history, such as an increasing number of payments in arrears. Impairment losses are recognized in earnings. When the reason for a writedown ceases to apply, the affected asset is revalued up to the value at which the asset would have been carried under the amortized cost method, had it not been written down. The amount includes the credit towards B.S.A. Finances S.n.c., related to Parmalat S.p.A. joining the cash pooling system of the Lactalis Group.

- **Held-to-maturity investments:** these are financial instruments other than derivatives that have fixed payments and a fixed maturity and that the Group has the intention and the ability to hold to maturity. When initially recognized, they are valued at their purchase cost, plus incidental transaction costs. Subsequently, held-to-maturity investments are valued by the amortized cost method, using the low effective interest criterion, adjusted for any decrease in value. The same principles described in the Loans and receivables paragraph apply in the event of impairment losses.

- **Held-for-sale investments:** these are financial instruments other than derivatives that are explicitly designated as held for sale or which cannot be classified in any of the other categories. These financial instruments are valued at fair value and any resulting gains or losses are posted to an equity reserve. Their impact is reflected on the income statement only when a financial asset is actually sold or, in the case of cumulative losses, when it becomes evident that the impairment loss recognized in equity cannot be recovered. There is objective evidence that a financial asset has been impaired when the decrease in the asset's fair value at the end of the reporting period is greater than 50% of its original carrying amount (so-called "materiality criterion") or when the asset's decreased fair value has been lower than its carrying amount for more than 36 consecutive months (so-called "duration criterion"). If their fair value cannot be determined, these instruments are valued at cost, less any impairment losses. Writedowns for impairment losses cannot be reversed if the assets in question are instruments representative of equity capital. The classification of these assets as current or non-current depends on the strategic choices made with regard to their holding period and the actual ability to sell them. They are classified as current assets if they can be sold within one year from the balance sheet date. When there is evidence that a loss that cannot be recovered has occurred (e.g., an extended decline in market value) the corresponding equity reserve is reversed and the loss recognized in earnings.

Financial assets are removed from the balance sheet when the right to receive cash flow from a financial instrument has been extinguished and the Group has transferred substantially all of the risks and benefits inherent in the financial instrument as well as its control over the financial instrument.

FINANCIAL LIABILITIES

Financial liabilities consist of loans payable, including obligations arising from the assignment of receivables, and other financial liabilities, including derivatives and obligations related to assets acquired under finance leases. Initially, financial liabilities other than derivatives are recognized at their fair value, net of transaction costs. Subsequently, financial liabilities that are held to maturity are valued at their amortized cost in accordance with the effective interest rate method. Transaction costs that are incurred directly in connection with the process of incurring the liability are amortized over the useful life of the respective financing facility.
Financial liabilities are removed from the financial statements when the underlying obligations have been satisfied and all of the risks and charges inherent in the instrument in question have been transferred.

DERIVATIVES

The Group uses derivatives exclusively to hedge interest rate and currency risks.
Derivatives are assets and liabilities that are measured at fair value.
Derivatives are classified as hedges when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, monitored periodically, is high. When derivatives are used to hedge the risk of changes in the fair value of the hedged instruments (fair value hedge, such as a hedge against changes in the fair value of assets/liabilities with fixed interest rates), the derivatives are measured at fair value and any resulting gains or losses are recognized in earnings. At the same time, the value of the hedged instruments is adjusted to reflect changes in fair value associated with the hedged risk. When derivatives are used to hedge the risk of changes in the cash flow associated with the hedged instruments (cash flow hedges, such as a hedge against changes in asset/liability cash flows caused by fluctuations in exchange rates or interest rates), the changes in the fair value of the effective derivatives are first recognized in equity and subsequently reflected in the income statements, consistent with the economic effect of the hedged transaction. Changes in the fair value of derivatives that do not qualify as hedges are recognized in earnings.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are established to fund quantifiable charges, the existence of which is certain or probable, but the amount or date of occurrence of which could not be determined as of the close of the reporting period. Additions are made to these provisions when: (i) it is probable that the Company will incur a statutory or implied obligation as a result of a past event; (ii) it is probable that meeting this obligation will be onerous; and (iii) the amount of the obligation can be estimated reliably. Additions are recognized at an amount that represents the best estimate of the sum that the Company will be reasonably expected to pay to satisfy an obligation or transfer it to a third party at the end of the reporting period. When the financial effect of the passing of time is material and the date when an obligation will become due can be reliably estimated, the addition to the provisions should be recognized at its present value.

The costs that the Group expects to incur in connection with restructuring programs should be recognized in the year in which the program is officially approved and there is a settled expectation among the affected parties that the restructuring program will be implemented.

These provisions are updated on a regular basis to reflect changes in estimates of costs, redemption timing and discount rates. Changes in the estimates of provisions are posted to the same income statement item under which the addition was originally recognized. Liabilities attributable to property, plant and equipment are recognized as offsets to the corresponding assets.

The notes to the financial statements contain a disclosure listing the Group's contingent liabilities, which include: (i) possible but not probable obligations that arise from past events, the existence of which will be confirmed only if one or more uncertain total events that are not totally under the Group's control occur or fail to occur; and (ii) existing obligations that arise from past events the amount of which cannot be determined reliably or the performance of which will probably not be onerous.

POST-EMPLOYMENT BENEFITS

(i) Benefits Provided After the End of Employment

The Group recognizes different types of defined-benefit and defined-contribution pension plans, in accordance with the terms and practices normally applied in Italy and the other countries where such pension plans are available. Each year, the Group recognizes in earnings the portion of the premiums paid in connection with defined-contribution plans that accrued that year.

Defined-benefit pension plans are based on the length of the working lives of employees and the wages earned by employees over a predetermined period of service. The recognition of defined-benefit plans requires the use of actuarial techniques to estimate the amount of the benefits accrued by employees in exchange for the work performed during the current year and in previous years. The resulting benefit must then be discounted to determine the present value of the Group's obligation. The determination of the present value of the Group's obligation is made by an independent actuary, using the projected unit credit method. This method, which is part of a broad category of techniques applicable to vested benefits, treats each period of service provided by an employee to a company as an additional accrual unit. The actuarial liability must be quantified exclusively on the basis of the seniority achieved as of the date of valuation. Consequently, the total liability is prorated based on a ratio between the years of service accrued as of the valuation reference date and the total seniority that an employee is expected to have achieved when the benefit is paid. Moreover, this method requires taking into account future wage increases due for any reason (inflation, career moves, labor contract renewals, etc.) until the end of the employment relationship (except for the provision for severance indemnities). If these plans are financed or the Group pays the plan contributions to an outside entity, the plan assets are valued based on their expected rate of return.

The cost of defined-benefit plans accrued during the year, which is reflected in the income statement as part of labor costs, is equal to the sum of the average present value of the accrued benefits of current employees for service provided during the year and their annual vested interest in the present value of the Company's obligations at the beginning of the year, computed by discounting future outlays by the same rate as that used to estimate the Group's liability at the end of the previous year. The annual discount rate used for these computations was the same as the year-end market rate for zero-coupon bonds with a maturity equal to the average residual duration of the liability.

Actuarial gains and losses (defined as the difference between the carrying amount of the Group's liability and the present value of its obligation at the end of the year) that result from changes from the actuarial parameters used in the past are recognized in accordance with the "corridor" method, i.e., only when they exceed 10% of the present value of the Company's obligation at the end of the previous period. In such cases, the amount in excess of 10% is charged to income, based on the average remaining working lives of the employees, counting from the following year.

Until Budget Law No. 296 of December 27, 2006 and the relevant Implementation Decrees became effective, given the uncertainties that existed concerning the time of disbursement, the provision for employee severance benefits was treated as a defined-benefit plan.

As a result of the reform of the regulations that govern supplemental retirement benefits and, specifically, its impact on companies with 50 or more employees, the severance benefits vesting after January 1, 2007, depending on the choices made by the employee, were either invested in supplemental retirement benefit funds or in the "Treasury Fund" managed by the Italian social security administration (INPS). As a result, in accordance with IAS 19, the liability towards the INPS and the contributions to supplemental retirement benefit funds are treated as part of defined-contribution plans.
On the other hand, severance benefits that vested prior to January 1, 2007 and have not yet been disbursed will continue to be treated as part of a defined-benefit plan.

(ii) Benefits Payable to Employees Upon Termination of Employment and Incentives to Resign
Benefits owed to employees upon termination of employment are recognized as a liability and as a labor cost when a company is demonstrably committed to terminate the employment of an employee or group of employees before the normal retirement age or to provide incentives to the termination of employment in connection with a proposal to address redundancies with incentives to resign voluntarily. Benefits owed to employees due to termination of employment do not provide the Company with future economic benefits and, consequently, they are charged to income when incurred.

INCOME TAXES

Current income taxes are computed on the basis of the taxable income for the year and the applicable tax laws by applying the tax rates in force on the date of the financial statements.

Levies other than income taxes, such as taxes on real estate and net worth, are treated as operating expenses.

Deferred taxes are computed on all temporary differences between the values attributed to assets and liabilities for tax purposes and for financial reporting, with the exception of goodwill and temporary differences that arise from investments in subsidiaries when the Group has control over the timing of the reversal of the difference and it is likely that they will not be reversed over a reasonably foreseeable length of time. The portion of deferred-tax assets, including those stemming from a tax loss carryforward, that is not offset by deferred-tax liabilities is recognized to the extent that it is likely that the Company will generate future earnings against which they may be recovered. The balance of any offset is shown under Deferred-tax assets, if positive, or under Deferred tax liabilities, if negative, and is posted to the account of the same name. Deferred-tax liabilities are computed using the tax rates that are expected to be in force in the years when the temporary difference will be realized or cancelled.

Current and deferred taxes are reflected on the income statement, except for those attributable to items that are debited or credited directly to shareholders' equity.

Tax assets and liabilities, including deferred-tax assets and liabilities that arise from income taxes, can be offset when they are levied by the same tax administration on the same taxpayer, provided the taxpayer has a legally exercisable right to offset the corresponding amounts and plans to exercise that right. Moreover, with regard to current taxes, the offset is permissible when several taxpayers have a legally exercisable right to settle tax assets and liabilities on a net basis and intend to exercise that right.

AVAILABLE-FOR-SALE NON-CURRENT ASSETS

These assets include non-current assets or groups of assets attributable to discontinuing operations the carrying amount of which will be recovered mainly through a sale, rather than through their continuing use. Available-for-sale assets are valued at their net carrying amount or their fair value, net of costs to sell the assets, whichever is lower. When a depreciable or amortizable asset is reclassified under this category, the depreciation or amortization process stops upon reclassification. The profit or loss attributable to available-for-sale non-current assets is shown separately in the income statement net of the applicable tax effect when the assets in questions are part of discontinued operations. For comparative purposes, the prior year's corresponding amounts are reclassified and shown separately in the income statement net of the applicable tax effect.

RECOGNITION OF REVENUES AND EXPENSES

Initially, revenues are always recognized at the fair value of the consideration received, net of allowances, discounts and trade promotions.

Revenues from the sale of goods are recognized when the Company has transferred to the buyer substantially all of the risks and benefits inherent in the ownership of the goods, which generally coincides with the delivery of the goods.

Income from insurance settlements is recognized when there is a reasonable certainty that the insurer will allow the claim.

Proceeds from actions to void and actions for damages are recognized in the income statement upon the closing of the corresponding transactions with the counterparty.

Expenses are recognized in the income statement when they apply to goods and services that were sold or used during the year or allocated over a straight line when their future usefulness cannot be determined.

Expenses incurred to study alternative products and services or incurred in connection with research and development activities that do not meet the requirements for capitalization are deemed to be current expenses and are charged to income in the year they are incurred.

FOREIGN EXCHANGE DIFFERENCES

Revenues and expenses arising from transactions in foreign currencies are recognized at the exchange rate in force on the day the underlying transaction is executed. Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rate in force at the end of the reporting period and any resulting gains or losses are recognized in earnings. Non-cash assets and liabilities denominated in foreign currencies are recognized at the historical exchange rate and valued at cost.

RECOGNITION OF GOVERNMENT GRANTS

Grants that are the subject of a formal distribution resolution are recognized on an accrual basis, in direct correlation to the costs incurred. Operating grants are reflected on the income statement as Other revenues.

Capital grants that are attributable to property, plant and equipment are recognized as deferred income and posted to the Miscellaneous income and expense account. Such deferred income is recognized in the income statement in equal installments computed on the basis of the useful life of the assets for which the grant was received.

FINANCIAL INCOME AND EXPENSE

Interest is recognized on an accrual basis in accordance with the effective interest method, i.e., using an interest rate that equalizes all incoming and outgoing flows that are part of a given transaction.

DIVIDENDS

Dividends are recognized when shareholders become entitled to receive them. As a rule, this happens when the Shareholders' Meeting approves a resolution to distribute a dividend. The dividend distribution amount is then recognized as a liability on the balance sheet for the period during which the distribution was approved by the Shareholders' Meeting.

EARNINGS PER SHARE

Basic earnings per share are computed by dividing the group's interest in net profit or loss for the year by the weighted average of the number of shares outstanding during the year. When computing diluted earnings per share, the weighted average of the number of shares outstanding is adjusted to reflect the conversion of all potential shares that could have a dilutive effect.

USE OF ESTIMATES

When preparing the statutory financial statements (and the consolidated financial statements), Directors apply accounting principles and methods that, in some cases, are based on difficult and subjective valuations and estimates that are based on historical data and assumptions that, in each individual case, are deemed to be reasonable and realistic in light of the relevant circumstances. The use of these estimates and assumptions has an impact on the amounts reported in the financial statement schedules, which include a statement of financial position, an income statement and a statement of cash flows, and in additional disclosures. The ultimate amounts of those components of the financial statements for which the abovementioned estimates and assumptions were used could differ from those shown on the financial statements, due to the uncertainty that characterizes all assumptions and the conditions upon which the estimates were based. Estimates and assumptions are revised on a regular basis and the impact of any resulting change is recognized in the period when a revision of estimates occurred, if the revision affects only the current period, and is also applied to future periods, when the revision has an impact both on the current period and on future periods.
The financial statement items that require the most use of subjective judgment by Directors in developing estimates and with respect to which a change in the underlying assumptions used could have a material impact on the financial statements are those concerning goodwill; writedowns of property, plant and equipment; depreciation and amortization of non-current assets; deferred taxes; the allowance for doubtful accounts; provisions for risks (specifically with regard to pending litigation); pension plans and post-employment benefits; and the reserves for creditor challenges and claims of late-filing creditors.

BUSINESS COMBINATIONS

No transactions that qualified as a business combination, as defined in the amended version of IFRS 3 *(Business Combinations),* were executed in 2011.

Transactions Between Group Companies and with Related Parties

Transactions between Group companies and with related parties were neither atypical nor unusual and were carried out by the Company in the normal course of business. Currently, the Group executes transactions with the following related parties:

1. Certain companies in which it has a majority equity stake but over which it no longer has control and, consequently, have been excluded from the scope of consolidation as explained in the Scope of Consolidation section of these Notes.

A breakdown of receivables and payables by type is provided below:

(€ m)

COMPANY	12.31.2011						
	COUNTRY	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	OTHER RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	OTHER PAYABLES
PPL Participações Ltda	Brazil					2.3	0.1
Wishaw Trading sa	Uruguay					2.2	
Total		**-**	**-**	**-**	**-**	**4.5**	**0.1**

(€ m)

COMPANY	12.31.2010						
	COUNTRY	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	OTHER RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	OTHER PAYABLES
PPL Participações Ltda	Brazil					2.2	
Wishaw Trading sa	Uruguay					2.3	
Total		**-**	**-**	**-**	**-**	**4.5**	**-**

Revenues and expenses and any writedowns of receivables recognized in 2011 or 2010 were not material.

2. Some Group companies executed transactions with subsidiaries of the Lactalis Group in 2011. These transactions, which were carried out on market terms, were related to:

   - the inclusion of Parmalat S.p.A. in the cash pooling system of the Lactalis Group;
   - the sale and procurement of raw materials and finished goods.

A breakdown of receivables and payables by type is provided below:

(€ m)

COMPANY	COUNTRY	12.31.2011					
		TRADE RECEIVABLES	FINANCIAL RECEIVABLES	OTHER RECEIVABLES	TRADE PAYABLES	FINANCIAL PAYABLES	OTHER PAYABLES
B.S.A. Finances S.n.c.	France		1,188.2				
Lactalis Beurres & Cremes S.n.c.	France	0.7					
Lemnos Foods Pty Ltd	Australia	0.5					
Italatte S.p.A.	Italy				0.7		
Puleva Food S.L.	Spain				0.5		
Egidio Galbani S.p.A.	Italy				0.3		
Lactalis International S.n.c.	France				0.1		
Yefremovsky Butter and Cheese	Russia				0.1		
Total		**1.2**	**1,188.2**	**-**	**1.7**	**-**	**-**

The table below provides a breakdown of revenues and expenses by type and shows the writedowns of receivables booked during the year:

(€ m)

COMPANY	COUNTRY	12.31.2011					
		NET SALES REVENUES AND OTHER REVENUES	OTHER INCOME AND EXPENSE	FINANCIAL INCOME	COST OF MATERIALS AND SERVICES USED	EXPENSE	WRITEDOWNS OF RECEIVABLES
B.S.A. Finances S.n.c.	France			6.9			
Lactalis Beurres & Cremes S.n.c.	France	0.7					
Lemnos Foods Pty Ltd	Australia	0.8					
Italatte S.p.A.	Italy				1.4		
Puleva Food S.L.	Spain				1.2		
Lactalis International S.n.c.	France				0.6		
Egidio Galbani S.p.A.	Italy				0.3		
Yefremovsky Butter and Cheese	Russia				0.2		
Total		**1.5**	**-**	**6.9**	**3.7**	**-**	**-**

With reference to transactions with Parmalat S.p.A. Board of Directors' members, Parmalat S.p.A. allocated to "Other income and charges" an amount of 0.4 million euros for professional services provided by Studio Legale Associato d'Urso Gatti Bianchi during the second half of 2011.

Lastly, please note that the Group also has debit and credit balances outstanding with some companies under extraordinary administration, which predate the Composition with Creditors or represent distributions payable. These positions, which do not constitute balances with related parties, did not represent material amounts either in 2011 or in 2010.

Percentage of Total Amounts Attributable to Transactions with Related Parties

(€ m)

	CONSOLIDATED ASSETS	CONSOLIDATED LIABILITIES	NET FINANCIAL ASSETS	NET SALES REVENUES AND OTHER REVENUES	COST OF MATERIALS AND SERVICES	OTHER INCOME AND CHARGES	FINANCIAL INCOME
Total consolidated amount	**4,800.1**	**1,144.8**	**1,518.4**	**4,538.0**	**3,567.8**	**(23.1)**	**59.7**
Amount with related parties	1,189.4	6.7	1,183.7	1.5	3.7	(0.4)	6.9
Percentage of the total	*24.8%*	*0.6%*	*77.9%*	*n.m.*	*0.1%*	*1.8%*	*11.5%*

Compensation Awarded to Directors and Statutory Auditors

The compensation awarded to members of the Board of Directors and Board of Statutory Auditors of Parmalat S.p.A. amounted to 1.6 million euros (1.5 million euros in 2010).
The compensation awarded to members of the Board of Statutory Auditors of Parmalat S.p.A. amounted to 0.2 million euros (0.2 million euros in 2010).

Compensation Awarded to Key Management Personnel

The table below shows the compensation awarded to the Chief Operating Officer and to Group executives with strategic responsibilities (key management personnel):

(€ m)

	2011	2010
Short-term benefits	2.8	3.6
Post-employment benefits	0.1	0.1
Severance benefits	3.2	-
Total	**6.1**	**3.7**

Notes to the Statement of Financial Position - Assets

(1) GOODWILL

Goodwill amounted to 445.4 million euros. The changes that occurred in 2010 and 2011 are listed below:

(€ m)

	GOODWILL
Balance at 12.31.2009	**452.8**
- Writedowns (-)	(21.6)
- Currency translation differences	30.5
Balance at 12.31.2010	**461.7**
- Writedowns (-)	(19.8)
- Currency translation differences	3.5
Balance at 12.31.2011	**445.4**

As explained in the "Valuation Criteria" section of these notes, goodwill was allocated to the cash generating units, which were identified based on the Group's geographic regions.

Goodwill was allocated to the following cash generating units:

(€ m)

	12.31.2011	12.31.2010
Italy		
- Parmalat S.p.A.	184.0	184.0
- Centrale del Latte di Roma S.p.A.	34.6	41.7
- Carnini S.p.A.	4.0	4.0
Other countries in Europe		
- Portugal	-	12.6
- Russia	5.7	5.8
- Romania	0.1	0.1
Canada	136.8	135.8
Australia	80.2	77.7
Total	**445.4**	**461.7**

Pursuant to IAS 36, goodwill is not amortized. However, it is tested for impairment at least once a year or more frequently in response to specific events or circumstances that could indicate that its value has been impaired.

The recoverable value of goodwill was tested against its value in use, which is the present value of the expected cash flows from operations, before financial components (unlevered discounted cash flow), estimated based on the Group's plan for the next three years. For the years not covered by the plan, the process involved estimating a terminal value, which was computed as the cash flow from operations appropriately normalized to maintain regular operating business conditions, assuming a growth rate of 1%.
Cash flow projections were based on normal conditions of business activity and, consequently, do not include cash flows attributable to extraordinary transactions.
The discount rates used were consistent with current market valuations of the cost of money and took into account the specific risks attributable to each cash generating unit. These rates, net of taxes, range between 7.6% and 15.7%.

The table below lists the main assumptions used to determine value in use:

	12.31.2011		12.31.2010	
	GROWTH RATE OF TERMINAL VALUES	DISCOUNT RATE BEFORE TAXES	GROWTH RATE OF TERMINAL VALUES	DISCOUNT RATE BEFORE TAXES
Italy	1.0%	11.5% - 12.4%	1.0%	9.6% - 10.7%
Other countries in Europe	1.0%	9.3% - 15.7%	1.0%	9.4% - 10.2%
Canada	1.0%	7.6%	1.0%	8.3%
Australia	1.0%	10.4%	1.0%	11.0%

The process of obtaining information about the potential net realizable value of the assets allocated to each cash generating unit also involved the use of stock market multiples to determine the values of publicly traded companies in the same industry, which were used as benchmarks with regard to value in use.

Based on the impairment tests performed, there were no indications that the goodwill values carried by the Group had been impaired, except for the Portugal and Centrale del Latte di Roma cash generating units, the carrying amount of which had to be written down by a total of 19.8 million euros. In Portugal's case, the main reason for the writedown was the changed economic environment in which the cash generating unit now operates, characterized by the economic crisis faced by Portugal and a limited buying power on the part of consumers, who are increasingly orienting their purchases towards lower priced items. As for Centrale del Latte di Roma, the writedown was recognized to reflect the impact of increased competition from private labels, which is causing a reduction in the sales prices of brand-name products and, consequently, a decrease in profit margins.

Consistent with past practice, the abovementioned tests were performed with the support of an independent advisor.

Sensitivity Analysis

A sensitivity analysis was performed for each cash generating unit to test the recoverability of its carrying amount in response to changes in the main assumptions used to determine value in use. Moreover, for some cash generating units in countries with high inflation, the sensitivity analysis of the recoverability of carrying amounts was performed using actual discount rates. The changes in the basic assumptions that make the recoverable value of each cash generating unit equal to its carrying amount are listed below:

(€ m)

		CHANGES IN BASIC ASSUMPTIONS THAT MAKE THE RECOVERABLE VALUE EQUAL TO THE CARRYING AMOUNT	
	EXCESS OF RECOVERABLE VALUE OVER CARRYING AMOUNT	GROWTH RATE OF TERMINAL VALUES	DISCOUNT RATE BEFORE TAXES
Italy			
- Parmalat S.p.A.	88.1	Negative	13.8%
- Centrale del Latte di Roma S.p.A.	n.m.	n.m.	n.m.
- Carnini S.p.A.	2.7	Negative	14.4%
Other countries in Europe			
- Portugal	n.m.	n.m.	n.m.
- Russia	26.4	Negative	12.4%
- Romania	n.m.	n.m.	n.m.
Canada	805.7	Negative	15.7%
Australia	266.6	Negative	18.7%

At this point, it is not reasonably possible to project a change in the assumptions used that would cause the existing surplus to disappear.

(2) TRADEMARKS WITH AN INDEFINITE USEFUL LIFE

Trademarks with an indefinite useful life were valued at 594.9 million euros. The following changes occurred in 2010 and 2011:

(€ m)

	TRADEMARKS WITH AN INDEFINITE USEFUL LIFE
Balance at 12.31.2009	**561.3**
- Writedowns (-)	(2.9)
- Currency translation differences	54.6
Balance at 12.31.2010	**613.0**
- Writedowns (-)	(16.6)
- Currency translation differences	(1.5)
Balance at 12.31.2011	**594.9**

Trademarks with an indefinite useful life, valued at 594.9 million euros, included the following trademarks:

(€ m)

	12.31.2011	12.31.2010
Italy		
- Parmalat	121.9	121.9
- Santàl	27.1	32.6
- Centrale del Latte di Roma	24.7	26.1
- Chef	15.1	16.2
- Sundry trademarks	5.9	7.3
Other countries in Europe		
- Parmalat	5.3	5.3
- Santàl	4.0	7.0
- Sundry trademarks	4.0	8.3
Canada		
- Beatrice	89.3	88.6
- Lactantia	73.6	73.1
- Black Diamond	33.4	33.1
- Astro	24.7	24.5
- Sundry trademarks	15.1	15.0
Central and South America		
- Parmalat	17.7	17.3
Australia		
- Pauls	56.5	54.7
- Rev, Skinny e Farmhouse	30.0	29.1
- Parmalat	0.4	0.4
- Sundry trademarks	9.6	9.3
Africa		
- Parmalat	16.6	19.7
- Bonnita	13.5	15.9
- Sundry trademarks	6.5	7.6
Total	**594.9**	**613.0**

Trademarks that qualify as having an indefinite useful life pursuant to IAS 36 are not amortized. Instead, the Group tests the recoverability of these trademarks at least once a year or more frequently, in response to specific events or circumstances that could indicate that their value had been impaired.

The recoverable value of trademarks with an indefinite useful life was tested against their value in use by means of the relief from royalty method.
The relief from royalty method was chosen as a valuation method because it is consistent with the widely accepted belief that the value of trademarks is closely related to the contribution that they provide to a company's operating results. Moreover, recent studies by major market research companies have shown that a product's brand is one of the main factors that motivates purchases of groceries.

The relief from royalty method consists of discounting to present value the royalty payments that the owner of a trademark avoids because of the ownership of the right to use that trademark. As a rule, royalties are computed as a percentage of net revenues before the impact of taxes.
The process followed to determine the net royalty flows involved using, for each trademark, the net revenue projections estimated in the Group's plan for the next three years. For the years not covered by the plan, the process involved estimating a terminal value, which was computed as the royalty flow appropriately normalized to maintain regular operating business conditions, assuming a growth rate of 1%.
The royalty rate that was applied to net revenues was determined based on studies and surveys carried out in this field by research institutions and professionals, as well as on internal analyses of licensing agreements executed in the food industry. Moreover, since each individual trademark has its own distinctive characteristics relative to the product/market combination, the qualitative (competitive position, name recognition, customer loyalty and quality) and quantitative (profitability percentage) characteristics of the trademarks were also taken into account. Based on these elements, each trademark was assigned a royalty rate of about 2.5%.
The discount rates used were consistent with current valuations of the cost of money and took into account the specific risks attributable to each cash generating unit. The rates, net of taxes, range between 7.6% and 15.7%.

The table below lists the main assumptions used to determine value in use, broken down by geographic region:

	12.31.2011		12.31.2010	
	GROWTH RATE OF TERMINAL VALUES	DISCOUNT RATE BEFORE TAXES	GROWTH RATE OF TERMINAL VALUES	DISCOUNT RATE BEFORE TAXES
Italy	1.0%	11.5% - 12.1%	1.0%	9.6 % -10.2%
Other countries in Europe	1.0%	9.3% - 15.7%	1.0%	9.4% - 10.2%
Canada	1.0%	7.6%	1.0%	8.3%
Central and South America	1.0%	11.2%	1.0%	11.2%
Australia	1.0%	10.4%	1.0%	11.0%
Africa	1.0%	9.3%	1.0%	9.3%

Based on the impairment tests performed, there were no indications that the values of the trademarks with an indefinite useful life had been impaired, with the exception of Santàl Italy, Ucal and some lesser trademarks, for which a writedown of 16.6 million euros was required. In the case of the Santàl Italy trademark, the writedown was required due mainly to the presence of private labels in the fruit beverage market, which is causing a reduction in sales prices and, consequently, a decrease in profit margins. As for the Ucal trademark, the writedown was recognized mainly as a result of the challenges that the flavored milk operations are facing in the Portuguese market, due to the strong growth of private labels and the limited purchasing power of consumers, who are increasingly choosing lower priced products.

Consistent with past practice, the abovementioned tests were performed with the support of an independent advisor.

(3) OTHER INTANGIBLES

Other intangibles of 43.7 million euros include costs capitalized by Parmalat S.p.A. and its subsidiaries, which are expected to produce benefits over several years.

The table below provides a breakdown of Other intangibles and shows the changes that occurred in 2010 and 2011:

(€ m)

	TRADEMARKS WITH A FINITE LIFE	CONCESSIONS, LICENSES AND SIMILAR RIGHTS	MISCELLANEOUS INTANGIBLES	WORK IN PROGRESS	TOTAL
Balance at 12.31.2009	**31.5**	**14.8**	**2.1**	**1.0**	**49.4**
- Additions	0.6	9.5	1.2	2.3	13.6
- Disposals (-)	-	(0.2)	-	-	(0.2)
- Amortization (-)	(15.4)	(6.9)	(0.7)	-	(23.0)
- Other changes	-	1.6	0.4	(1.2)	0.8
- Monetary adjustment for hyperinflation	0.8	-	0.1	-	0.9
- Currency translation differences	(0.8)	0.6	0.3	0.1	0.2
Balance at 12.31.2010	**16.7**	**19.4**	**3.4**	**2.2**	**41.7**
- Additions	-	4.7	1.4	5.0	11.1
- Amortization (-)	(1.5)	(7.4)	(0.9)	-	(9.8)
- Other changes	-	4.0	0.1	(4.0)	0.1
- Monetary adjustment for hyperinflation	0.9	-	0.3	-	1.2
- Currency translation differences	(0.9)	0.2	-	0.1	(0.6)
Balance at 12.31.2011	**15.2**	**20.9**	**4.3**	**3.3**	**43.7**

Additions of 11.1 million euros refer mainly to purchases of SAP usage licenses and software implementation.

The table that follows provides a breakdown of gross carrying value, writedowns and accumulated amortization at December 31, 2010 and 2011:

(€ m)

	TRADEMARKS WITH A FINITE LIFE	CONCESSIONS, LICENSES AND SIMILAR RIGHTS	MISCELLANEOUS INTANGIBLES	WORK IN PROGRESS	TOTAL
Gross carrying value	99.4	65.0	12.0	2.2	178.6
Accumulated writedowns	-	(1.8)	(1.3)	-	(3.1)
Accumulated amortization	(82.7)	(43.8)	(7.3)	-	(133.8)
Balance at 12.31.2010	**16.7**	**19.4**	**3.4**	**2.2**	**41.7**
Gross carrying value	99.3	72.8	13.6	3.3	189.0
Accumulated writedowns	-	(1.9)	(1.3)	-	(3.2)
Accumulated amortization	(84.1)	(50.0)	(8.0)	-	(142.1)
Balance at 12.31.2011	**15.2**	**20.9**	**4.3**	**3.3**	**43.7**

"Trademarks with a finite life" includes Italian trademarks (*Kyr* and *5 colori del benessere*) and foreign trademarks (*Vaalia, Biely Gorod, Simonsberg* and *Melrose*) that are used by the Group's commercial operations.

(4) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment totaled 899.0 million euros. The table below provides a breakdown of this item and shows the changes that occurred in 2010 and 2011:

(€ m)

	LAND	BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL EQUIPMENT	OTHER ASSETS	CONSTRUCTION IN PROGRESS AND ADVANCES	TOTAL
Balance at 12.31.2009	**143.2**	**241.9**	**289.8**	**10.6**	**34.8**	**53.7**	**774.0**
- Additions	1.2	8.2	31.2	0.8	8.0	92.9	142.3
- Disposals (-)	-	(0.3)	(1.7)	(0.2)	(0.8)	(0.1)	(3.1)
- Writedowns (-)	(0.8)	(4.5)	(4.1)	-	-	-	(9.4)
- Reversals of writedowns	1.8	-	0.1	-	-	-	1.9
- Depreciation (-)	-	(13.7)	(60.9)	(4.4)	(14.4)	-	(93.4)
- Other changes	0.7	10.4	42.1	5.6	6.7	(66.3)	(0.8)
- Monetary adjustment for hyperinflation	1.6	2.6	5.1	-	0.3	0.3	9.9
- Currency translation differences	5.8	5.8	24.0	1.7	3.6	2.0	42.9
Balance at 12.31.2010	**153.5**	**250.4**	**325.6**	**14.1**	**38.2**	**82.5**	**864.3**
- Additions	0.3	7.6	29.3	0.8	6.8	80.6	125.4
- Disposals (-)	(0.1)	-	(1.0)	-	(0.7)	(0.2)	(2.0)
- Writedowns (-)	(1.8)	(2.3)	-	-	-	-	(4.1)
- Reversals of writedowns	-	0.4	2.9	-	-	-	3.3
- Depreciation (-)	-	(17.4)	(60.4)	(5.4)	(13.3)	-	(96.5)
- Other changes	0.4	19.4	38.7	7.0	9.6	(74.2)	0.9
- Reclassification to available-for-sale assets	(0.6)	(2.2)	-	-	-	-	(2.8)
- Monetary adjustment for hyperinflation	2.0	5.6	3.7	-	0.4	-	11.7
- Currency translation differences	1.1	(1.3)	(0.8)	0.4	(0.8)	0.2	(1.2)
Balance at 12.31.2011	**154.8**	**260.2**	**338.0**	**16.9**	**40.2**	**88.9**	**899.0**

Information about the Group's investments in property, plant and equipment is provided in the Report on Operations.

Writedowns of 4.1 million euros reflect primarily the impairment of property, plant and equipment held by a production facility in Europe.

The partial reinstatement of the carrying amount of buildings, plant and machinery belonging to an Italian production facility is the main component of reversals of writedowns totaling 3.3 million euros.

The table that follows shows the gross carrying values, writedowns and accumulated depreciation at December 31, 2010 and 2011:

(€ m)

	LAND	BUILDINGS	PLANT AND MACHINERY	INDUSTRIAL EQUIPMENT	OTHER ASSETS	CONSTRUCTION IN PROGRESS AND ADVANCES	TOTAL
Gross carrying value	155.8	427.6	940.9	33.9	155.2	82.5	1,795.9
Accumulated writedowns	(2.3)	(6.0)	(9.1)	(0.1)	(0.5)	-	(18.0)
Accumulated depreciation	-	(171.2)	(606.2)	(19.7)	(116.5)	-	(913.6)
Balance at 12.31.2010	**153.5**	**250.4**	**325.6**	**14.1**	**38.2**	**82.5**	**864.3**
Gross carrying value	159.0	457.6	1,000.4	40.0	164.3	88.9	1,910.2
Accumulated writedowns	(4.2)	(7.9)	(5.5)	(0.1)	(0.4)	-	(18.1)
Accumulated depreciation	-	(189.5)	(656.9)	(23.0)	(123.7)	-	(993.1)
Balance at 12.31.2011	**154.8**	**260.2**	**338.0**	**16.9**	**40.2**	**88.9**	**899.0**

A breakdown of property, plant and equipment acquired under finance leases totaling 8.5 million euros is as follows:così suddivisi:

(€ m)

	12.31.2011	12.31.2010
Buildings	0.9	1.1
Plant and machinery	2.5	2.2
Other assets	5.1	5.9
Total property, plant and equipment acquired under finance leases	**8.5**	**9.2**

(5) INVESTMENTS IN ASSOCIATES

The net carrying amount of Investments in associates totaled 60.1 million euros. The table below shows the changes that occurred in 2011:

(€ m)

	INVESTMENTS VALUED		TOTAL
	AT FAIR VALUE	A COST	
Balance at 12.31.2010 (A)	**3.1**	**0.2**	**3.3**
Changes in 2011:			
- Increases	56.8	-	56.8
- Decreases (-)	-	-	-
Total changes (B)	**56.8**	**-**	**56.8**
Balance at 12.31.2011 (A+B)	**59.9**	**0.2**	**60.1**

In 2011, the Court of Parma awarded to Parmalat S.p.A. ownership of a 22.64% interest in the share capital of Bonatti S.p.A. as an advance on the amount owed under a provisionally enforceable decision against defendants convicted of fraudulent bankruptcy by the lower court.
Following this award, the interest held in the share capital of Bonatti S.p.A. increased to 32.9%. However, even though Parmalat S.p.A. controls more than 20% of the voting rights, it does not exercise a significant influence on this company because it is not represented on its Board of Directors and is not involved in the decision-making process. Consequently, this investment is carried at fair value.

The value of the awarded equity interest was determined based on a report prepared by an Independent Technical Consultant appointed by the Court of Parma for the purpose of selling the abovementioned equity interest at auction (there were no bidders at the Court sponsored auction). The same report by the Independent Technical Consultant was used to determine the fair value of the equity interest already held by Parmalat.

A breakdown of Investments is as follows:

(€ m)

	12.31.2011		12.31.2010	
	NET VALUE	**% INTEREST HELD**	**NET VALUE**	**% INTEREST HELD**
Bonatti S.p.A.	59.9	32.89%	3.1	10.26%
Sundry investments	0.2	-	0.2	-
Total	**60.1**		**3.3**	

(6) OTHER NON-CURRENT FINANCIAL ASSETS

The net carrying amount of Other non-current financial assets was 7.1 million euros. The table below shows the changes that occurred in 2011:

(€ m)

	RECEIVABLES OWED BY OTHERS	OTHER SECURITIES	TOTAL
Balance at 12.31.2010 (A)	**6.7**	**0.9**	**7.6**
Changes in 2011:			
- Increases	0.3	-	0.3
- Decreases (-)	(0.1)	(0.7)	(0.8)
Total changes (B)	**0.2**	**(0.7)**	**(0.5)**
Balance at 12.31.2011 (A+B)	**6.9**	**0.2**	**7.1**

Receivables owed by others of 6.9 million euros includes advances provided to outsiders (3.1 million euros), escrow deposits (1.9 million euros), guarantee deposits (1.4 million euros) and security deposits (0.5 million euros).

(7) DEFERRED-TAX ASSETS

Deferred-tax assets of 75.6 million euros are shown net of offsettable deferred-tax liabilities. The changes that occurred in 2011 are shown below:

(€ m)

Balance at 12.31.2010 (A)	**82.0**
Changes in 2011:	
- Increases	27.0
- Utilizations (-)	(20.0)
- Netting-off of deferred taxes liabilities (-)	(18.8)
- Other changes	(0.2)
- Monetary adjustment for hyperinflation	5.0
- Currency translation differences	0.6
Total changes (B)	**(6.4)**
Balance at 12.31.2010 (A+B)	**75.6**

Increases of 27.0 million euros reflect primarily temporary differences that originated in 2011 in connection with addition to the provisions for legal disputes (18.8 million euros), maintenance expense (2.0 million euros), additions to the provisions for staff downsizing (1.3 million euros), writedowns of trade receivables (0.5 million euros) and additions to the provision for prize contests (0.5 million euros).

Utilizations of 20.0 million euros refer mainly to the cancellation of tax losses that are no longer deemed to be recoverable (9.6 million euros) and cancellation of temporary differences originating in previous years from maintenance expense (1.7 million euros), provisions for staff downsizing (1.2 million euros) and tax-deductible amortization of trademarks with a definite useful life (1.2 million euros).

The amount shown for deferred-tax assets corresponds to the expected benefit of a reduction in tax liability that temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases are expected to generate in the future. The main sources of these temporary differences are listed below:

(€ m)

	12.31.2011	12.31.2010
Amortization of trademarks with a finite useful life	14.1	15.2
Recoverable tax losses	11.9	20.6
Personnel related provisions	11.3	11.7
Writedown of doubtful receivables	8.8	8.5
Depreciation of plant and equipment	6.0	4.6
Maintenance expense	5.8	5.6
Provisions for risks and charges	2.9	4.2
Provision for inventory writedowns	2.5	2.6
Provisions for staff downsizing	1.6	1.4
Provision for prize contests	0.5	0.6
Sundry items	10.2	7.0
Total	**75.6**	**82.0**

At December 31, 2011, the Group had a tax loss carryforward of 188.9 million euros, which did not result in the recognition of deferred-tax assets, as the bulk of the tax loss derived from capital losses that, pursuant to local laws, can be used exclusively to offset taxable income derived from capital gains, a condition that, at this point, appears unlikely to be satisfied.

A breakdown by year of expiration is as follows:

(€ m)

	12.31.2011
Year of expiration	
2012	-
2013	60.6
2014	0.1
2015	0.4
2016	2.5
Amount expiring after 2016	1.2
Amount without expiration	124.1
Total tax loss carryforward	**188.9**

(8) INVENTORIES

Inventories totaled 378.6 million euros, or 11.9 million euros less than at December 31, 2010.

(€ m)

	12.31.2011	12.31.2010
Raw materials, auxiliaries and supplies	122.8	125.7
Work in progress and semifinished goods	22.4	18.6
Finished goods and merchandise	237.2	246.8
Advances	1.6	3.9
Provision for inventory writedowns	(5.4)	(4.5)
Total inventories	**378.6**	**390.5**

The main items that account for the year-over-year changes include:

- 7.7 million euros for a decrease in the inventories of aged cheese and ingredients held by the Canadian subsidiary;
- 4.4 million euros for currency differences from the translation of financial statements of companies that operate outside the euro zone.

(9) TRADE RECEIVABLES

Trade receivables totaled 525.8 million euros, or 41.8 million euros more than at December 31, 2010.

This gain reflects primarily higher sales volume in Australia and South Africa and sales prices increases implemented in Canada, Venezuela and Italy in the second half of the year to recover higher production costs.

The amount of 525.8 million euros shown for Trade receivables owed by customers is net of an Allowance for doubtful accounts of 149.9 million euros. The table that follows shows the changes that occurred in this allowance in 2011:

(€ m)

Balance at 12.31.2010 (A)	**160.2**
Changes in 2011:	
- Additions	4.4
- Utilizations (-)	(14.7)
Total changes (B)	**(10.3)**
Balance at 12.31.2011 (A+B)	**149.9**

An analysis of the status of Trade receivables owed by customers is provided below:

(€ m)

	12.31.2011	PAST DUE BUT NOT WRITTEN DOWN RECEIVABLES	PAST DUE AND WRITTEN DOWN RECEIVABLES	RECEIVABLES THAT ARE CURRENT AND NOT WRITTEN DOWN
Gross receivables owed by customers	675.7	189.5	149.9	336.3
Allowance for doubtful accounts	(149.9)	-	(149.9)	-
Net receivables owed by customers	**525.8**	**189.5**	**-**	**336.3**

Past due and written down receivables refer primarily to disputes that arose prior to the October 1, 2005 date of acquisition or disputes with companies in composition with creditor proceedings.

The Group does not believe that its exposure, amounting to 189.5 million euros, is at risk because most of the past due but not written down trade receivables (about 89% of the total) are less than 60 days past due.

An analysis showing the aging of trade receivables owed by outsiders, including both those that are current and those the value of which has been impaired, is provided below:

(€ m)

	12.31.2011	% OF THE TOTAL	12.31.2010	% OF THE TOTAL
Current	336.3	64%	314.6	65%
up to 30 days past due	126.8	24%	117.1	24%
31 days to 60 days past due	41.5	8%	27.7	6%
61 days to 120 days past due	11.0	2%	12.0	2%
over 120 days past due	10.2	2%	12.6	3%
Total	**525.8**	**100%**	**484.0**	**100%**

Trade receivables are denominated mainly in the following currencies:

(€ m)

	12.31.2011	12.31.2010
EUR	222.2	203.6
AUD	112.0	103.7
CAD	87.7	75.2
ZAR	43.0	47.2
VEF	25.4	19.0
Other currencies	35.5	35.3
Total	**525.8**	**484.0**

The Group has limited exposure to the foreign exchange risk because, due to the nature of its core business, sales are denominated for the most part in the currency of the country in which each company operates.

A breakdown by sales channel of the credit risk exposure related to trade receivables outstanding at the end of the year is as follows:

(€ m)

	12.31.2011	12.31.2010
Modern trade	333.8	299.3
Normal trade	43.7	43.9
Dealers	57.9	46.2
HO.RE.CA.	35.7	34.5
Contract production	6.3	5.6
Other	48.4	54.5
Total	**525.8**	**484.0**

Modern Trade: sales to supermarket chains, distribution organisations and discount outlets;
Normal Trade: sales in the traditional channel (small independent retailers);
HO.RE.CA.: sales to hotels, restaurants, cafeterias and catering;
Dealers: sales through franchisees.

The Modern Trade channel represents 63.5% of the Group's total credit exposure. However, because the counterparties are large supermarket chains, the collectability of the corresponding receivables does not present a significant risk.

The Group did not execute transactions involving the derecognition of financial assets, such as assignments of receivables without recourse to factors.

(10) OTHER CURRENT ASSETS

Other current assets totaled 209.1 million euros, or 13.2 million euros less than at December 31, 2010:

(€ m)

	12.31.2011	12.31.2010
Amount receivable from the tax authorities for VAT	83.1	92.7
Amount receivable from the tax authorities for taxes and taxes withheld	77.8	78.4
Sundry receivables	29.3	34.9
Receivables for litigation-related settlements	4.4	2.2
Accrued income and prepaid expenses	14.5	14.1
Total	**209.1**	**222.3**

The decrease that occurred in 2011 was due mainly to refunds of VAT overpayments owed to companies under extraordinary administration included in the Composition with Creditors. The largest refunds, totaling 10.8 million euros for the years 2003 and 2005, were received by Eurolat under extraordinary administration.
Sundry receivables of 29.3 million euros includes receivable totaling 10.2 million euros owed by insurance companies, 3.9 million euros for advances to suppliers and 0.6 million euros for advances to employees.

Receivables for litigation-related settlements reflects the amounts still owed by the parties with whom the Company reached a settlement to resolve pending disputes.

A breakdown of Accrued income and prepaid expenses, which totaled 14.5 million euros, is as follows:

(€ m)

	12.31.2011	12.31.2010
Accrued income:		
- Insurance premiums	-	0.3
- Other accrued income	0.8	0.9
Prepaid expenses:		
- Rent and rentals	0.8	0.8
- Insurance premiums	1.7	1.7
- Sundry prepaid expenses	11.2	10.4
Total accrued income and prepaid expenses	**14.5**	**14.1**

Sundry prepaid expenses of 11.2 million euros refers mainly to advances paid to customers in the mass retailing channel on awards for achieving a guaranteed sales minimum. If the assigned targets are not achieved, the Company is entitled to a refund of all or part of the advanced amount.

(11) CASH AND CASH EQUIVALENTS

Cash and investments in financial assets with an original maturity of three months or less at the time of purchase amounted to 303.3 million euros, for a decrease of 14.7 million euros compared with December 31, 2010:

(€ m)

	12.31.2011	12.31.2010
- Bank and postal accounts	282.2	315.3
- Cash and securities on hand	1.4	1.5
- Financial assets	19.7	1.2
Total cash and cash equivalents	**303.3**	**318.0**

Bank and postal accounts of 282.2 million euros represent deposits held at top banking and financial institutions with a high credit rating.

Financial assets, which totaled 19.7 million euros, consist of term deposits.

There are no circumstances under which available cash and cash equivalents would not be freely usable by the Group.

(12) CURRENT FINANCIAL ASSETS

Current financial assets totaled 1,254.5 million euros, or 99.2 million euros more than at December 31, 2010:

(€ m)

	12.31.2011	12.31.2010
- Related-party financial receivable (cash pooling system)	1,188.2	-
- Bank time deposits	32.5	431.3
- Italian Treasury securities (Treasury bills)	12.5	341.6
- Foreign Treasury securities (France and Germany)	-	368.7
- Other financial assets with an original maturity of more than three months but less than 12 months	21.1	8.4
- Accrued interest	0.2	5.3
Total current financial assets	**1,254.5**	**1,155.3**

On October 6, 2011, Parmalat S.p.A. agreed to join the cash pooling system of the Lactalis Group. The purpose of this transaction was to optimize the use of financial resources - particularly in the case of short-term cash flows - at the Group level and enable Parmalat S.p.A. to retain maximum financial flexibility and a short-term investment profile, while earning a variable interest rate equal to the one-month Euribor plus a spread consistent with the credit rating of the Lactalis Group. As of December 31, 2011, the spread was 1.70%.

Under this cash pooling system, the Group's liquid assets are centrally held by B.S.A. Finances snc, a company under French law that is wholly owned by B.S.A. S.A., the Group's Parent Company, either directly or through its subsidiaries.
Parmalat and BSA Finances are related parties, as they are both controlled by BSA.

More detailed information about the cash pooling transaction, including its approval process (as a related-party transaction) and the risk profiles, is provided in the section of the Report on Operations entitled "Financial performance."

Credit Quality of Financial Assets (Cash Equivalents and Current Financial Assets)

The table below lists the credit quality of unimpaired financial assets outstanding at December 31:

	RATING	12.31.2011	12.31.2010
Cash and cash equivalents	A or higher	266.3	300.0
	Lower than A	14.0	2.3
	Not rated	23.0	15.7
Current financial assets	A or higher	66.2	1.155.1
	Lower than A	-	-
	Not rated	1,188.3	0.2
Total		**1,557.8**	**1,473.3**

The amount shown for "not rated" current financial assets refers almost exclusively to the loan receivable from the cash pooling system, which is discussed in detail in the section of the Report on Operations entitled "Financial performance."

The amounts listed as having a rating lower than A refer mainly to bank accounts with top Italian credit institution, whose rating was downgraded to triple B by Moody's in 2011.

Notes to the Statement of Financial Position - Shareholders' Equity

At December 31, 2011, the Group's shareholders' equity totaled 3,630.2 million euros.

(13) SHARE CAPITAL

The share capital amounted to 1,755,401,822 euros. The change that occurred compared with December 31, 2010 is the result of the following items: (i) the amount of the claims of late-filing creditors and/or of creditors who challenged successfully the exclusion of their claims (charged against reserves established for this purpose), which totaled 61,127 euros; (ii) the amount generated by the exercise of warrants, which amounted to 22,425,124 euros.

The table below shows a breakdown of the change in the number of shares outstanding (par value 1 euro each) that occurred in 2011:

	NUMBER OF SHARES
Shares outstanding at 01.01.2011	**1,732,915,571**
Shares issued for claims of late-filing creditors and/or upon the settlement of challenges (using reserves established for this purpose)	61,127
Shares issued upon the conversion of warrants	22,425,124
Shares outstanding at 12.31.2011	**1,755,401,822**

Maximum Share Capital Amount

In accordance with the resolutions approved by the Shareholders' Meeting on March 1, 2005, September 19, 2005 and April 28, 2007, the Company's share capital may reach a maximum of 2,025 million euros as a result of the following increases:

- Increase reserved for creditors with unsecured claims included in the lists of verified claims	1,541.1
- Increase reserved for unsecured creditors with conditional claims and/or who are challenging their exclusion from the lists of verified claims	238.9
- Increase reserved for late-filing creditors	150.0
Total increases reserved for creditors	**1,930.0**
- Shares available for the conversion of warrants	95.0
Total capital increase	**2,025.0**

As mentioned above, the Company's share capital amounted to 1,755.4 million euros at December 31, 2011. As of the writing of these Notes, it had increased by 2.1 million euros to a total of 1,757.5 million euros.

(14) RESERVE FOR CREDITOR CHALLENGES AND CLAIMS OF LATE-FILING CREDITORS CONVERTIBLE INTO SHARE CAPITAL

At December 31, 2011, this reserve convertible into share capital amounted to 153.7 million euros.

The utilization of this reserve will cause the share capital of Parmalat S.p.A. to increase by an amount equal to the additional verified claims.

As mentioned in the Notes to the Consolidated Financial Statements at December 31, 2010, following the settlements of numerous disputes, Parmalat S.p.A. developed an updated estimate of the risks to which it could be exposed with regard to amounts payable in "composition with creditors money" (i.e., Parmalat shares). Based on this estimate, the surplus in the Reserve for creditor challenges and claims of late-filing creditors convertible into share capital is about 90 million euros.

(15) RESERVE FOR CURRENCY TRANSLATION DIFFERENCES

The Reserve for currency translation differences, positive by 30.7 million euros, is used to record differences generated by the translation into euros of the financial statements of companies that operate in countries using currencies other than the euro.

(16) CASH FLOW HEDGE RESERVE

The balance in this reserve, positive by 0.6 million euros, reflects changes in the fair value of the effective portion of cash flow hedge derivatives outstanding at December 31, 2011.

The table below shows the changes that occurred in the cash flow hedge reserve:

(€ m)

	GROSS RESERVE	DEFERRED-TAX ASSETS	NET RESERVE
Reserve at January 1, 2011	**(0.3)**	**0.1**	**(0.2)**
Changes in 2011:	(1.5)	0.5	(1.0)
Amount reversed in profit or loss	1.9	(0.1)	1.8
Reserve at December 31, 2011	**0.1**	**0.5**	**0.6**

(17) OTHER RESERVES

The Ordinary Shareholders' Meeting of June 28, 2011 approved a resolution: (i) to add to the statutory reserve 5% of the net profit earned in 2010, equal to 6.4 million euros; (ii) to appropriate (a) 50% of the balance of the 2010 net profit as a dividend, rounded up to 0.036 euros per share on each of the 1,737,925,715 common shares outstanding at March 16, 2011, for a total payout of 62.6 million euros; (b) the balance of 59.3 million euros to retained earnings.

At December 31, 2011, Other reserves of 1,519.4 million euros included the following: (i) retained earnings and other reserves totaling 1,405.7 million euros, which can be used to satisfy any additional claims of late-filing creditors and creditors with challenged claims, when and if their claims are verified, up to a maximum amount of 65.7 million euros; (ii) a statutory reserve of 87.8 million euros; and (iii) a reserve of 25.9 million euros for claims of creditors who challenged the exclusion of their claims from the sum of liabilities and creditors with conditional claims (as required under the terms of the Composition with Creditors), who may be entitled to receive Company shares.

(18) PROFIT FOR THE YEAR

The Group's interest in the profit for the year amounted to 170.4 million euros.

Reconciliation of the Shareholders' Equity of Parmalat S.p.A. to Group Interest in Shareholders' Equity

(€ m)

	SHAREHOLDERS' EQUITY BEFORE RESULT FOR THE YEAR	RESULT FOR THE YEAR	SHAREHOLDERS' EQUITY
Shareholders' equity of Parmalat S.p.A. at 12.31.2011	**2,835.3**	**188.7**	**3,024.0**
Elimination of the carrying value of consolidated investments in associates			
- Difference between the carrying amount and the pro rata interest in the underlying shareholders' equity	574.0	-	574.0
- Pro rata interest in the results of investee companies	-	118.6	118.6
- Reserve for currency translation differences	30.7	-	30.7
Other adjustments:			
- Elimination of writedowns of and coverage of losses by subsidiaries	-	27.4	27.4
- Elimination of writedowns of receivables owed by subsidiaries	19.8	1.7	21.5
- Elimination of dividends	-	(166.0)	(166.0)
Group Interest in Shareholders' Equity at 12.31.2011	**3,459.8**	**170.4**	**3,630.2**
Minority interest in shareholders' equity and result for the year	24.6	0.5	25.1
Consolidated shareholders' equity at 12.31.2011	**3,484.4**	**170.9**	**3,655.3**

(19) MINORITY INTEREST IN SHAREHOLDER'S EQUITY

At December 31, 2011, the Minority interest in shareholders' equity totaled 25.1 million euros. This amount is represented almost entirely by the interest held by minority shareholders in the following companies:

(€ m)

	12.31.2011	12.31.2010
Centrale del Latte di Roma S.p.A.	12.3	13.9
Citrus International SA	3.9	3.9
Industria Lactea Venezolana CA (Indulac)	2.5	2.1
Parmalat Colombia ltda	2.2	2.5
Sundry companies	4.2	4.1
Total	**25.1**	**26.5**

Notes to the Statement of Financial Position - Liabilities

(20) LONG-TERM BORROWINGS

Long-term borrowings totaled 8.0 million euros. The table below shows the changes that occurred in 2011:

(€ m)

	DUE TO BANKS	DUE TO OTHER LENDERS	OBLIGATIONS UNDER FINANCE LEASES	DUE TO ASSOCIATES	LIABILITIES REPRESENTED BY CREDIT INSTRUMENTS	LIABILITIES FROM DERIVATIVES	TOTAL
Balance at 12.31.2010 (A)	**2.1**	**1.6**	**6.2**	**1.2**	**0.7**	**1.9**	**13.7**
Changes in 2011:							
- New borrowings	-	0.1	3.7	-	-	-	3.8
- Repayments (principal and interest) (-)	(1.9)	(0.5)	(0.3)	-	-	-	(2.7)
- Accrued interest	-	0.4	-	-	-	-	0.4
- Reclassifications from non-current to current (-)	-	-	(3.9)	-	-	(1.9)	(5.8)
- Other changes	-	(0.4)	(0.1)	-	(0.7)	-	(1.2)
- Currency translation differences	(0.2)	-	-	-	-	-	(0.2)
Total changes (B)	**(2.1)**	**(0.4)**	**(0.6)**	**-**	**(0.7)**	**(1.9)**	**(5.7)**
Balance at 12.31.2011 (A+B)	**-**	**1.2**	**5.6**	**1.2**	**-**	**-**	**8.0**

Short-term borrowings totaled 31.4 million euros. The following changes occurred in 2011:

(€ m)

	DUE TO BANKS	DUE TO OTHER LENDERS	OBLIGATIONS UNDER FINANCE LEASES	DUE TO ASSOCIATES	LIABILITIES REPRESENTED BY CREDIT INSTRUMENTS	LIABILITIES FROM DERIVATIVES	TOTAL
Balance at 12.31.2010 (A)	**9.9**	**5.7**	**5.2**	**3.3**	**-**	**0.3**	**24.4**
Changes in 2011:							
- New borrowings	14.4	0.1	0.5	-	-	-	15.0
- Repayments (principal and interest) (-)	(17.1)	(0.2)	(5.7)	-	-	-	(23.0)
- Accrued interest	4.1	0.1	0.4	-	-	-	4.6
- Mark to market	-	-	-	-	-	4.4	4.4
- Translation differences on borrowings in foreign currencies	(0.4)	0.2	-	-	-	-	(0.2)
- Reclassifications from non-current to current (-)	-	-	3.9	-	-	1.9	5.8
- Currency translation differences	0.1	-	-	-	-	0.3	0.4
Total changes (B)	**1.1**	**0.2**	**(0.9)**	**-**	**-**	**6.6**	**7.0**
Balance at 12.31.2011 (A+B)	**11.0**	**5.9**	**4.3**	**3.3**	**-**	**6.9**	**31.4**

The Canadian and Australian subsidiaries hedged the foreign currency risk related to the intercompany facilities they received from Parmalat S.p.A. for an amount of 245.9 million euros by executing derivative contracts.

The table below shows the amounts recognized for the measurement at fair value of those derivatives:

(€ m)

	12.31.2011			12.31.2010		
	ASSETS FAIR VALUE	LIABILITIES FAIR VALUE[1]	NOTIONAL[2]	ASSETS FAIR VALUE	LIABILITIES FAIR VALUE[1]	NOTIONAL[2]
Interest rate risk hedges	-	-	-	-	-	-
Foreign exchange risk hedges	-	6.9	245.9	-	2.2	130.9
Crossed foreign exchange and interest risk hedges	-	-	-	-	-	-
Total current and non-current financial liabilities	**-**	**6.9**	**245.9**	**-**	**2.2**	**130.9**

(1) Amount included in non-current financial liabilities.
(2) Notional: amount used as a basis to determine the performance of the obligations associated with a derivative or security used as underlying reference to price a derivative.

The impact of the measurement of derivatives on the income statement and balance sheet was not material.

The table below shows the balance outstanding on finance leases due in future years and the corresponding present value at December 31, 2011:

(€ m)

	2011	2010
	MINIMUM AMOUNTS DUE FOR LEASE INSTALLMENTS	MINIMUM AMOUNTS DUE FOR LEASE INSTALLMENTS
Due within one year	4.5	5.7
Due between one and five years	6.1	6.5
Total	**10.6**	**12.2**
Accrued interest	(0.7)	(0.8)
Present value of lease installments	**9.9**	**11.4**

A breakdown by maturity of the Group's gross indebtedness is as follows:

(€ m)

	12.31.2011				12.31.2010			
	DUE WITHIN A YEAR	DUE BETWEEN ONE AND FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL	DUE WITHIN A YEAR	DUE BETWEEN ONE AND FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL
Due to banks	11.0	-	-	11.0	9.9	2.1	-	12.0
Due to other lenders	5.9	0.1	1.0	7.0	5.7	-	1.6	7.3
Obligations under finance leases	4.3	5.1	0.6	10.0	5.2	6.2	-	11.4
Due to associates	3.3	-	1.2	4.5	3.3	-	1.2	4.5
Liabilities represented by credit instruments	-	-	-	-	-	0.7	-	0.7
Liabilities from derivatives	6.9	-	-	6.9	0.3	1.9	-	2.2
Total current and non-current financial liabilities	**31.4**	**5.2**	**2.8**	**39.4**	**24.4**	**10.9**	**2.8**	**38.1**

The table below provides a breakdown of gross indebtedness based on the original transaction currency:

(€ m)

		INTEREST RATE			TOTAL
		UP TO 5%	FROM 5% TO 6%	OVER 6%	
Country	**Currency**				
Canada	CAD	7.6	-	-	7.6
	USD	1.0	-	-	1.0
Australia	AUD	2.0	7.1	0.9	10.0
Portugal	EUR	1.5	-	-	1.5
Nicaragua	USD	1.9	-	-	1.9
Russia	EUR	2.7	-	-	2.7
Italy	EUR	7.8	1.2	0.1	9.1
Other countries		5.4	-	0.2	5.6
Total current and non-current financial liabilities		**29.9**	**8.3**	**1.2**	**39.4**

(The interest rate includes the credit spread charged over the base rate)

Some of the financing facilities provided to Group companies have been collateralized with corporate assets. More specifically, collateralized loans include 23.6 million euros received by the Australian subsidiaries.

(21) DEFERRED-TAX LIABILITIES

Deferred-tax liabilities of 170.3 million euros are shown net of offsettable deferred-tax assets. The table below shows the changes that occurred in this account in 2011:

(€ m)

Balance at 12.31.2010 (A)	**189.0**
Changes in 2011:	
- Increases	13.7
- Utilizations (-)	(11.5)
- Netting-off of deferred tax assets (-)	(18.8)
- Currency translation differences	(2.1)
Total changes (B)	**(18.7)**
Balance at 12.31.2011 (A+B)	**170.3**

Increases of 13.7 million euros refer mainly to temporary differences that originated in 2011 for tax deductible amortization of goodwill (4.1 million euros), depreciation of plant and equipment (3.9 million euros) recognized for tax purposes and trademarks with an undefinite useful life (2.6 million euros).

Utilizations of 11.5 million euros refer mainly to the derecognition of deferred-tax liabilities due to writedowns of the carrying amounts of trademarks with an indefinite useful life and land and

buildings (7.0 million euros), required by the results of the impairment test, and to a change in the tax rate in Canada (3.5 million euros).

The Deferred-tax liabilities account reflects the amounts set aside for deferred taxes on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases. These difference arose mainly in connection with the following items:

(€ m)

	12.31.2011	12.31.2010
- Trademarks and other intangibles	138.7	142.6
- Plant and machinery	24.3	20.1
- Land	9.0	9.6
- Buildings	4.5	5.4
- Discounting of subordinated debt to present value	1.1	1.4
- Other items	(7.3)	9.9
Total	**170.3**	**189.0**

(22) PROVISIONS FOR EMPLOYEE BENEFITS

Provisions for employee benefits totaled 89.0 million euros. The table below shows the changes that occurred in this account in 2011:

(€ m)

	PROVISION FOR EMPLOYEE SEVERANCE BENEFITS	DEFINED-BENEFIT PLANS	DEFINED-CONTRIBUTION PLANS	OTHER BENEFIT PLANS	TOTAL
Balance at 12.31.2010 (A)	**29.8**	**32.3**	**-**	**35.1**	**97.2**
Changes in 2011:					
- Increases	1.3	12.8	8.9	28.5	51.5
- Decreases (-)	(2.8)	(18.2)	(8.9)	(28.9)	(58.8)
- Other changes	-	0.1	-	(0.1)	-
- Monetary adjustment for hyperinflation	-	-	-	(1.6)	(1.6)
- Currency translation differences	-	(0.3)	-	1.0	0.7
Total changes (B)	**(1.5)**	**(5.6)**	**-**	**(1.1)**	**(8.2)**
Balance at 12.31.2011 (A+B)	**28.3**	**26.7**	**-**	**34.0**	**89.0**

Group companies provide post-employment benefits to their employees both directly and through contributions to funds outside the Group.
The manner in which these benefits are provided varies based on the statutory requirements, tax laws and economic conditions that exist in the various countries in which the Group operates. As a rule, benefits are based on an employee's level of compensation and years of service. The resulting obligations refer both to active and retired employees.
Group companies provide post-employment benefits both through defined-contribution plans and defined-benefit plans.

In the case of defined-contribution plans, Group companies pay contributions to private-sector or public insurance entities in accordance with statutory or contractual requirements or on a voluntary basis. The payment of the abovementioned contributions absolves the companies from all obligations.

Defined-benefit plans can be unfunded or partially or fully funded with contributions provided by the employer and, in some cases, by employees to a company or fund legally separate from the employer that disburses the employee benefits.

Defined-benefit plans are computed using actuarial techniques to estimate the amount of future benefits accrued by employees during the reporting period and in previous years.
The computation is made by an independent actuary, using the projected unit credit method.

The provision for employee severance benefits, which is governed by Article 2120 of the Italian Civil Code, reflects the vested benefits earned by employees in Italy in the course of their employment, which are payable at the end of the employment relationship.
Because this system constitutes an unfunded plan, there are no dedicated plan assets.

As a result of the reform of the regulations that govern supplemental retirement benefits and, specifically, its impact on companies with 50 or more employees, the severance benefits vesting after January 1, 2007, depending on the choices made by the employee, were either invested in supplemental retirement benefit funds or in the "Treasury Fund" managed by the Italian social security administration (INPS). As a result, in accordance with IAS 19, the liability towards the INPS and the contributions to supplemental retirement benefit funds are treated as part of defined-contribution plans.
On the other hand, severance benefits that vested prior to January 1, 2007 and have not yet been disbursed will continue to be treated as part of a defined-benefit plan.

The main Group companies that provide defined-benefit plans to their employees are located in Italy, Australia and Canada. The Australian and Canadian companies hold assets that are earmarked as dedicated plan assets.

FINANCIAL ASSUMPTIONS	AUSTRALIA	CANADA	ITALY
Discount rate (before taxes)	4.0%	4.3%	4.2%
Annual rate of wage increases	4.0%	3.0%	-
Projected return on plan assets (after taxes)	3.0%	6.3%	N/A

Reconciliation of Plan Assets and Liabilities to the Amounts Recognized in the Statement of Financial Position

(€ m)

	AUSTRALIA	CANADA	ITALY
Defined-benefit plans (at 12.31.2010)	**70.8**	**163.7**	**29.8**
Current service cost	3.0	5.2	-
Financial expense	3.2	8.0	1.3
Contributions to the plan	1.8	0.3	-
Actuarial (gains) losses	3.6	22.8	-
Currency translation differences	2.6	2.6	-
Benefits paid	(6.8)	(8.0)	(2.8)
Past service cost	-	0.6	-
Effect of any plan terminations or reductions	-	(0.2)	-
Defined-benefit plans (at 12.31.2011)	**78.2**	**195.0**	**28.3**
Fair value of plan assets (at 12.31.2010)	**60.8**	**114.5**	**-**
Projected return on plan assets	2.4	7.9	-
Actuarial (gains) losses	0.4	(6.3)	-
Currency translation differences	2.2	1.2	-
Contributions to the plan	1.8	0.3	-
Contributions by plan members	5.4	12.3	-
Benefits paid	(7.0)	(8.0)	-
Effect of any plan terminations or reductions	-	(0.2)	-
Fair value of plan assets (at 12.31.2011)	**66.0**	**121.7**	**-**
(Assets) Liabilities (at 12.31.2011)	**12.2**	**73.3**	**28.3**
Unrecognized actuarial gains (losses)	(6.0)	(58.7)	-
Total (assets) liabilities recognized in financial statements (12.31.2011)	**6.2**	**14.6**	**28.3**
Total (assets) liabilities recognized in financial statements (12.31.2010)	**7.5**	**19.5**	**29.8**
Total costs recognized in the income statement	3.9	7.5	1.3
Contributions paid	(5.4)	(12.3)	(2.8)
Currency translation differences	0.2	(0.1)	-
Total (assets) liabilities recognized in financial statements (12.31.2011)	**6.2**	**14.6**	**28.3**

Breakdown of Dedicated Plan Assets by Type

(€ m)

	AUSTRALIA	CANADA	ITALY
Third-party equity instruments	66.0	53.1	-
Third-party debt instruments	-	67.5	-
Cash and cash equivalents	-	1.1	-
Total	**66.0**	**121.7**	**-**

The effective return earned on dedicated plan assets was 2.8 million euros in Australia and 1.6 million euros in Canada.

Restatements Required by Experience

The table below shows the difference between previous actuarial estimates and current estimates for 2011 and the previous three years:

(€ m)

	DECEMBER 2011	DECEMBER 2010	DECEMBER 2009	DECEMBER 2008
Present value of the obligation under defined-benefit plans	282.1	242.9	180.0	140.8
Fair value of dedicated plan assets	191.6	181.6	141.8	105.8
Deficit/(Surplus)	**90.5**	**61.3**	**38.2**	**35.0**
Total actuarial gains (losses) generated by experience on the obligation's present value	(26.9)	(19.2)	(11.3)	19.5
Total actuarial gains (losses) generated by experience on the obligation's fair value	(7.6)	0.2	6.1	(20.1)

The best estimate of the expected pension plan contribution for the 12 months ending December 31, 2012 is 5.0 million euros.

Total Current Costs Recognized in the Income Statement

(€ m)

	AUSTRALIA		CANADA		ITALY	
	2011	2010	2011	2010	2011	2010
Current service cost	3.1	2.9	5.2	4.6	-	-
Financial expense	3.2	2.8	8.0	8.1	1.3	1.6
Projected return on dedicated plan assets	(2.4)	(2.3)	(7.9)	(7.5)	-	-
Actuarial (gains) losses	-	-	1.4	(0.1)	-	-
Past service cost	-	-	0.6	0.9	-	-
Impact of any elimination or reduction of dedicated plan assets	-	-	0.2	(0.1)	-	-
Total	**3.9**	**3.4**	**7.5**	**5.9**	**1.3**	**1.6**

(23) PROVISION FOR RISKS AND CHARGES

Provisions for risks and charges totaled 147.2 million euros. The changes that occurred in 2011 are shown below:

(€ m)

	PROVISION FOR TAX-RELATED RISKS AND CHARGES	PROVISION FOR OTHER RISKS AND CHARGES	TOTAL
Balance at 12.31.2010 (A)	**31.7**	**48.0**	**79.7**
Changes in 2011:			
- Increases	5.0	78.6	83.6
- Decreases (-)	(0.1)	(10.6)	(10.7)
- Reversals (-)	(3.1)	(2.8)	(5.9)
- Other changes	(0.5)	(2.9)	(3.4)
- Monetary adjustment for hyperinflation	0.2	-	0.2
- Currency translation differences	0.6	3.1	3.7
Total changes (B)	**2.1**	**65.4**	**67.5**
Balance at 12.31.2011 (A) + (B)	**33.8**	**113.4**	**147.2**

Provision for Tax-related Risks and Charges

The amount consists mainly of tax risks related to the subsidiary Indulac regarding adjustments to the carrying amounts of some assets. During 2011, Parmalat S.p.A. recognized adequate provisions for tax risks related to previous years and thought to be probable. Adequate provisions for risks have been recognized for all positions involving a risk that has been assessed as probable.

Provision for Other Risks and Charges

The Provision for other risks and charges of 113.4 million euros covers the following:

(€ m)

	12.31.2011	12.31.2010
Litigation	78.0	2.0
Provision for staff downsizing	12.2	14.3
Supplemental sales agent benefits	8.0	7.5
Risks on investee companies	4.8	4.9
Legal disputes with employees	3.5	3.8
Registration tax on court decisions	1.9	9.7
Miscellaneous	5.0	5.8
Total provision for other risks and charges	**113.4**	**48.0**

The main reason for the increase that occurred in 2011 is the arbitration award in the proceedings activated by the Ontario Teachers' Pension Plan Board ("OTPPB") against Parmalat Canada Inc. concerning the Liquidity Payment Agreement ("LPA") between the above Parties, dated June 29, 2004 and expiring on June 29, 2011. On March 26, 2012, the proceedings' Sole Arbitrator handed down an award favorable to OTPPB, having found that an Indirect Change of Control did occur on June 28, 2011 with the election of the Board of Directors by the Shareholders' Meeting of Parmalat S.p.A. The

Arbitrator did not issue a ruling with regard to the amount of the payment owed to OTPPB, since this issue was not the subject of the arbitration proceedings. The Arbitrator stated that the payment amount should be determined by the parties, in accordance with the provisions of the LPA.

The provision for litigations is mainly related to the arbitration award in the proceedings activated by the Ontario Teachers' Pension Plan Board ("OTPPB") against Parmalat Canada Inc. concerning the Liquidity Payment Agreement ("LPA") between the above Parties and dated June 29, 2004.

The provision for staff downsizing is related to a program to provide resignation incentives to employees of Parmalat S.p.A., Parmalat Canada Inc and Parmalat Distribuzione Alimenti S.r.l. implemented with the consent of the unions.

The provision for supplemental sales agent benefits covers, for the Italian companies, an estimate of the risk for benefits payable to sales agents and sales representatives whenever their contracts with the Company are cancelled due to reasons for which they are not responsible.

The provision for risks on investee companies covers the contingent liabilities that may arise from the liquidation and sale of certain Group companies.

The provision for legal disputes with employees is in anticipation of the settlement of disputes that are currently pending in some countries with former Group managers.

An analysis of the most significant legal disputes involving Group companies is provided in the section of these Notes entitled "Legal Disputes and Contingent Liabilities at December 31, 2011."

(24) PROVISION FOR CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS

The Provision for contested preferential and prededuction claims totaled 6.5 million euros.
A breakdown of the changes that occurred in 2011 is as follows:

(€ m)

Balance at 12.31.2010 (A)	**4.8**
Changes in 2011:	
- Increases	0.9
- Other changes	0.8
Total changes (B)	**1.7**
Balance at 12.31.2011 (A+B)	**6.5**

The provision represents the amount set aside by Parmalat S.p.A. and Dalmata S.p.A based on the challenges filed by creditors with verified unsecured claims who are seeking prededuction or preferential status.

If such prededuction or preferential status is granted by a final court decision or as a result of a settlement, the corresponding claims will have to be satisfied in cash for the full amount.

Various challenges are in the process of being heard, but no additional information about their outcome is currently available.

(25) TRADE PAYABLES

Trade payables totaled 540.1 million euros, or 5.8 million euros less than at December 31, 2010. A breakdown is as follows:

(€ m)

	12.31.2011	12.31.2010
- Trade payables owed to suppliers	537.1	545.0
- Trade payables owed to related parties	2.1	-
- Advances	0.9	0.9
Total	**540.1**	**545.9**

(26) OTHER CURRENT LIABILITIES

A breakdown of Other current liabilities, which totaled 146.3 million euros, or 4.1 million euros more than at December 31, 2010, is provided below:

(€ m)

	12.31.2011	12.31.2010
- Taxes payable	24.7	13.4
- Amounts owed to social security institutions	9.2	7.9
- Other payables	74.1	71.1
- Accrued expenses and deferred income	38.3	49.8
Total	**146.3**	**142.2**

The main components of Taxes payable of 24.7 million euros are the income taxes withheld from employees and independent contractors (7.0 million euros), taxes withheld on dividends (5.7 million euros), property and registration taxes (5.0 million euros) and VAT payable (2.0 million euros).

Other payables of 74.1 million euros consist mainly of amounts owed at December 31, 2011 to employees (61.6 million euros) and members of the corporate governance bodies of Parmalat S.p.A. and its subsidiaries (0.9 million euros) and of uncollected dividends payable (5.2 million euros).

Accrued expenses and deferred income totaled 38.3 million euros, broken down as follows:

(€ m)

	12.31.2011	12.31.2010
Accrued expenses:		
- Rent and rentals	1.0	1.0
- Insurance premiums	0.1	0.1
- Sundry and miscellaneous accrued expenses	29.1	40.6
Deferred income:		
- Rent and rentals	2.1	2.2
- Sundry and miscellaneous deferred income	6.0	5.9
Total accrued expenses and deferred income	**38.3**	**49.8**

The positive conclusion of a legal actions filed by the Italian antitrust authorities is the main reason for the decrease recorded in 2011.

Sundry and miscellaneous accrued expenses of 29.1 million euros consist mainly of costs already incurred but payable at a later date, such as advertising, promotion and marketing expenses and customer discounts.

Sundry and miscellaneous deferred income of 6.0 million euros refers mainly to the deferral over the lives of the corresponding assets of grants toward the construction of production facilities received pursuant to Legislative Decree No. 173 of April 30, 1998 (2.0 million euros) and of the operating grant received under Sicily's Regional Operating Program (2.4 million euros).

(27) INCOME TAXES PAYABLE

The balance of 6.0 million euros is lower by 9.5 million euros compared with December 31, 2010. The main changes that occurred in 2011 included the recognition of income taxes payable totaling 84.7 million euros, the utilization of income tax credits and taxes withheld on income from invested liquid assets to offset the income tax liability amounting to 57.4 and payments totaling 31.8 million euros.

Guarantees and Commitments

GUARANTEES

(€ m)

	12.31.2011			12.31.2010		
	SURETIES	COLLATERAL	TOTAL	SURETIES	COLLATERAL	TOTAL
provided on behalf of Group companies	-	-	-	-	1.5	1.5
provided on behalf of the Company	213.1	23.6	236.7	416.2	13.6	429.8
Total guarantees	**213.1**	**23.6**	**236.7**	**416.2**	**15.1**	**431.3**

The guarantees provided by outsiders on behalf of the Company (213.1 million euros) consist mainly of guarantees provided by banks and/or insurance companies to government agencies in connection with VAT refunds and prize contests.

Collateral of 23.6 million euros was provided to banks and other credit institutions to secure financing facilities and consists of assets of the companies receiving the financing facilities or their subsidiaries.

COMMITMENTS

(€ m)

	12.31.2011	12.31.2010
Commitments:		
- Operating leases	75.5	78.2
within 1 year	*15.2*	*15.4*
from 1 to 5 years	*40.8*	*38.9*
after 5 years	*19.5*	*23.9*
- Other commitments	39.9	39.2
Total commitments	**115.4**	**117.4**

Commitments under operating leases apply mainly to the Canadian subsidiary (30.1 million euros) and subsidiaries in Australia (25.2 million euros) and Africa (20.1 million euros).

Other commitments of 39.9 million euros refer mainly to short-term contracts to purchase raw materials, packaging materials and non-current assets signed by Parmalat Canada Inc. (25.8 million euros), and subsidiaries in Africa (5.6 million euros) and Australia (2.1 million euros). This item also includes the par value of Parmalat shares (6.3 million euros) to be awarded to creditors of the companies included in the Composition with Creditors, currently deposited with Fondazione Creditori Parmalat.

Legal Disputes and Contingent Liabilities at December 31, 2011

The Group is waiting for an award to be handed down in the arbitration proceedings activated by the Ontario Teachers' Pension Plan Board.

In addition, the Group is a defendant in civil and administrative proceedings that, based on the information currently available and in view of the existing provisions, are not expected to have a material negative impact on the financial statements.
The Company is also a plaintiff in some actions for damages, liability actions and actions to void in bankruptcy filed by Parmalat S.p.A.

Challenge to the Composition with Creditors

An appeal filed against the decision handed down by the Bologna Court of Appeals on January 16, 2008, which was favorable to Parmalat, is currently pending before the Court of Cassation.

* * *

Information about the main proceedings involving the Parmalat Group, updated as of December 31, 2011, is provided below.

CRIMINAL PROCEEDINGS

Criminal Court of Milan

In the proceedings for the crime of stock manipulation, the lower court issued a verdict in 2008; the appellate proceeding ended in May 2010 and the proceedings came to an end with a decision handed down by the Court of Cassation in May 2011. However, these proceedings are no longer relevant to Parmalat Finanziaria S.p.A. under extraordinary administration, since it reached a settlement with Bank of America.

A plea bargaining agreement was approved for the Grant Thornton auditors, whose position had been separated from the main proceedings.

The second segment of the stock manipulation proceedings pending before the lower court ended with a decision handed down in April 2011. No Parmalat company had joined these proceedings as a plaintiff seeking damages.

Criminal Court of Parma

One trial, in which former Directors, Statutory Auditors and employees of the old Parmalat Group companies were charged with the crime of fraudulent bankruptcy ended, on December 9, 2010, with the conviction of all defendants (except for two counts) and, with regard to civil law issues, with the granting of a provisionally enforceable award of 2,000,000,000 euros benefiting the companies of the Parmalat Group that joined these proceedings as a plaintiffs seeking damages.

In a second trial, the defendants are also former Directors, Statutory Auditors and employees of companies in the so-called "tourism" operations, and officers of some banks. Insofar as these bank officers are concerned, Parmalat withdrew from the proceedings as a plaintiff seeking damages, whenever settlements were reached with the respective banks. The proceedings before the lower

court ended, on December 20, 2011, with the conviction of all defendants. The court is now expected to file a detailed decision, at which point it is likely that the convicted defendants will promptly appeal.

In other proceedings, which ended with a decision handed down in November 2011, the defendants are officers and employees of the former Banca di Roma. In these proceedings, the companies of the Parmalat Group under extraordinary administration, having reached an out-of-court settlement with the bank, withdrew the claims they put forth when they joined the proceedings as plaintiffs seeking damages.

In addition, hearings began in April 2011 in the trial of officers and employees of Citigroup/Citibank charged with fraudulent bankruptcy. Parmalat joined these proceedings as a plaintiff seeking damages, suing the bank as the liable party for activities it carried out in Milan, London and New York. The preliminary motions phase has been completed and the phase of discovery during trial is under way.

Lastly, proceedings targeting employees and/or officers of Standard & Poor's and JP Morgan, in connection with which companies of the Parmalat Group under extraordinary administration have the status of injured parties, are still in the discovery phase.

Two additional proceedings are currently in the discovery phase.
The first one stems from an investigation launched following the seizure of works of art allegedly owned by Calisto Tanzi. The second one is related to Parmacalcio. In both instances, Parmalat under extraordinary administration joined the proceedings as an injured party.

Court of Cassation

As a result of decisions handed down by the Court of Cassation in June 2011, the decision convicting Maurizio Bianchi, Luciano Del Soldato and Giampaolo Zini handed down by the Court of Parma following a summary judgment became final.

Florence Court of Appeals

Criminal proceedings against Carlo Alberto Steinhauslin are pending before the Florence Court of Appeals. In proceedings before the lower court, which Parmalat S.p.A. under extraordinary administration joined as a plaintiff seeking damages, Mr. Steinhauslin was found guilty of money laundering. Appellate hearings have not yet been set.

CIVIL LAWSUITS IN THE UNITED STATES OF AMERICA

Parmalat filed the following lawsuits in the United States against certain banks and independent auditors:

Lawsuit Against Grant Thornton

See the information provided in the section of the Report on Operations entitled "Events Occurring After December 31, 2011."

Parmalat vs. Citigroup, Inc. et al.

The New Jersey Court of appeals upheld the lower court's decision. Parmalat filed a motion seeking clearance to appeal the decision before the Supreme Court of New Jersey. A decision is pending.

CIVIL PROCEEDINGS FILED AGAINST THE GROUP

Insurance Companies vs. Parmalat Finanziaria S.p.A. in A.S.

The Milan Court of appeals, in a decision handed down on July 12, 2011, ruled in favor of the appeal filed by some insurance companies against a decision handed down by the lower court in Milan, in September 2007, by which it denied motions filed by some insurance companies asking that insurance policies taken out by the previous management of the Parmalat Group that provided protection from the risks inherent in the exercise of the offices of Director, Statutory Auditor and General Managers be declared null and void. The Company appealed the decision by the Court of Appeals before the Court of Cassation, which has not yet scheduled a hearing.

Giovanni Bonici vs. Industria Lactea Venezolana

The Court of Caracas granted in part the motions filed by Giovanni Bonici who, in February 2005, in his capacity as President of Industria Lactea Venezolana C.A., served a summons on the abovementioned company challenging his dismissal, of which he was informed in 2004. The plaintiff asked that his dismissal be declared invalid and that Industria Lactea Venezolana C.A. be ordered to pay damages for various reasons totaling about US$20 million.

However, it is worth mentioning that in the criminal proceedings in which Directors, Statutory Auditors and former employees of the old Parmalat Group companies were charged with fraudulent bankruptcy, Giovanni Bonici was found guilty by the Court of Parma with a verdict handed down on December 9, 2010.
An appeal against Bonici aimed at obtaining the release of funds under attachment at credit institutions is pending in Switzerland.

Liability Actions

Acting within the statutory deadline, Parmalat S.p.A. reinstated its civil liability lawsuits against those defendants in the criminal proceedings that agreed to a plea bargaining arrangement. The Court confirmed a decision dismissing the civil liability lawsuits filed by Parmalat Finanziaria S.p.A. in A.S. and Parmalat S.p.A. in A.S. but, insofar as the Assumptor is concerned, ordered the resumption of the lawsuit against the parties included in the reinstatement decision. In the reinstated proceedings, the Court Appointed Technical Consultant filed his technical report. The judge then set a deadline by which the parties and the Technical Consultant must submit, respectively, briefs and counterarguments concerning the technical report.
In the other liability action against a former Statutory Auditor of Parmalat Finanziaria S.p.A. in A.S., the Court Appointed Technical Consultant filed his technical report. The judge then set a deadline by which the parties and the Technical Consultant must submit, respectively, briefs and counterarguments concerning the technical report.

Boschi Luigi & Figli S.p.A. Liability Action

In 2004, Parmalat S.p.A. in A.S., who at that time owned an interest of 89.44% in Boschi Luigi & Figli S.p.A., sued asking the court to find the former Directors and Statutory Auditors of Boschi Luigi & Figli S.p.A. liable for the company's collapse.
Due the death of one of the defendants, the lawsuit was interrupted in 2006, but later resumed. Following the filing of a technical report requested by the court, the lawsuit is continuing against the other defendants and a hearing for oral arguments has been scheduled for September 19, 2012.

ADMINISTRATIVE PROCEEDINGS FILED AGAINST THE GROUP

Centrale del Latte di Roma

See the information provided in the section of the Report on Operation entitled "Events occurring after December 31, 2011."

DECISIONS AND INVESTIGATIVE PROCEEDINGS BY THE ITALIAN ANTITRUST AUTHORITIES

On May 21, 2008, the Italian Antitrust Authority ordered Parmalat S.p.A. to pay an administrative fine of 2,226,000 euros.
Parmalat, having complied fully with the Italian Antitrust Authority's Resolution No. 16282 on April 18, 2008 (date when the contract to sell the shares of Newlat S.p.A. to TMT Finance SA was executed) and believing that the reasons that prevented it from complying with the October 30, 2007 deadline originally set by the Italian Antitrust Authority were beyond its control, challenged the Italian Antitrust Authority's decision of May 21, 2008 before the Regional Administrative Court of Latium, asking that it be set aside. On February 4, 2009, the Regional Administrative Court of Latium handed down a decision denying Parmalat's challenge and upholding the Italian Antitrust Authority's decision. On July 7, 2009, Parmalat filed a complaint challenging this decision before the Council of State. Parmalat's challenge was heard on February 15, 2011 and a decision favorable to Parmalat followed. The amount of the fine, plus interest, was refunded to Parmalat.

DISPUTES INVOLVING CHALLENGES TO THE COMPOSITION OF THE LISTS OF LIABILITIES

Challenges and Oppositions

At December 31, 2011, disputes stemming from challenges to the composition of the lists of liabilities of the companies included in the Composition with Creditors and late filings of claims involved 41 lawsuits filed before the Court of Parma and 142 lawsuits pending before the Bologna Court of Appeals. A significant portion of these disputes (about 100 lawsuits pending before the lower courts and at the appellate level) involves issues related to Article 2362 of the Italian Civil Code (previous wording) for the period during which Parmalat Finanziaria S.p.A. was the sole shareholder of Parmalat S.p.A.

* * *

Information about the tax status of Parmalat S.p.A. and the Group's main Italian and foreign subsidiaries is provided below.

Italy

At December 31, 2011, the provision for tax-related risks of Parmalat S.p.A. amounted to 9.2 million euros, for an increase of 4 million euros compared with the previous year.
This increase is due mainly to additions made to the provision in response to some tax risks relating to previous fiscal years that entail a risk level thought to be probable.
No amount was set aside for tax risks believed to be only possible or remote.

Central and South America

In Venezuela, the Indulac subsidiary carries a provision for tax-related risks for a total amount of about 21.4 million euros, down slightly compared with 2010.

Last, in some Group companies there are other minor tax-related risks.

Notes to the Income Statement

(28) REVENUES

A breakdown of revenues is as follows:

(€ m)

	2011	2010
Net sales revenues	4,491.2	4,301.0
Other revenues	46.8	59.6
Total revenues	**4,538.0**	**4,360.6**

A geographic breakdown of net revenues is as follows:

(€ m)

	2011	2010
Italy	978.6	963.3
Other countries in Europe	155.5	152.0
Canada	1,628.3	1,609.3
Central and South America	457.4	419.3
Australia	860.6	742.1
Africa	412.5	415.9
Sundry items[1]	(1.7)	(0.9)
Total sales revenues	**4,491.2**	**4,301.0**

(1) Includes the costs of the Group's Parent Company, other minor companies and inter-area eliminations.

Other revenues include the following:

(€ m)

	2011	2010
Insurance settlements	10.8	20.9
Rebilling of advertising expenses	7.6	5.9
Out-of-period items and restatements	6.7	5.0
Royalties	5.2	8.4
Rent	2.3	2.4
Gains on the sale of non-current assets	2.2	2.1
Operating grants	1.3	0.6
Expense reimbursements	0.3	0.3
Damage compensation	-	3.0
Miscellaneous	10.4	11.0
Total other revenues	**46.8**	**59.6**

A decrease in insurance settlements received in 2011 is the main reason for the decrease in Other revenues.

Insurance settlements received in 2011 refer mainly to a fire that occurred in 2010 at a plant of Centrale del Latte di Roma.

An insurance settlement receipt in the amount of 25.3 million euros, after deductible, was signed in December 2011. The Company will receive an additional payment of 0.3 million euros to cover the cost of its independent expert. These amounts were recognized on an accrual basis as follows: 15 million euros in 2010 and 10.6 million euros in 2011. The settlement of 25.6 million euros was collected as follows: 5.5 million euros in December 2010, 9.9 million euros in December 2011 and 9.9 million euros in January 2012. The cost of the independent expert (0.3 million euros) will be reimbursed after the payment of his invoice, scheduled for March 2012.

(29) COSTS

A breakdown of the costs incurred in 2011 is as follows:

(€ m)

	2011	2010
Cost of sales	3,568.2	3,400.9
Distribution costs	436.6	436.1
Administrative expenses	302.6	294.7
Total costs	**4,307.4**	**4,131.7**

A breakdown by type of the costs incurred in 2011 is as follows:

(€ m)

	2011	2010
Raw materials and finished goods	2,338.4	2,273.7
Labor costs	591.4	536.4
Packaging materials	370.9	336.5
Freight	206.0	181.2
Depreciation, amortization and writedowns of non-current assets	143.5	148.4
Sales commissions	124.7	118.7
Other services	92.5	90.1
Energy, water and gas	86.2	82.0
Advertising and promotions	84.6	99.0
Maintenance and repairs	57.9	59.3
Supplies	44.4	43.8
Use of property not owned	41.7	39.0
Storage, handling and outside processing services	34.6	44.4
Miscellaneous charges	28.0	21.9
Postage, telephone and insurance	22.9	20.6
Consulting services	22.4	30.4
Writedowns of receivables and additions to provisions	4.8	16.1
Auditing services	4.0	4.3
Fees to Chairman and Directors	2.0	1.9
Fees to Statutory Auditors	0.5	0.5
Changes in inventories of raw materials and finished goods	6.0	(16.5)
Total cost of sales, distribution costs and administrative expenses	**4,307.4**	**4,131.7**

The increase in "Cost of sales, distribution costs and administrative expenses" is due mainly to the following:

- higher prices paid for raw milk and packaging materials in several countries where the Group operates;
- higher variable production costs in Australia, due to an increase in sales volumes;
- the appreciation of the euros versus the currencies of the main countries where the Group operates;
- hyperinflation indexing in Venezuela.

(30) LITIGATION-RELATED EXPENSES

The balance in this account reflects the fees paid to law firms (8.1 million euros) retained as counsel in connection with the actions for damages and actions to void filed by the companies under extraordinary administration prior to the implementation of the Composition with Creditors, which the Company is currently pursuing.
The abovementioned legal actions are gradually coming to a conclusion.

(31) MISCELLANEOUS INCOME (EXPENSE)

Net miscellaneous expense totaled 23.1 million euros. A breakdown is as follows:

(€ m)

	2011	2010
Proceeds from actions to void and actions for damages	55.8	52.2
Litigation-related expenses	(72.6)	-
Restructuring costs	(3.9)	(1.2)
(Benefit)/Expense related to tax risks	(1.9)	8.6
Intra-Group consolidation of debt formerly owed to Parmalat Capital Finance Ltd in liquidation[1]	-	52.5
Sundry income/(expense)	(0.5)	2.4
Total miscellaneous income (expense)	**(23.1)**	**114.5**

(1) This amount includes the debt formerly owed to Parmalat Capital Finance Ltd in liquidation, whose claims were acquired by the Group in 2010.

Proceeds from settlements of actions to void and actions for damages include the following:

- The award of a 22.64% interest in the share capital of Bonatti S.p.A. as an advance on the amount owed under a provisionally enforceable decision against defendants convicted of fraudulent bankruptcy by the lower court.
- The amount paid by the companies under extraordinary administration (Hit S.p.A., licensees and Eliair Srl) as distribution for verified claims included among the liabilities in the bankruptcy proceedings.
- The sums paid by some credit institutions to settle pending disputes.

Litigation-related expenses are mainly relating to the arbitration award in the proceedings activated by the Ontario Teachers' Pension Plan Board ("OTPPB") against Parmalat Canada Inc. concerning the Liquidity Payment Agreement ("LPA") between the above Parties, dated June 29, 2004 and expiring on June 29, 2011. On March 26, 2012, the proceedings' Sole Arbitrator

handed down an award favorable to OTPPB, having found that an Indirect Change of Control did occur on June 28, 2011 with the election of the Board of Directors by the Shareholders' Meeting of Parmalat S.p.A. The Arbitrator did not issue a ruling with regard to the amount of the payment owed to OTPPB, since this issue was not the subject of the arbitration proceedings. The Arbitrator stated that the payment amount should be determined by the parties, in accordance with the provisions of the LPA.

Restructuring costs refer to programs launched in 2010 to reorganize the logistics-distribution area, which continued in 2011.

The expenses related to tax risks reflects a restatement of the estimate of probable tax liabilities.

(32) FINANCIAL INCOME (EXPENSE)

Net financial income amounted to 43.5 million euros, broken down as follows:

(€ m)

	2011	2010
Monetary gain due to hyperinflation	24.2	13.4
Interest earned from banks and other financial institutions	11.3	9.1
Foreign exchange translation gains	8.6	19.2
Financial income from related parties (cash pooling system)	6.9	-
Income from cash-equivalent securities	5.8	4.4
Interest received from the tax authorities	2.0	1.8
Income from available-for-sale securities	-	1.1
Other financial income	0.9	0.8
Total financial income	**59.7**	**49.8**
Foreign exchange translation losses	(6.5)	(12.1)
Interest paid on loans	(4.9)	(27.4)
Bank fees	(2.6)	(2.1)
Actuarial losses	(0.3)	(0.1)
Other financial expense	(1.9)	(0.9)
Total financial expense	**(16.2)**	**(42.6)**
Net financial income (expense)	**43.5**	**7.2**

On October 6, 2011, Parmalat S.p.A. agreed to join the cash pooling system of the Lactalis Group. The purpose of this transaction was to optimize the use of financial resources - particularly in the case of short-term cash flows - at the Group level and enable Parmalat S.p.A. to retain maximum financial flexibility and a short-term investment profile, while earning a variable interest rate equal to the one-month Euribor plus a spread consistent with the credit rating of the Lactalis Group. As of December 31, 2011, the spread was 1.70%.

The decrease in Interest paid on loans is due mainly to the early repayment, in 2010, of loans owed by the Canadian and Australian subsidiaries.

(33) OTHER INCOME FROM (EXPENSES FOR) EQUITY INVESTMENTS

Net other income from equity investments of 8.1 million euros is the result of the following items:

(€ m)

	2011	2010
Gain on liquidation of investments in subsidiaries	7.9	-
Dividends from equity investments in other companies	0.2	0.9
Total other income from equity investments	**8.1**	**0.9**
Loss on the disposal of investments in subsidiaries	-	(0.2)
Loss on equity investments in other companies	-	(0.1)
Total other expenses for equity investments	**-**	**(0.3)**
Net other income from (expense for) equity investments	**8.1**	**0.6**

The gain on liquidation of investments in subsidiaries (7.9 million euros) results from the dissolution of Parmalat de Mexico S.A.

(34) INCOME TAXES

Income taxes totaled 80.2 million euros in 2011, broken down as follows:

(€ m)

	2011	2010
Current taxes		
- Italian companies	29.9	31.9
- Foreign companies	54.8	62.1
Deferred and prepaid taxes, net		
- Italian companies	3.2	(3.0)
- Foreign companies	(7.7)	(34.9)
Total	**80.2**	**56.1**

Current taxes of Italian companies totaled 29.9 million euros, including 4.4 million euros in regional taxes (IRAP) and 25.5 million euros in corporate income taxes (IRES).

Net deferred and prepaid taxes totaling 4.5 million euros were computed on the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases.

The increase in Deferred and prepaid taxes, net, reflects items recognized in 2010:

- the Venezuelan subsidiary, following the settlement of disputed items referred to previous years and a financial and corporate restructuring process, recognized deferred-tax assets for tax losses of 20.6 million euros, which were used in part in 2011;
- the Canadian subsidiary, due to the early redemption of 90% of the subordinated notes, derecognized deferred-tax liabilities amounting to 14.4 million euros.

A reconciliation of the theoretical tax liability, determined by applying the corporate income tax rate in effect in Italy, to the amount recognized in the income statement is provided below:

(€ m)

	TOTAL
Consolidated profit before taxes	**251.1**
Theoretical tax rate	27.5%
Theoretical tax liability	69.1
Tax effect on non-taxable income (permanent differences) (-)	(14.1)
Tax effect from non-deductible expenses (permanent differences)	12.6
Tax losses for the year that are not deemed to be recoverable and elimination of deferred-tax assets	9.9
Recognition of prior-period tax losses (-)	(2.0)
Higher/(Lower) taxes as per income tax return	1.0
Elimination of temporary differences due to changes in tax rates and sundry items	0.3
Actual income tax liability	**76.8**
IRAP and other taxes computed on a base different from the profit before taxes	3.4
Actual tax liability shown on the income statement at December 31, 2011	**80.2**
Actual tax rate	**31.9%**

(35) OTHER INFORMATION

Material Nonrecurring Transactions and Atypical and/or Unusual Transactions

The Group did not execute material nonrecurring transactions or atypical or unusual transactions, pursuant to Consob Communication No. DEM/6064293 of July 28, 2006.

Net Financial Position

In accordance with the requirements of the Consob Communication of July 28, 2006 and consistent with the CESR's Recommendation of February 10, 2005 "*Recommendations for a Uniform Implementation of the European Commission's Prospectus Regulation,*" a schedule showing the net financial position of the Parmalat Group at December 31, 2011 is provided below:

(€ m)

	12.31.2011	12.31.2010
A) Cash	1.4	1.5
B) Cash equivalents and readily available financial assets:		
- Bank and postal accounts	282.2	315.3
- Repurchase agreements	19.5	-
- Italian Treasury securities	12.5	341.6
- Foreign Treasury securities (France and Germany)	-	368.7
- Accrued interest	0.2	5.3
- Time deposits	53.8	432.5
C) Negotiable securities	-	8.4
D) Liquid assets (A+B+C)	**369.6**	**1,473.3**
E) Current financial receivables (cash pooling system)	1,188.2	-
F) Current bank debt	11.0	9.0
G) Current portion of non-current indebtedness	5.8	6.2
H) Other current borrowings	14.6	9.2
I) Current indebtedness (F+G+H)	**31.4**	**24.4**
J) Net current indebtedness (I-E-D)	**(1,526.4)**	**(1,448.9)**
K) Non-current bank debt	-	2.1
L) Debt securities outstanding	-	-
M) Other non-current borrowings	8.0	11.6
N) Non-current indebtedness (K+L+M)	**8.0**	**13.7**
O) Net borrowings (J+N)	**(1,518.4)**	**(1,435.2)**

The section of the Report on Operations entitled "Financial Performance" explains the main developments that occurred in this area and the Groups' risk management policy.

FEES PAID TO THE INDEPENDENT AUDITORS

As required by Article 149 – *duodecies* of the Issuers' Regulations, as amended by Consob Resolution No. 15915 of May 3, 2007, published on May 15, 2007 in Issue No. 111 of the *Official Gazette of the Italian Republic* (S.O. No. 115), the table below lists the fees attributable to 2011 that were paid for services provided to the Group by its independent auditors and by entities included in the network headed by these independent auditors.

(€ m)

TYPE OF SERVICES	CLIENT	2011	2010
A) Auditing assignments	Parent Co.	1.3	1.2
B) Assignments involving the issuance of a certification	Parent Co.	-	-
C) Other services	Parent Co.		
- Tax services		-	-
- Development and implementation of non-financial information systems		-	-
- Due diligence		-	-
- Other services to support lawsuit settlements		*0.3*	*0.2*
Total Group Parent Company		**1.6**	**1.4**
A) Auditing assignments	Subsidiaries	2.0	2.0
B) Assignments involving the issuance of a certification	Subsidiaries		
C) Other services	Subsidiaries		
- Tax services		*0.2*	*0.1*
- Development and implementation of non-financial information systems		-	-
- Due diligence		*0.1*	-
- Other services		*0.1*	*0.6*
Total subsidiaries		**2.4**	**2.7**

BREAKDOWN OF LABOR COSTS BY TYPE

A breakdown is as follows:

(€ m)

	2011	2010
Wages and salaries	424.2	386.2
Social security contributions	54.0	52.1
Severance benefits	56.9	45.1
Other labor costs	56.3	53.0
Total labor costs	**591.4**	**536.4**

DEPRECIATION, AMORTIZATION AND WRITEDOWNS

A breakdown is as follows:

(€ m)

	2011	2010
- Amortization of intangible assets	9.8	23.0
- Depreciation of property, plant and equipment	96.5	93.4
- Writedowns of non-current assets	40.5	33.9
- Reversals of writedowns	(3.3)	(1.9)
Total depreciation, amortization and writedowns	**143.5**	**148.4**

Writedowns of non-current assets include 36.4 million euros (24.5 million euros in 2010) for the impairment of goodwill and trademarks with an indefinite useful life resulting from the impairment test. More detailed information is provided in the notes to Goodwill and Trademarks with an indefinite useful life.
Writedowns also include 4.1 million euros for the impairment of property, plant and equipment held by a European production facility.

Reversals of writedowns of 3.3 million euros refer to the partial reinstatement of the carrying amount of buildings, plant and machinery belonging to an Italian production facility.

EARNINGS PER SHARE

The table below shows a computation of earnings per share in accordance with IAS 33:

(in euros)

	2011	2010
Group interest in profit	170,394,719	281,983,869
broken down as follows:		
- Profit from continuing operations	*170,394,719*	*281,983,869*
- Profit (Loss) from discontinuing operations	-	-
Weighted average number of shares outstanding determined for the purpose of computing earnings per share:		
- basic	1,742,824,916	1,727,518,762
- diluted	1,773,204,958	1,763,725,035
Basic earnings per share	0.0978	0.1632
broken down as follows:		
- Profit from continuing operations	*0.0978*	*0.1632*
- Profit (Loss) from discontinuing operations	-	-
Diluted earnings per share	0.0961	0.1599
broken down as follows:		
- Profit from continuing operations	*0.0961*	*0.1599*
- Profit (Loss) from discontinuing operations		

The number of common shares outstanding changed subsequent to the end of the reporting period due to the following capital increases:

- January 20 2012: 32,340 euro
- February 17 2012: 93,563 euro
- March 19 2012: 1,953,902 euro

The computation of the weighted average number of shares outstanding, starting with the 1,732,915,571 shares outstanding at January 1, 2011, is based on the following changes that occurred in 2011:

- issuance of 669,071 common shares on 1/19/11
- issuance of 1,801,684 common shares on 2/18/11
- issuance of 2,539,389 common shares on 3/16/11
- issuance of 16,731,948 common shares on 8/31/11
- issuance of 134,887 common shares on 9/28/11
- issuance of 37,466 common shares on 10/25/11
- issuance of 25,725 common shares on 11/23/11
- issuance of 546,081 common shares on 12/21/11

The computation of diluted earnings per share takes into account the maximum number of issuable warrants (95 million), as set forth in a resolution approved by the Shareholders' Meeting of April 28, 2007.

SEGMENT INFORMATION

The table below, which was prepared in accordance with the disclosure requirements of IFRS 8, provides segment information about the Group's operations at December 31, 2011 and the comparable data for 2010. The breakdown by geographic region is consistent with the Group's governance structure and is reflected on the income statement and statement of financial position data provided below. The statement of financial position data are end-of-year data.

	ITALY	OTHER COUNTRIES IN EUROPE				CANADA
		RUSSIA	PORTUGAL	ROMANIA	TOTAL	
2011						
Net segment revenues	978.6	93.3	53.2	8.9	155.5	1,628.3
Net inter-segment revenues	(1.8)	0.0	0.0	0.0	0.0	(0.0)
Net revenues from outsiders	976.8	93.3	53.2	8.9	155.5	1,628.3
EBITDA	96.2	7.5	1.3	0.3	9.1	155.3
% of net revenues	*9.8*	*8.0*	*2.4*	*3.2*	*5.8*	*9.5*
Depreciation, amortization and writedowns of non-current assets	(36.3)	(2.8)	(5.4)	(0.3)	(8.5)	(24.6)
- Writedowns of goodwill and trademarks with indefinite useful life	(16.5)		(19.9)		(19.9)	
- Litigation related expenses						
- Miscell. income and expense						
EBIT						
Financial income						
Financial expense						
Interest in result of cos. valued by equity method	0.1					
Other income from (expense for) equity investments						
PROFIT BEFORE TAXES						
Income taxes						
NET PROFIT FROM CONTINUING OPERATIONS						
Net profit (loss) from discontinuing operations						
PROFIT FOR THE PERIOD						
Total segment assets	2,357.5	73.8	31.5	11.5	116.7	994.3
Total non-segment assets						
Total assets						
Total segment liabilities	323.6	9.0	12.7	2.4	24.2	279.7
Total non-segment liabilities						
Total liabilities						
Capital exp. (prop., plant & equip.)	26.2	10.3	0.5	0.2	11.0	35.6
Capital expenditures (intangibles)	4.9	0.0	0.0	0.0	0.0	4.8
Number of employees	2,042	1,089	252	124	1,465	2,904

Capital expenditures for property, plant and equipment include land and buildings.

More detailed information about the performance of the different segments in 2010 is provided in the Report on Operations.

(€ m)

CENTRAL AND SOUTH AMERICA				AUSTRALIA	AFRICA			GROUP CONTINUING NON-CORE & OTHER	HOLDING COS/ADJ. & ELIM.	GROUP
VENEZUELA	COLOMBIA	OTHER COUNTRIES	TOTAL		SOUTH AFRICA	OTHER COUNTRIES	TOTAL			
303.9	127.6	26.0	457.4	860.6	349.0	63.5	412.5	0.2	(1.8)	4,491.2
0.0	(0.1)	0.1	(0.0)	0.0	(12.6)	12.6	(0.0)	0.0	1.8	
303.9	127.4	26.1	457.4	860.6	336.4	76.1	412.5	0.2		4,491.2
22.5	6.9	0.2	29.6	63.9	34.2	7.1	41.3	(0.4)	(20.7)	374.1
7.4	*5.4*	*0.7*	*6.5*	*7.4*	*9.8*	*11.2*	*10.0*			*8.3*
(5.8)	(5.7)	(0.7)	(12.2)	(17.2)	(7.0)	(1.3)	(8.3)	(0.0)		(107.1)
										(36.4)
										(8.1)
										(23.1)
										199.4
										59.7
										(16.2)
										0.1
										8.1
										251.1
										(80.2)
										170.9
										0.0
										170.9
170.2	85.6	16.7	272.5	520.3	250.1	35.3	285.4	82.5	(5.5)	4,623.7
										176.4
										4,800.1
54.7	16.8	8.0	79.6	136.1	68.0	13.5	81.6	9.2	(5.5)	929.1
										215.7
										1,144.8
3.0	3.4	0.1	6.5	26.4	17.1	2.3	19.4	0.4		125.4
1.0	0.1	0.0	1.1	0.0	0.3	0.0	0.3	0.0		11.1
1,927	1,091	294	3,312	1,757	1,805	647	2,452			13,932

SEGMENT INFORMATION

	ITALY	OTHER COUNTRIES IN EUROPE				CANADA
		RUSSIA	PORTUGAL	ROMANIA	TOTAL	
2010						
Net segment revenues	992.6	66.0	60.4	9.5	135.9	1,382.8
Net inter-segment revenues	(1.3)	0.0	0.0	0.0	0.0	0.0
Net revenues from outsiders	991.3	66.0	60.4	9.5	135.9	1,382.8
EBITDA	112.0	9.7	7.8	0.9	18.4	131.8
% of net revenues	*11.3*	*14.7*	*13.0*	*9.2*	*13.5*	*9.5*
Depreciation, amortization and writedowns of non-current assets	(57.9)	(2.2)	(0.9)	(1.6)	(4.7)	(17.6)
- Writedowns of goodwill and trademarks with indefinite useful life			(0.8)		(0.8)	
- Litigation related expenses						
- Miscell. income and expense						
EBIT						
Financial income						
Financial expense						
Other income from (expense for) equity investments						
PROFIT BEFORE TAXES						
Income taxes						
NET PROFIT FROM CONTINUING OPERATIONS						
Net profit (loss) from discontinuing operations						
PROFIT FOR THE PERIOD						
Total segment assets	2,570.5	59.0	83.4	12.0	154.4	774.4
Total non-segment assets						
Total assets						
Total segment liabilities	344.8	7.0	11.0	3.6	21.6	176.7
Total non-segment liabilities						
Total liabilities						
Capital exp. (prop., plant & equip.)	32.8	5.1	0.8	0.2	6.1	30.1
Capital expenditures (intangibles)	8.4	0.0	0.0	0.0	0.0	0.6
Number of employees	2,233	979	265	139	1,383	2,919

Capital expenditures for property, plant and equipment include land and buildings.

(€ m)

CENTRAL AND SOUTH AMERICA				AUSTRALIA	AFRICA			GROUP CONTINUING NON-CORE & OTHER	HOLDING COS/ADJ. & ELIM.	GROUP
VENEZUELA	COLOMBIA	OTHER COUNTRIES	TOTAL		SOUTH AFRICA	OTHER COUNTRIES	TOTAL			
449.4	99.6	39.4	588.3	508.6	310.0	47.7	357.7	0.3	(1.4)	3,964.8
0.0	(0.1)	0.1	0.0	0.0	(11.4)	11.4	(0.0)	0.0	1.4	
449.4	99.5	39.5	588.3	508.6	298.6	59.1	357.6	0.3		3,964.8
49.7	6.4	1.2	57.3	47.2	20.8	4.0	24.8	(0.4)	(23.4)	367.8
11.1	*6.5*	*3.1*	*9.7*	*9.3*	*6.7*	*8.4*	*6.9*			*9.3*
(10.5)	(3.5)	(2.3)	(16.3)	(12.1)	(6.8)	(1.1)	(7.8)	(0.0)		(116.5)
										(0.8)
										(14.7)
										431.0
										666.8
										60.9
										(66.9)
										5.6
										666.4
										(144.9)
										521.5
										0.0
										521.5
200.8	72.4	15.9	289.1	398.3	217.2	29.2	246.4	69.4	(6.6)	4,495.9
										98.0
										4,593.9
86.3	15.6	6.2	108.1	106.7	53.5	11.2	64.7	13.4	(6.6)	829.4
										507.7
										1,337.1
9.3	3.7	0.7	13.8	8.7	3.3	1.3	4.6			96.2
0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2			9.2
1,896	1,037	270	3,203	1,707	1,760	583	2,343			13,788

With regard to the breakdown by product, the data shown below are provided exclusively for statistical purposes and do not reflect actual financial statement data. Up to this point, the Group has not established a governance structure to manage income statement or statement of financial position data by product line.

(€ m)

	MILK	FRUIT BEVERAGES	DAIRY PRODUCTS	OTHER PRODUCTS	TOTAL FOR THE GROUP
2011					
Net revenues	2,659.0	277.9	1,441.3	113.0	4,491.2
EBITDA	163.4	42.3	172.2	(3.8)	374.1
as a % of net revenues	*6.1%*	*15.2%*	*11.9%*	*(3.4%)*	*8.3%*

(€ m)

	MILK	FRUIT BEVERAGES	DAIRY PRODUCTS	OTHER PRODUCTS	TOTAL FOR THE GROUP
2010					
Net revenues	2,544.8	256.0	1,390.9	109.3	4,301.0
EBITDA	185.2	39.0	161.5	(8.3)	377.3
as a % of net revenues	*7.3%*	*15.2%*	*11.6%*	*(7.6%)*	*8.8%*

(36) DISCLOSURE REQUIRED BY IFRS 7

The disclosure about financial instruments provided below is in addition to the information provided in the notes to the financial statements.

Classification of Financial Instruments by Type

(€ m)

	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES	HELD TO MATURITY INVESTMENTS	AVAILABLE FOR SALE FINANCIAL ASSETS	TOTAL
12.31.2011						
Investments in associates	-	-	-	-	59.9	**59.9**
Other financial assets	6.9	-	-	-	0.2	**7.1**
Trade receivables	525.8	-	-	-	-	**525.8**
Other current assets	33.7	-	-	-	-	**33.7**
Cash and cash equivalents	303.3	-	-	-	-	**303.3**
Current financial assets	1,200.9	-	-	53.6	-	**1,254.5**
Total assets	**2,070.6**	**-**	**-**	**53.6**	**60.1**	**2,184.3**

(€ m)

	FINANCIAL LIABILITIES AT AMORTIZED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES	TOTAL
12.31.2011				
Financial liabilities	32.4	-	-	**32.4**
Financial liabilities for derivatives	-	4.9	2.0	**6.9**
Trade payables	540.1	-	-	**540.1**
Total liabilities	**572.5**	**4.9**	**2.0**	**579.4**

(€ m)

	LOANS AND RECEIVABLES	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES	HELD TO MATURITY INVESTMENTS	AVAILABLE FOR SALE FINANCIAL ASSETS	TOTAL
12.31.2010						
Other financial assets	7.4	-	-	-	0.2	**7.6**
Trade receivables	484.0	-	-	-	-	**484.0**
Other current assets	37.1	-	-	-	-	**37.1**
Cash and cash equivalents	318.0	-	-	-	-	**318.0**
Current financial assets	0.2	-	-	1,155.1	-	**1,155.3**
Total assets	**846.7**	**-**	**-**	**1,155.1**	**0.2**	**2,002.0**

(€ m)

	FINANCIAL LIABILITIES AT AMORTIZED COST	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	HEDGING DERIVATIVES	TOTAL
12.31.2010				
Financial liabilities	35.9	-	-	**35.9**
Financial liabilities for derivatives	-	1.9	0.3	**2.2**
Trade payables	545.9	-	-	**545.9**
Total liabilities	**581.8**	**1.9**	**0.3**	**584.0**

Financial assets denominated in currencies other than the euro do not represent a material amount because most of the Group's liquid assets and short-term investments are held by Parmalat S.p.A..

Information about financial liabilities is provided in a schedule included in the Notes to the consolidated financial statements.

The carrying amount of financial instruments is substantially the same as their fair value.

Hierarchical Ranking of Fair Value Measurement

IFRS 7 requires that financial instruments measured at fair value be classified based on a hierarchical ranking that reflects the reliability of the inputs used to measure fair value. This hierarchical ranking includes the following levels:

- Level 1 – prices quoted in an active market for the assets or liabilities that are being measured;
- Level 2 – inputs other than the quoted prices of Level 1, but which are observable directly (prices) or indirectly (derived from prices) in the market;
- Level 3 – inputs not based on observable market data.

The table below lists by hierarchical ranking of fair value measurement the assets and liabilities that were measured at fair value at December 31, 2011:

(€ m)

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments in associates	-	-	59.9	59.9
Other financial assets	0.2	-	-	0.2
Total assets	**0.2**	**-**	**59.9**	**60.1**
Financial liabilities for derivatives	4.9	-	-	4.9
Total liabilities	**4.9**	**-**	**-**	**4.9**

There were no transfers between hierarchical levels of fair value in 2011.

The table below shows the changes that occurred within Level 3 in 2011:

(€ m)

	INVESTMENTS IN ASSOCIATES
Balance at 12.31.2010	**3.1**
Gains/(Losses) recognized in the income statement[1]	41.2
Gains/(Losses) recognized in the statement of comprehensive income	15.6
Transfers from and to Level 3	-
Balance at 12.31.2011	**59.9**

(1) Included in Other income and expense.

Contractual Maturities of Financial Liabilities and Trade Payables

The contractual maturities of financial liabilities and trade payables are summarized below:

(€ m)

	CARRYING AMOUNT	FUTURE CASH FLOWS	WITHIN 60 DAYS	FROM 60 DAYS TO 120 DAYS	FROM 120 DAYS TO 360 DAYS	FROM 1 YEAR TO 2 YEARS	FROM 2 YEARS TO 5 YEARS	MORE THAN 5 YEARS
Financial liabilities	39.4	42.8	19.1	1.5	11.6	2.5	3.1	5.0
Trade payables	540.1	540.1	490.8	37.8	9.1	1.5	0.9	-
Balance at 12.31.2011	**579.5**	**582.9**	**509.9**	**39.3**	**20.7**	**4.0**	**4.0**	**5.0**

(€ m)

	CARRYING AMOUNT	FUTURE CASH FLOWS	WITHIN 60 DAYS	FROM 60 DAYS TO 120 DAYS	FROM 120 DAYS TO 360 DAYS	FROM 1 YEAR TO 2 YEARS	FROM 2 YEARS TO 5 YEARS	MORE THAN 5 YEARS
Financial liabilities	38.1	40.5	11.8	1.3	10.5	7.6	3.3	6.0
Trade payables	545.9	545.9	518.8	21.4	2.1	2.3	0.8	0.5
Balance at 12.31.2010	**584.0**	**586.4**	**530.6**	**22.7**	**12.6**	**9.9**	**4.1**	**6.5**

Sensitivity Analysis

The assumption used in preparing a sensitivity analysis of the market risks to which the Group was exposed at the date of the financial statements was a positive and negative variance of 500 bps for all foreign exchange rates and 100 bps for the reference interest rates compared with those actually applied in 2011. Therefore, the quantitative data provided below have no forecasting value.
These two risk factors were considered separately. Therefore, the assumption was made that exchange rates do not influence interest rates and vice versa.

Any foreign exchange risks associated with the translation of financial statements denominated in currencies other than the euro are not relevant for the purpose of this analysis.

The Group does not hold a significant position in financial instruments measured at fair value or denominated in a currency different from the functional currency of each country. Consequently, it does not have a significant exposure to foreign exchange and interest rate risks.

Based on the analysis performed, the impact on the income statements and shareholders' equity of an increase and a decrease of 500 bps in the exchange rates used by the Group on the reference date would have caused a variance of 0.2 million euros in profit for the year and shareholders' equity, since the Group did not hold significant amounts of assets and liabilities denominated in foreign currencies on the date of the financial statements.

Based on the analysis performed, the impact on the income statements and shareholders' equity of an increase and a decrease of 100 bps in the interest rates used by the Group on the reference date would have caused a variance of 1.1 million euros in profit for the year and shareholders' equity.

EXCHANGE RATES USED TO TRANSLATE FINANCIAL STATEMENTS

Source: Italian Foreign Exchange Bureau

LOCAL CURRENCY FOR 1 EURO	ISO CODE	12.31.2011 (YEAR-END RATE)	12.31.2010 (YEAR-END RATE)	% CHANGE (YEAR-END RATE)	2011 (AVERAGE RATE)	2010 (AVERAGE RATE)	% CHANGE (AVERAGE RATE)
DOLLAR – AUSTRALIA	AUD	1.27230	1.31360	-3.14%	1.34839	1.44231	-6.51%
PULA – BOTSWANA	BWP	9.71579	8.61475	12.78%	9.51083	8.99775	5.70%
DOLLAR – CANADA	CAD	1.32150	1.33220	-0.80%	1.37610	1.36511	0.81%
PESO – COLOMBIA	COP	2,510.57	2,571.38	-2.36%	2,569.90	2,515.56	2.16%
PESO – MEXICO	MXN	18.0512	16.5475	9.09%	17.2877	16.7373	3.29%
NEW METICAL – MOZAMBIQUE	MZM	35.0970	43.9476	-20.14%	40.4628	43.6737	-7.35%
CORDOBA ORO – NICARAGUA	NIO	29.7255	29.2394	1.66%	31.2145	28.3203	10.22%
GUARANI – PARAGUAY	PYG	5,794.08	6,090.40	-4.87%	5,818.16	6,275.60	-7.29%
NEW LEU – ROMANIA	RON	4.32330	4.26200	1.44%	4.23909	4.21216	0.64%
RUBLE – RUSSIA	RUB	41.7650	40.8200	2.32%	40.8846	40.2629	1.54%
LILANGENI – SWAZILAND	SZL	10.4830	8.86250	18.28%	10.0970	9.69843	4.11%
U.S. DOLLAR[1]	USD	1.29390	1.33620	-3.17%	1.39196	1.32572	5.00%
BOLIVAR FUERTE – VENEZUELA	VEF	5.56377	5.74566	-3.17%	5.98541	5.70060	5.00%
RAND – SOUTH AFRICA	ZAR	10.4830	8.86250	18.28%	10.0970	9.69843	4.11%
KWACHA – ZAMBIA	ZMK	6,616.98	6,400.26	3.39%	6,763.27	6,353.61	6.45%

(1) The reporting currency of the companies located in Ecuador and Cuba is the U.S. dollar.

INVESTMENTS IN ASSOCIATES OF THE PARMALAT GROUP

Controlling Company

COMPANY		SHARE CAPITAL	
NAME HEAD OFFICE	TYPE[1]	CURR.	AMOUNT
PARMALAT S.P.A. Collecchio	PC	EUR	1,755,401,822

Companies consolidated line by line

COMPANY		SHARE CAPITAL	
NAME HEAD OFFICE	TYPE[1]	CURR.	AMOUNT
EUROPE			
ITALY			
CARNINI S.P.A. Villa Guardia (CO)	C	EUR	3,300,000
CENTRALE DEL LATTE DI ROMA S.P.A. Rome	C	EUR	37,736,000
COMPAGNIA FINANZIARIA ALIMENTI SRL in liquidation[2] Collecchio	LLP	EUR	10,000
DALMATA S.P.A. Collecchio	C	EUR	120,000
LATTE SOLE S.P.A. Collecchio	C	EUR	3,042,145
PARMALAT AFRICA S.P.A. Collecchio	C	EUR	38,860,408
PARMALAT DISTRIBUZIONE ALIMENTI SRL Collecchio	LLP	EUR	1,000,000
SATA SRL Collecchio	LLP	EUR	500,000

(1) C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company
(2) company in liquidation and subsidiaries
(3) company under extraordinary administration or noncore company

EQUITY INVESTMENT				
NUMBER OF SHARES/CAP INTERESTS HELD	HELD BY	NUMBER OF SHARES/CAP. INTERESTS	% HELD	GROUP INTEREST
				100.0000

EQUITY INVESTMENT				
NUMBER OF SHARES/CAP INTERESTS HELD	HELD BY	NUMBER OF SHARES/CAP. INTERESTS	% HELD	GROUP INTEREST
600	Parmalat S.p.A.	600	100.000	
			100.000	100.0000
5,661,400	Parmalat S.p.A.	5,661,400	75.013	
			75.013	75.0130
10,000	Dalmata S.p.A.	10,000	100.000	
			100.000	100.0000
120,000	Parmalat S.p.A.	120,000	100.000	
			100.000	100.0000
3,042,145	Parmalat S.p.A.	3,042,145	100.000	
			100.000	100.0000
38,860,408	Parmalat S.p.A.	38,860,408	100.000	
			100.000	100.0000
1	Parmalat S.p.A.	1	100.000	
			100.000	100.0000
500,000	Parmalat S.p.A.	500,000	100.000	
			100.000	100.0000

COMPANY		SHARE CAPITAL	
NAME HEAD OFFICE	TYPE[1]	CURR.	AMOUNT
BELGIUM			
PARMALAT BELGIUM SA Brussels	F	EUR	1,000,000
PORTUGAL			
PARMALAT PORTUGAL PROD. ALIMENT. LDA Sintra	F	EUR	11,651,450.04
ROMANIA			
LA SANTAMARA SRL Baia Mare	F	RON	6,667.50
PARMALAT ROMANIA SA Comuna Tunari	F	RON	26,089,760
RUSSIA			
OAO BELGORODSKIJ MOLOCNIJ KOMBINAT Belgorod	F	RUB	67,123,000
OOO PARMALAT MK Moscow	F	RUB	81,115,950
OOO URALLAT Berezovsky	F	RUB	129,618,210
OOO FORUM Severovo	F	RUB	10,000
NORTH AMERICA			
CANADA			
PARMALAT CANADA INC. Toronto	F	CAD	982,479,550

(1) C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company
(2) company in liquidation and subsidiaries
(3) company under extraordinary administration or noncore company

Continued

EQUITY INVESTMENT				
NUMBER OF SHARES/CAP INTERESTS HELD	HELD BY	NUMBER OF SHARES/CAP. INTERESTS	% HELD	GROUP INTEREST
40,000	Parmalat S.p.A.	40,000	100.000	
			100.000	100.0000
3	Parmalat S.p.A.	1	99.957	
	Latte Sole S.p.A.	1	0.030	
	Parmalat Distribuz. Alim. S.r.l.	1	0.013	
			100.000	100.0000
635	Parmalat S.p.A.	535	84.252	
	Parmalat Romania sa	100	15.748	
			100.000	99.9999
2,608,957	Parmalat S.p.A.	2,608,957	99.999	
			99.999	99.9993
66,958,000	Parmalat S.p.A.	66,958,000	99.754	
			99.754	99.7542
1	Parmalat S.p.A.	1	100.000	
			100.000	100.0000
1	Parmalat S.p.A.	1	100.000	
			100.000	100.0000
1	OOO Parmalat MK	1	100.000	
			100.000	100.0000
848,019 Class A	Parmalat S.p.A.	848,019	86.314	
134,460 Class B	Parmalat S.p.A.	134,460	13.685	
			100.000	100.0000

COMPANY		SHARE CAPITAL	
NAME HEAD OFFICE	TYPE[1]	CURR.	AMOUNT
CENTRAL AMERICA			
CUBA			
CITRUS INTERNATIONAL CORPORATION SA Pinar del Rio	F	USD	11,400,000
NICARAGUA			
PARMALAT NICARAGUA SA in liquidation[2] Managua	F	NIO	2,000,000
SOUTH AMERICA			
NETHERLANDS ANTILLES			
CURCASTLE CORPORATION NV Curaçao	F	USD	6,000
COLOMBIA			
PARMALAT COLOMBIA LTDA Bogotá	F	COP	20,466,360.000
PROCESADORA DE LECHES SA (Proleche sa) Bogotá	F	COP	173,062,136
ECUADOR			
PARMALAT DEL ECUADOR SA (ex Leche Cotopaxi Lecocem SA) Quito	F	USD	6,167,720
LACTEOSMILK SA (formerly Parmalat del Ecuador sa) Quito	F	USD	345,344
PARAGUAY			
PARMALAT PARAGUAY SA Asuncion	F	PYG	9,730,000,000
VENEZUELA			
DISTRIBUIDORA MIXTA DE ALIMENTOS CA (DISMALCA)[2] Caracas	F	VEF	3,300

(1) C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company
(2) company in liquidation and subsidiaries
(3) company under extraordinary administration or noncore company

Continued

	EQUITY INVESTMENT			
NUMBER OF SHARES/CAP INTERESTS HELD	HELD BY	NUMBER OF SHARES/CAP. INTERESTS	% HELD	GROUP INTEREST
627	Parmalat S.p.A.	627	55.000	
			55.000	55.0000
2,000	Curcastle Corporation nv	1,943	97.150	
	Parmalat S.p.A.	57	2.850	
			100.000	100.0000
6,000	Dalmata S.r.l.	6,000	100.000	
			100.000	100.0000
18,621,581	Parmalat S.p.A.	18,621,581	90.986	
			90.986	90.9860
138,102,792	Parmalat S.p.A.	131,212,931	94.773	
	Dalmata S.p.A.	4,101,258	2.962	
	Parmalat Colombia Ltda	2,788,603	2.014	
			99.749	99.5676
100,067,937	Parmalat S.p.A.	100,067,937	64.897	
			64.897	64.8978
8,633,599	Parmalat S.p.A.	8,633,598	100.000	
	Parmalat Colombia Ltda	1	0.000	
			100.000	100.0000
9,632	Parmalat S.p.A.	9,632	98.993	
			98.993	98.993
3,300	Indu.Lac.Venezol. ca-Indulac	3,300	100.000	
			100.000	98.8202

COMPANY		SHARE CAPITAL	
NAME HEAD OFFICE	TYPE[1]	CURR.	AMOUNT
INDUSTRIA LACTEA VENEZOLANA CA (INDULAC) Caracas	F	VEF	34,720,471.6
QUESOS NACIONALES CA QUENACA Caracas	F	VEF	3,000,000
AFRICA			
BOTSWANA			
PARMALAT BOTSWANA (PTY) LTD Gaborone	F	BWP	10,526,118
MOZAMBIQUE			
PARMALAT PRODUTOS ALIMENTARES SARL Matola	F	MZM	57,841,500
SOUTH AFRICA			
ANDIAMO AFRIKA (PTY) LTD[2] Stellenbosch	F	ZAR	100
PARMALAT SOUTH AFRICA (PTY) LTD Stellenbosch	F	ZAR	1,368,288.73
SWAZILAND			
PARMALAT SWAZILAND (PTY) LTD Mbabane	F	SZL	100
ZAMBIA			
PARMALAT ZAMBIA LIMITED Lusaka	F	ZMK	27,281,000
ASIA PACIFIC			
AUSTRALIA			
PARMALAT AUSTRALIA LTD South Brisbane	F	AUD	222,627,759
PARMALAT FOOD PRODUCTS PTY LTD South Brisbane	F	AUD	27,000,000
PARMALAT INVESTMENTS PTY LTD South Brisbane	F	AUD	27,000,000

(1) C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company
(2) company in liquidation and subsidiaries
(3) company under extraordinary administration or noncore company

Continued

EQUITY INVESTMENT				
NUMBER OF SHARES/CAP INTERESTS HELD	HELD BY	NUMBER OF SHARES/CAP. INTERESTS	% HELD	GROUP INTEREST
343,108,495	Parmalat S.p.A.	343,108,495	98.820	
			98.820	98.8202
3,000,000	Indu.Lac.Venezol. ca-Indulac	3,000,000	100.000	
			100.000	98.8202
3,001	Parmalat Africa S.p.A.	3,001	100.000	
			100.000	100.0000
536,415	Parmalat Africa S.p.A.	536,415	92.739	
			92.739	92.7390
51	Parmalat South Africa (Pty) Ltd	51	51.000	
			51.000	51.0000
122,010,000	Parmalat Africa S.p.A.	122,010,000	89.170	
14,818,873	Parmalat S.p.A.	14,818,873	10.830	
			100.000	100.0000
60	Parmalat Africa S.p.A.	60	60.000	
			60.000	60.0000
19,505,915	Parmalat Africa S.p.A.	19,505,915	71.500	
			71.500	71.5000
22,314,388 ord.	Parmalat Belgium sa	22,314,388	10.03	
200,313,371 pr.	Parmalat S.p.A.	200,313,371	89.97	
			100.000	100.0000
27,000,000	Parmalat Investments Pty Ltd	27,000,000	100.000	
			100.000	100.0000
27,000,000	Parmalat S.p.A.	27,000,000	100.000	
			100.000	100.0000

COMPANY		SHARE CAPITAL	
NAME HEAD OFFICE	TYPE[1]	CURR.	AMOUNT
QUANTUM DISTRIBUTION SERV. PTY LTD South Brisbane	F	AUD	8,000,000
PIPPAK PTY LTD South Brisbane	F	AUD	2,143,070
WOODVALE MOULDERS PTY LTD* South Brisbane	F	AUD	184,100

Companies that are majority owned but are not subsidiaries

COMPANY		SHARE CAPITAL	
NAME HEAD OFFICE	TYPE[1]	CURR.	AMOUNT
EUROPE			
NETHERLANDS			
DAIRIES HOLDING INTERNATIONAL BV in A.S.[3] Rotterdam	F	EUR	244,264,623.05
GERMANY			
DEUTSCHE PARMALAT GMBH in A.S.[3] Weissenhorn	F	EUR	4,400,000
LUXEMBOURG			
OLEX SA in A.S.[3] Luxembourg	F	EUR	578,125
SOUTH AMERICA			
BRAZIL			
PRM ADMIN E PART DO BRASIL LTDA[2] San Paolo	F	BRL	1,000,000
PPL PARTICIPACOES DO BRASIL LTDA[3] San Paolo	F	BRL	1,271,257,235
CHILE			
PARMALAT CHILE SA[3] Santiago	F	CLP	13,267,315,372

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(2) company in liquidation and subsidiaries
(3) company under extraordinary administration or noncore company

Continued

EQUITY INVESTMENT				
NUMBER OF SHARES/CAP INTERESTS HELD	HELD BY	NUMBER OF SHARES/CAP. INTERESTS	% HELD	GROUP INTEREST
8,000,000	Parmalat Australia Ltd	8,000,000	100.000	
			100.000	100.0000
230	Parmalat Food Products Pty Ltd	230	100.000	
			100.000	100.0000
92,500	Parmalat Food Products Pty Ltd	92,500	100.000	
			100.000	100.0000

EQUITY INVESTMENT			
NUMBER OF SHARES/CAP INTERESTS HELD	HELD BY	NUMBER OF SHARES/CAP. INTERESTS	% HELD
40 common.	Dalmata S.p.A.	40	0.008
542,765,829 pref.	Dalmata S.p.A.	542,765,829	99.992
			100.000
4,400,000	Dalmata S.p.A.	4,400,000	100.000
			100.000
22,894	Dairies Holding Int.l Bv in A.S.	22,894	99.001
			99.001
810,348	Parmalat S.p.A.	810,348	81.035
			81.035
1,260,921,807	Parmalat S.p.A.	1,260,921,807	99.187
			99.187
2,096,083	Parmalat S.p.A.	2,096,083	99.999
			99.999

COMPANY		SHARE CAPITAL	
NAME HEAD OFFICE	TYPE[1]	CURR.	AMOUNT
URUGUAY			
AIRETCAL SA[2] Montevideo	F	UYU	2,767,156
WISHAW TRADING SA[3] Montevideo	F	USD	30,000
ASIA			
CHINA			
PARMALAT (ZHAODONG) DAIRY CORP. LTD[3] Zhaodong	F	CNY	56,517,260
INDIA			
SWOJAS ENERGY FOODS LIMITED in liquidation[2] Shivajinagar	F	INR	309,626,500

Other companies

COMPANY		SHARE CAPITAL	
NAME HEAD OFFICE	TYPE [1]	CURR.	AMOUNT
EUROPE			
ITALY			
ALBALAT SRL Albano Laziale (Rome)	LLP	EUR	20,000
BONATTI S.P.A.* Parma	C	EUR	28,813,404
CE.PI.M S.P.A. Parma	C	EUR	6,642,928
COOPERFACTOR S.P.A. Bologna	C	EUR	11,000,000
HORUS SRL[(3)]	LLP	EUR	n.a.
NUOVA HOLDING S.P.A. in A.S.[(3)] Parma	C	EUR	25,410,000

** Even though Parmalat S.p.A. controls more than 20% of the voting rights, it does not exercise a significant influence on this company because it is not represented on its Board of Directors and is not involved in the decision-making process.*

(1) C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company
(2) company in liquidation and subsidiaries
(3) company under extraordinary administration or noncore company

Continued

EQUITY INVESTMENT			
NUMBER OF SHARES/CAP INTERESTS HELD	HELD BY	NUMBER OF SHARES/CAP. INTERESTS	% HELD
2,767,156	Parmalat S.p.A.	2,767,156	100.000
			100.000
230	Parmalat S.p.A.	50	16.667
	Parmalat Paraguay sa	90	30.000
	Indu.Lac.Venezol. ca-Indulac	90	30.000
			76.667
53,301,760	Parmalat S.p.A.	53,301,760	94.311
			94.311
21,624,311	Parmalat S.p.A.	21,624,311	69.840
			69.840

EQUITY INVESTMENT			
NUMBER OF SHARES/CAP INTERESTS HELD	HELD BY	NUMBER OF SHARES/CAP. INTERESTS	% HELD
100	Sata S.r.l.	100	0.500
			0.500
1,837,082	Parmalat S.p.A.	1,837,082	32.899
			32.899
464,193	Parmalat S.p.A.	464,193	0.840
			0.840
10,329	Parmalat S.p.A.	10,329	0.094
			0.094
n.a.	Sata S.r.l.	n.a.	1.000
			1.000
100	Sata S.r.l.	100	0.0003
			0.0003

COMPANY		SHARE CAPITAL	
NAME HEAD OFFICE	TYPE [1]	CURR.	AMOUNT
SO.GE.AP S.P.A. Parma	C	EUR	19,454,528
TECNOALIMENTI SCPA Milan	C	EUR	780,000
PORTUGAL			
EMBOPAR Lisbon	F	EUR	241,500
CNE - Centro Nacional de Embalagem Lisbon	F	EUR	488,871.88
AFRICA			
SOUTH AFRICA			
AQUAHARVEST LTD Durbanville	F	ZAR	51,420,173
ASIA			
THAILAND			
PATTANA MILK CO LTD Bangkok	F	THB	50,000,000
SINGAPORE			
QBB SINGAPORE PTE LTD	F	SGD	1,000

(1) C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company
(2) company in liquidation and subsidiaries
(3) company under extraordinary administration or noncore company

Continued

	EQUITY INVESTMENT		
NUMBER OF SHARES/CAP INTERESTS HELD	HELD BY	NUMBER OF SHARES/CAP. INTERESTS	% HELD
526	Parmalat S.p.A.	526	0.135
			0.135
33,800	Parmalat S.p.A.	33,800	4.330
			4.330
70	Parmalat Portugal	70	1.449
			1.449
897	Parmalat Portugal	1	0.111
			0.111
150,000	Parmalat South Africa (Pty) Ltd	150,000	0.292
			0.292
2,500,000	Parmalat Australia Ltd	2,500,000	5.000
			5.000
338	Parmalat Australia Ltd	338	33.800
			33.800

COMPANIES REMOVED FROM THE PARMALAT GROUP IN 2011

COMPANY	COUNTRY	REASON
Fiordilatte S.r.l. in liquidation	Italy	Dissolved
Boschi Luigi & Figli S.r.l.	Italy	Merged into Dalmata S.p.A.
Dalmata Due S.r.l.	Italy	Merged into Dalmata S.p.A.
Parmalat Mölkerei Gmbh in a.s.	Germany	Dissolved
Parmalat de Mexico S.A. de C.V.	Mexico	Dissolved

Signed: Francesco Tatò
Chairman

Signed: Yvon Guérin
Chief Executive Officer

Certification of the consolidated financial statements

pursuant to Article 81-*ter* of Consob Regulation No. 11971 (which cites by reference Article 154-*bis*, Section 5, of the Uniform Financial Code) of May 14, 1999, as amended

Whereas:

- On March 9, 2012, the Board of Directors of Parmalat SpA, having prepared draft statutory and consolidated financial statements at December 31, 2011, agreed to convene a Shareholders' Meeting for April 20, 2012 (on a single calling) to approve the financial statements;
- On March 12, 2012, PricewaterhouseCoopers, in its capacity as the party retained to perform a statutory independent audit of the Company's financial statements, issued audit reports both on the statutory and consolidated financial statements at December 31, 2011;
- On March 16, 2012, the Board of Statutory Auditors has released reports on the financial statements;
- On March 20, 2012, the Council of State handed down a decision granting in part the motions put forth in the appeal filed by the City of Rome and Ariete Fattoria Latte Sano and ordering that the shares of the Centrale del Latte di Roma subsidiary be returned to the City of Rome, as stated in a special press release issued by Parmalat SpA on March 21, 2012;
- On March 27, 2012, Parmalat SpA issued a press release disclosing that, on March 26, 2012, in the arbitration proceedings activated by the Ontario Teachers Pension Plan Board ("OTPPB") versus Parmalat Canada Inc., formerly Parmalat Dairy and Bakery Inc., in connection with the Liquidity Payment Agreement (LPA) executed in 2004, the Sole Arbitrator handed down an award favorable to the OTPPB, finding that a change of control, as defined in the LPA, did occur on June 28, 2011, upon the election of a Board of Directors by the Shareholders' Meeting of Parmalat SpA;
- On April 5, 2012, both the Independent Auditors PricewaterhouseCoopers and the Board of Statutory Auditors withdrew their respective reports, pending further resolutions by the Board of Directors regarding amendments/additions to the 2011 statutory financial statements of Parmalat SpA and the 2011 consolidated financial statements, resulting from the effect of the abovementioned decision and award;
- Also on April 5, 2012, further to the Independent Auditors and the Board of Statutory Auditors withdrawing their reports, the certifications provided by the Corporate Accounting Documents Officer and the Chief Executive Officer pursuant to Article 81-ter of Consob Regulation No. 11971 (which cites by reference Article 154-bis, Section 5, of the Uniform Financial Code) of May 14, 1999, as amended, were also withdrawn;
- On April 13, 2012, the Board of Directors of Parmalat SpA approved amendments to the disclosures provided in the Report on Operations accompanying the 2011 statutory financial statements with regard to the abovementioned decision by the Council of State and the Canadian arbitration award and updates to the 2011 consolidated financial statements with regard to the Canadian arbitration award;
- The resolution dated April 13, 2012, was adopted by the Board of Directors relying on the support of authoritative legal opinions obtained by the Company;

Now, therefore:
we, the undersigned, Yvon Guérin, in my capacity as Chief Executive Officer, and Pierluigi Bonavita, in my capacity as Corporate Accounting Documents Officer, of Parmalat S.p.A., taking into account the provisions of Article 154-bis, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, and the previous preliminary remarks,

CERTIFY

1. that the administrative and accounting procedures for the preparation of the consolidated financial statements for the year ended December 31, 2011 were adequate in light of the characteristics of the business enterprise (taking also into account any changes that occurred during the year) and were effectively applied. The process of assessing the adequacy of the administrative and accounting procedures for the preparation of the consolidated financial statements at December 31, 2011 was carried out consistent with the Internal Control – Integrated Framework model published by the Committee of Sponsoring Organizations of the Treadway Commission, which constitutes a frame of reference generally accepted at the international level;

2. and that:

   a) the consolidated financial statements are consistent with the data in the Group's books of accounts and other accounting records;

   b) the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and the statutes enacted to implement Legislative Decree No. 38/2005 and, to the best of our knowledge, they are suitable for providing a truthful and fair presentation of the statement of financial position, income statement and cash flow of the issuer company and all of the companies included in the scope of consolidation.

   c) the Report on Operations provides a reliable analysis of the results from operations and of the financial position of the issuer company and all of the companies included in the consolidation; it also includes a description of the main risks and uncertainties to which the abovementioned companies are exposed.

Date: April 13, 2012

Signed: The Chief Executive Officer

Signed: The Corporate Accounting Documents Officer

Report of the Independent Auditors

Parmalat Group


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nIQue
Only Vaalia yoghurts offer this unique trio of feelgood probiotic cultures: Acidophilus, Bifidus and Lactobacillus GG 100%, the world's most researched probiotic. There's nothing like it to help maintain and regulate your digestive system naturally, keeping you happy inside. Vaalia's deliciously creamy range of flavours keep your taste buds happy too.
With a unique trio of feelgood cultures
It's hard to hide when you're happy inside
vaalia
vaalia
vaalia

REISSUANCE OF THE AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Parmalat SpA

Introduction

In execution of our audit engagement, we had audited the consolidated financial statements of Parmalat SpA ("the Company") as at 31 December 2011, as approved by the Board of Directors on 9 March 2012, and we had consequently issued our audit report on these financial statements on 12 March 2012.

On 20 March 2012, the State Council issued its decision granting in part the appeals of Roma Capitale and Ariete Fattoria Latte Sano, and ruled that the stock of Centrale del Latte di Roma shall be returned to Roma Capitale.

With regard to the arbitration proceedings between Ontario Teachers Pension Plan Board ("OTPPB") and Parmalat Dairy and Bakery Inc., now Parmalat Canada Inc. ("Parmalat Canada"), concerning the Liquidity Payment Agreement dated as of June 29, 2004 between the above Parties ("LPA"), the arbitrator, on March 26, 2012, issued an award in favor of OTPPB on the grounds that an "Indirect Change of Control", as that term is defined in the LPA, occurred as of June 28, 2011 upon the election of the board of directors by the shareholders' meeting of Parmalat SpA.

As a consequence of the events described above, we withdrew our audit report dated 12 March 2012 as communicated to the Board of Directors on 5 April 2012.

On 13 March 2012, the Board of Directors of Parmalat SpA has approved the revised consolidated financial statements as at 31 December 2011, modified compared to the previous ones to book the liability related to the above mentioned arbitration award and to update the disclosure related to the events described above.

The revised consolidated financial statements has been submitted to our attention as auditor of Parmalat SpA in order to be able to issue our audit report.

Conclusions:

Now therefore here below is our audit report on the consolidated financial statements of Parmalat SpA as at 31 December 2011:

1. We have audited the consolidated financial statements of Parmalat SpA and its subsidiaries ("Parmalat Group") as of 31 December 2011, as approved by the Board of Directors held on 13 April 2012, which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and related notes. The directors of Parmalat SpA are responsible for the preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 2 March 2011.

3. In our opinion, the consolidated financial statements of Parmalat Group as of 31 December 2011 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Parmalat Group for the period then ended.

4. The directors of Parmalat SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance and ownership structure, solely with reference to the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the specific section of the aforementioned report are consistent with the consolidated financial statements of Parmalat SpA as of 31 December 2011.

Milan, 16 April 2012

PricewaterhouseCoopers SpA

Signed by
Elena Cogliati
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

Report of the Board of Statutory Auditors

Statutory Financial Statements at December 31, 2011

Report of the Board of Statutory Auditors

to the Shareholders' Meeting

(pursuant to Article 153 of Legislative Decree No. 58/1998 and

Article 2429, of the Italian Civil Code)

Dear Shareholders:

We would like to preface this Report by pointing out and remind you that the term of office of this Board of Statutory Auditors (including both Statutory Auditors and Alternates) began upon its election by the Shareholders' Meeting of June 28, 2011 (which also replaced the entire Board of Directors). Consequently, some of the activities listed below, concerning the reporting year ended December 31, 2011, were affected by our election while the year was in progress. In any case, this Board of Statutory Auditors reviewed the work performed by the previous Board of Statutory Auditors by examining the minutes of its meetings.

We performed our oversight function in accordance the provisions of current laws and regulations and in a manner consistent with the conduct guidelines recommended by the Italian Board of Certified Public Accountants and Accounting Experts. As a result, we are providing the report required by Article 153 of Legislative Decree No. 58/1998 (Uniform Financial Code – "TUF") and Article 2429 of the Italian Civil Code, in a manner consistent with the relevant Consob Communications.

We verified that none of the issues preventing the electability or requiring dismissal, pursuant to Article 2399 of the Italian Civil Code, applied to the members of the Board of Statutory Auditors and ascertained that they met the independence requirements of Section 10.C.2 of the Corporate Governance Code of Listed Companies (adopted by the Board of Directors on March 1, 2005 and reaffirmed on July 1, 2011).

We remind you that the task of performing an independent statutory audit of the financial statements was assigned to the Independent Auditors PricewaterhouseCoopers S.p.A. (the "Independent Auditors"), whose report should be consulted for any relevant information.

Following the abovementioned election of a new Board on June 28, 2011, the current Board of Directors is comprised of 11 members, seven of whom qualify as independent Directors. We

verified that the criteria and review procedures adopted by the Board of Directors to assess the independence qualifications of individual Directors were being properly applied.

The Board of Directors internally established the following committees: (i) an Internal Control and Corporate Governance Committee, (ii) a Nominating and Compensation Committee and (iii) a Litigation Committee. The Internal Control and Corporate Governance Committee was (until June 28, 2011) and is comprised of non-executive, independent Directors; it also qualifies as a committee with jurisdiction over the review of related-party transactions, due to the fact that all of its members meet the independence requirements of Article 148, Section 3, of the TUF and the criteria of the Corporate Governance Code of Listed Companies ("Corporate Governance Code"). The Nominating and Compensation Committee was comprised, until June 28, 2011, of three non-executive, independent Directors; subsequently, until January 27, 2012, it was comprised of three non-executive Directors, including one independent Director; currently it is comprised of three non-executive, independent Directors. The Litigation Committee was comprised, until June 28, 2011, of three non-executive, independent Directors and, subsequently, three non-executive Directors, including two independent Directors.

The current Board of Directors carried out a self-assessment process, consistent with the recommendations of the Corporate Governance Code.

Pursuant to law we performed the following tasks:

- We verified that the relevant provisions of the law and of the Articles of Incorporations were complied with and found that no disclosure was required with regard to these issues.

- We verified that the principles of sound management were being followed. All transactions that were approved and implemented by the Board of Directors appear to be in compliance with the law and the Bylaws, not in contrast with resolutions approved by the Shareholders' Meeting, not presenting a conflict of interests and consistent with the principles of sound management.

- We became acquainted with the Company's organizational structure and, insofar as the issues under our jurisdiction are concerned, verified that it was performing adequately. In pursuit of this goal, we obtained data and information from department managers. In our opinion, the current organizational structure is adequate, given the Company's characteristics and the businesses that it operates.

- We verified the adequacy of the system of internal controls by: (i) obtaining information from the managers of the relevant departments with the aim of assessing the existence, adequacy and concrete implementation of the adopted procedures; (ii) attending the meetings of the Internal Control and Corporate Governance Committee; (iii) meeting regularly with the Internal Control Officer; and (iv) steadily exchanging information with the Independent Auditors. In addition, we were informed on an ongoing basis about the activities of the Oversight Board established pursuant to Legislative Decree 231/2001, as amended, the members of which include a Statutory auditor and an Alternate, who serves as Chairman. Concurring with the assessment provided by the Internal Control and Corporate Governance Committee, based on the control activities carried out and the ongoing improvement efforts, we believe that the system of internal controls is adequate for the Company's size and complexity, given the Company's dynamics and reference context, and that the structure of the system of internal controls can, within the boundaries of reasonableness, prevent, or promptly detect, any errors in the financial statements.

- We monitored the adequacy of the Company administrative and accounting system and its reliability in presenting fairly the results of operations. We accomplished this task by obtaining information from managers of the Company's accounting departments and through the exchange of information with the Internal Control and Corporate Governance Committee and the Independent Auditors. In addition, relying in part on regular meetings with the Accounting and Corporate Documents Officer, we monitored the organization and corporate procedures involved in the preparation of the separate financial statements, the consolidated financial statements, the semiannual financial report and other financial communications, with the aim of assessing their adequacy and effective implementation. In our opinion, this system is adequate overall and reliable for the Company's size and complexity, given the Company's dynamics and reference context.

- We reviewed the instruction provided by the Company to its subsidiaries, as required by Article 114, Section 2, of the TUF, which, based on the work performed, appear to be adequate. With regard to major subsidiaries, we obtained information from the relevant departments of the Group's Parent Company regarding their organization and their management control systems, and, in the case of Italian subsidiaries, through the exchange of information with the Chairmen of the respective Boards of Statutory Auditors. As required by Article 36, Section 1, Letter c), Item (ii), of the Markets Regulations, we assessed the effectiveness of the administrative-accounting system and corporate procedures in ensuring that subsidiaries located outside the

European Union, to which the abovementioned Regulations are applicable, adopted an appropriate system to deliver on a regular basis to the Company and the Independent Auditors the income statement, balance sheet and cash flow data needed to prepare the consolidated financial statements.

- We reviewed the periodic communications concerning the award of Company shares to creditors of the Parmalat Group, pursuant to the applicable provisions of the well-known composition with creditors proceedings, and the resulting increases of the Company's share capital (as mentioned in the corresponding section of the Report on Operations).

- We received from the Independent Auditors the report required by Article 19, Section 3, of Legislative Decree No. 39/2010, which shows that, based on the work performed, no "fundamental issues" or "material shortcomings in the system of internal controls concerning the financial disclosure process" were identified.

- We reviewed the attestation by the Corporate Accounting Documents Officer that he was provided by the Board of Directors with adequate and suitable powers and financial resources to discharge his duties.

We monitored the effectiveness of the independent statutory auditing process, reviewing together with the Independent Auditors their audit plan and discussing the work performed. The Independent Auditors provided us with information about the total hours of work required and fees that they billed for their audit of the Company's Statutory and Consolidated Financial Statements at December 31, 2011, for the limited audit of the Semiannual Report and for the work performed to determine whether the Company's accounting records were being properly maintained. The Independent Auditors also informed us that, based on the best available information and consistent with the regulatory and professional standards that govern statutory independent auditing activities, they remained independent and objective in their dealings with the Company and that no events occurred that altered the existing absence of any of the causes of incompatibility with regard to the situations and parties listed in Article 17 of Legislative Decree No. 39/2010 and the articles of Chapter I-*bis* (Incompatibility), Title VI (Independent Audit), of the Issuers' Regulations (adopted by the Consob with Resolution No. 11971 of May 14, 1999).

We were informed of the preparation of the Compensation Report required pursuant to Article 123-*ter* of the TUF and Article 84-*quater* of the Issuers Regulations. No disclosure was required with regard to this issue.

In 2011, the Board of Statutory Auditors met 23 times (15 times the Board of Statutory Auditors in office until June 28, 2011 and eight times the current Board of Statutory Auditors). All members of the Board of Statutory Auditors attended virtually all meetings (an attendance breakdown is shown in a table provided in the relevant section of the Report on Corporate Governance, which is part of in the Report on Operations).

Pursuant to the relevant Consob regulations, we also report the following information:

- Transactions executed in 2011 with a material impact on the income statement, balance sheet and cash flow are described in detail in the section entitled "Key Events of 2011" of the Report on Operations that accompanies the separate financial statements at December 31, 2011.

- In the section of the report entitled "Events Occurring After December 31, 2011," the Board of Directors specifically reports two events that required amending, as specified below, the financial reports at December 31, 2011, as approved by the Board of Directors on March 9, 2012 and, consequently, published. As a result of the abovementioned events, the Independent Auditors and this Board of Statutory Auditors withdrew and cancelled their respective reports, provided earlier to the Company. The abovementioned events consist, on the one hand, of the circumstance that, on March 20, 2012, the Council of State filed Decision No. 1570/2012, by which it ordered Parmalat to return to the City of Rome the Centrale del Latte S.p.A. shares. On March 27, 2012, following this decision, the Company, in the belief that the abovementioned decision could not entail a denial of its title to or ownership of the abovementioned shares, challenged the decision by the Council of State in an appeal filed with the Court of Cassation on the grounds of lack of jurisdiction, and is considering any further judicial actions that may be appropriate to protect its rights. The financial reports were appropriately amended; taking also into account the reference accounting principles, this event did not require restatements of the statement of financial position, income statement and statement of cash flows presented in the financial reports. The second event has to do with the circumstance that, on March 26, 2012, in the arbitration proceedings filed by the "Ontario Teachers' Pension Plan Board" against "Parmalat Diary and Bakery Inc." (now "Parmalat Canada Inc."), the Sole arbitrator found and declared that an indirect change of control of the abovementioned Canadian company did occur

on June 28, 2011 (date of the Company's Annual Shareholders' Meeting that elected a new Board of Directors, which is currently still in office), thereby fulfilling one of the conditions that, pursuant to the "Liquidity Payment Agreement," give to the abovementioned Canadian pension fund the right to claim the corresponding "Liquidity Payment." The arbitration award, which cannot be appealed and did not provide any indication as to the amount of the "Liquidity Payment," without prejudice to any remedial action that the Board of Director is reserving the right to pursue, required developing an estimate of the resulting liability and the related economic effects on the Canadian subsidiary. These effects were recognized in Parmalat's consolidated financial statements.

- To the best of our knowledge, no atypical and/or unusual transactions were executed.

- A special procedure governing related-party transactions has been in effect since January 1, 2011. This procedure, which was adopted by a resolution of the Board of Directors on November 11, 2010 (as required by Consob Regulation No. 17221 of March 12, 2010, as amended by Resolution No. 17389 of June 23, 2010, and taking into account Consob Communication No. DEM/10078683 of September 24, 2010), was published on the Company website and is discussed in a special section of the Report on Corporate Governance, which is part of in the Report on Operations.

- In the section of the Notes to the separate financial statements and the consolidated financial statements entitled "Transactions Between Group Companies and with Related Parties," the Board of Directors reviewed transactions between the Company and other Group companies and between Group companies and related parties, stating that they were implemented in the normal course of business on standard market terms. We believe that the disclosures provided in the notes to the financial statements about these transactions involving the exchange of good and services are adequate. The Board of Statutory Auditors constantly monitored the process followed by the Board of Directors before approving, on October 6, 2011, the execution of a cash pooling contract with B.S.A. Finances snc - France (a wholly owned subsidiary of B.S.A. S.A., the group's parent company, and, consequently, a company belonging to the "Lactalis Group"). We acknowledge that this transaction was executed further to careful assessments performed in accordance with the stringent criteria required by the abovementioned procedure for so-called "highly material" transactions. More specifically, the Internal Control and Corporate Governance Committee, acting is a capacity as Related-party Committee, rendered in advance a binding favorable opinion, relying, for a more effective analysis of the transaction, on

the support of an independent financial advisor, who, in turn, issued the requisite fairness opinion. The Board of Statutory Auditors attests that the abovementioned Committee monitors periodically the continuing existence of conditions that made joining the abovementioned cash pooling system beneficial and reports its findings at meetings of the Board of Directors.

- On April 16, 2012, the Independent Auditors issued their reports on the statutory and consolidated financial statements at December 31, 2011. These reports did not contain any qualifications and did not require additional disclosures.

- We received no complaints filed pursuant to Article 2408 of the Italian Civil Code or memoranda from third parties.

- The fees attributable to the 2011 reporting year for services provided to the Group by the Independent Auditors and by entities belonging to their network are disclosed in the section of the Notes to the consolidated Financial Statements at December 31, 2011 entitled "Other Information," as required by Article 149-*duodecies* (Disclosure of Consideration) of the Issuers' Regulations.

- In 2011, we did not render any of the opinions required of the Board of Statutory Auditors, as none of the situations that would make such opinions necessary pursuant to law occurred.

- In 2011, the Board of Directors met 12 times (five with the membership replaced on June 28, 2011); we attended the seven meetings held subsequent to the election of new corporate governance bodies by the Shareholders' Meeting of June 28, 2011. The meetings were held in compliance with the provisions of the Bylaws and of laws and regulations that govern the activities of the Board of Directors. At those meetings, the Directors provided, in the manner required by the Company's corporate governance rules, information about the overall results from operations and business outlook. The Chief Executive Officer also provided information about the work he performed and transactions with a material impact on the income statement, balance sheet and cash flow of the Company and/or its subsidiaries.

- In 2011, the Internal Control and Corporate Governance Committee met 19 times (8 times for the Committee previously in office). All of those meetings were attended by at least one member of the Board of Statutory Auditors. Four meetings were held jointly with the Board of Statutory Auditors.

- In 2011, the Nominating and Compensation Committee met three times and the Litigation Committee four times.

- No issues that would require disclosure in this Report were raised on the occasion of our regular meetings with the Independent Auditors.

- Information about the Company's compliance with the Corporate Governance Code is provided in the Annual Report on Corporate Governance, included in the Report on Operations, which lists the Code's recommendations that were adopted.

In the performance of our oversight function, we found no objectionable facts, omissions or irregularities that would warrant disclosure in this Report.

The draft separate financial statements and the draft consolidated financial statements at December 31, 2011 and the Report on Operations (which take into account the effects of the amendments and additions mentioned above) were approved by the Board of Director at a meeting held on April 13, 2012. The separate financial statements for the year ended December 31, 2011, show a net profit of 188.7= million euros. In the Consolidated Financial Statements, the Group's interest in net profit amounts to 170.4= million euros.

We reviewed the general presentation of the separate financial statements and consolidated financial statements and verified that these statements were consistent with the provisions that govern their preparation and structure. We also ensured that they reflected the facts and information that we had become cognizant of in the performance of our tasks and have no special remarks to make in this regard.

In the section of the Report on Operations entitled "Managing Business Risks," the Directors describe the main risks and uncertainties to which the Company is exposed, list the various operational, financial (currency, country, interest rate, price and liquidity) and general risks, and review the civil and administrative legal disputes to which the Company is a party. The main proceedings involving the Group and the resulting contingent liabilities are discussed in the section of the Notes to the consolidated financial statements entitled "Legal Disputes and Contingent Liabilities at December 31, 2011."

All of the foregoing considerations having been stated and considering the findings of the Independent Auditors, we believe that the Report on Operations provides adequate disclosures about the results of operations and concur with the motion put forth by the Board of Directors concerning the appropriation of the year's net profit and the dividend distribution.

Milan, April 16, 2012

Mario Stella Richter – Chairman

Roberto Cravero

Alfredo Malguzzi

Courtesy translation

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