# Annual Report
# 2010

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 4.3 billion euros in 2010. 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
# 2010

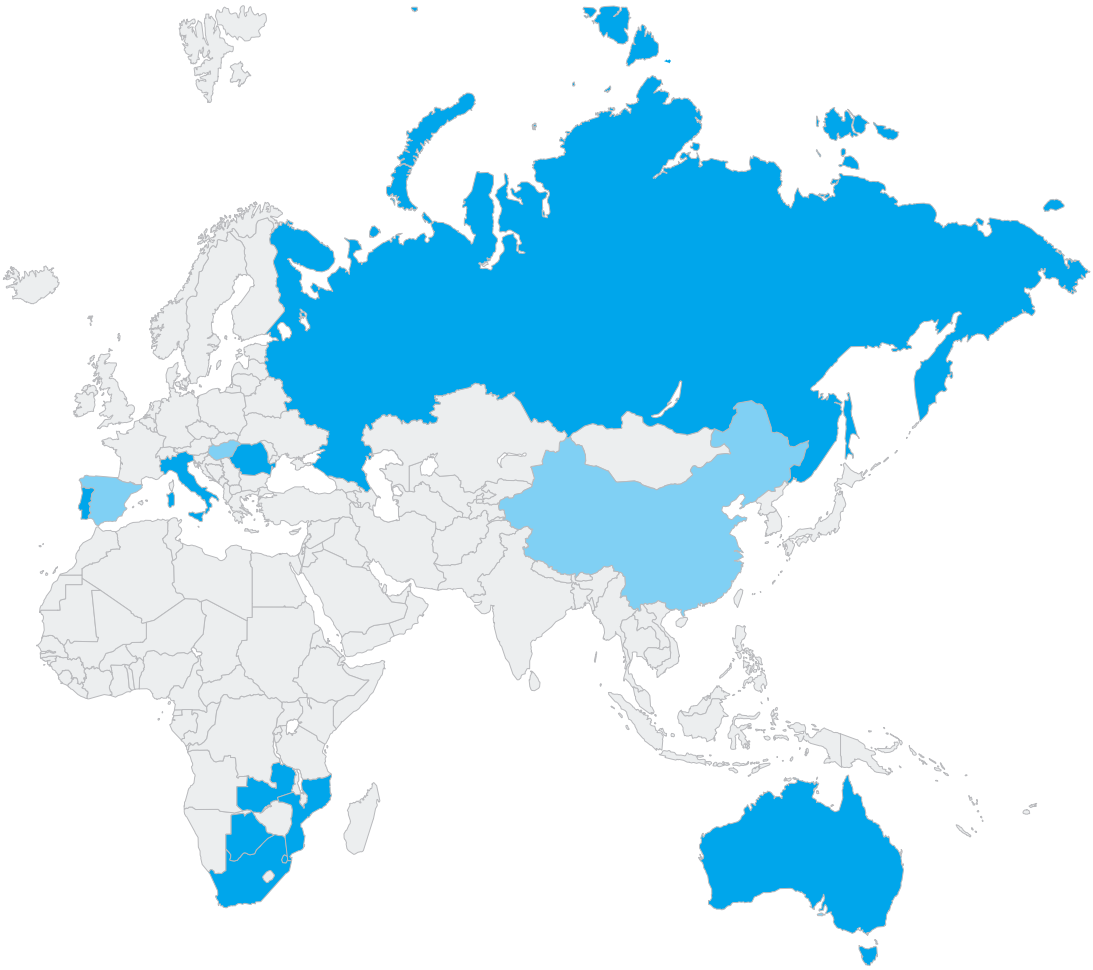
# Countries of Operation

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**
4,3 bn € **net revenues**



## PRESENCE THROUGH MANUFACTURING

*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, Spain, United States of America, Uruguay.*

# Contents

## PARMALAT S.P.A.



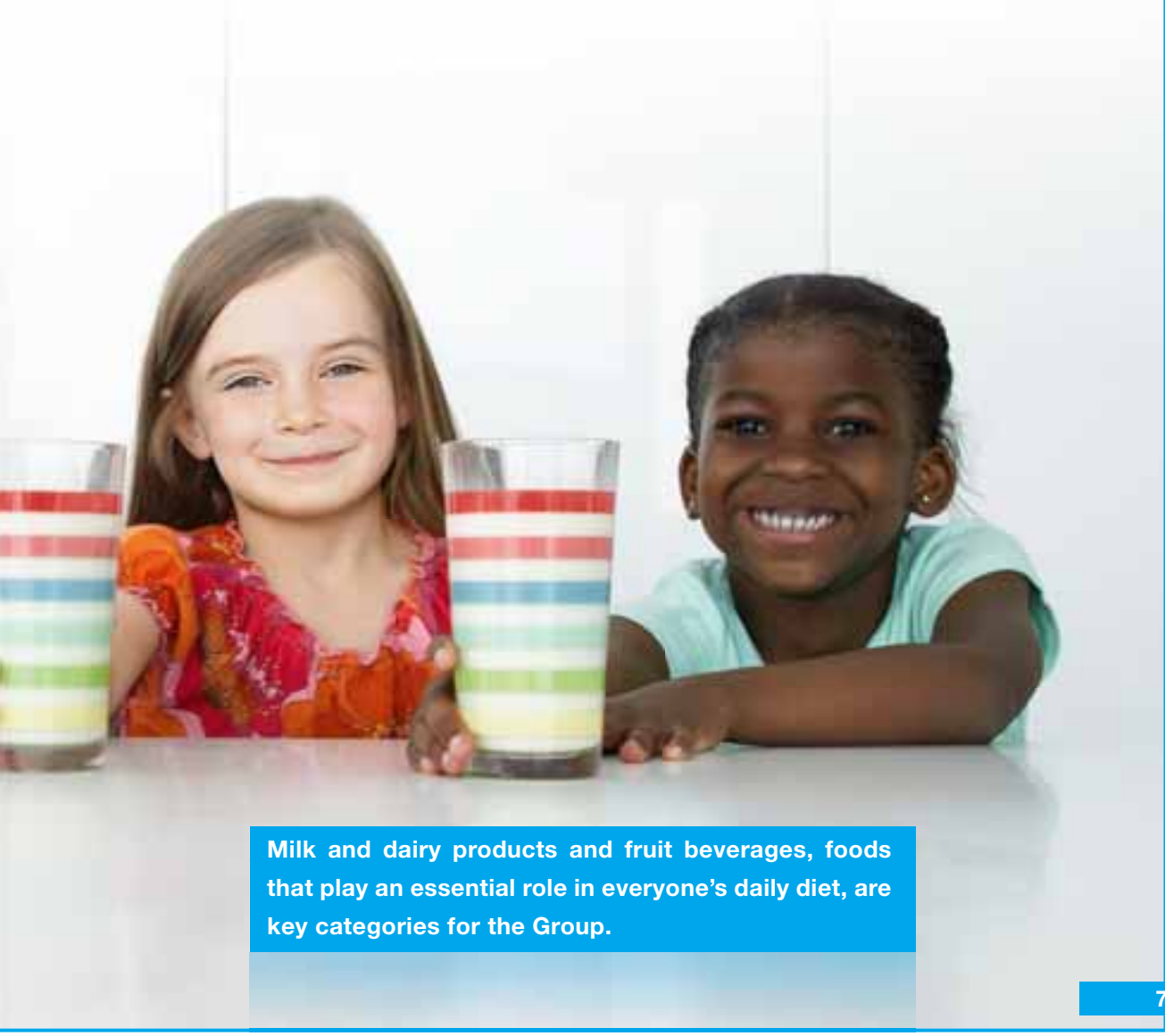
## PARMALAT GROUP

# 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.**

# A Letter to Shareholders

**DEAR SHAREHOLDERS,**

For Parmalat, 2010 was a year during which industrial profitability improved, compared with 2009, confirming the soundness of the decision to pursue a strategy of greater focus on the Group's strong brands, both globally and locally, and increased industrial profitability.

Despite an extremely challenging macroeconomic environment, the Group was thus able to report a 2.6% increase in EBITDA in 2010. This improvement reflects the contribution of Australia, a full-fledged participant in the industry's consolidation process, South Africa, which succeeded in fully restoring its profitability, and Canada.

In Australia, consistent with a strategy of strengthening the Group's units in the most important countries and retain the rank of market leader or co-leader or second player, Parmalat S.p.A. proceeded with the process of integrating Parmalat Food Products Limited (PFP), growing from a regional player into a national player.

In South Africa, the Group tackled an aggressive restructuring of its product portfolio, focusing on products with a higher value added, while it streamlined its cost structure.

In Canada, where the growth rate has been limited and the market environment is highly competitive, Parmalat achieved outstanding results in the segments with a higher value added.

The Group's international connotation, with a preponderance of mature countries over developing countries, has been a factor that helped limit risk in a scenario still dominated by an extremely uncertain outlook.

The strategy of investing to support the Group's brands continued in all target markets, with a substantial effort in terms of communications and advertising that justifies expectations of continuing organic growth in future years.

Specifically, management is focusing its attention on the Group's leading products and market testing projects are already scheduled to launch in 2011 to assess the growth potential that could be realized through the geographic expansion of these products.

Special attention must be paid to Venezuela, where the industrial results achieved in 2010 fell short of those reported in 2009, due a series of exogenous factors.

Litigation activities, while headed for their natural conclusion, continued successfully in 2010 with the settlement of some significant positions.

The Board of Directors is grateful to the management team and all employees for their work and thanks the shareholders for their support.

*The Board of Directors*

# Financial Highlights

## Income Statement Highlights (in millions of euros)

| PARMALAT GROUP | | | PARMALAT S.P.A. | |
|---|---|---|---|---|
| **2009** | **2010** | | **2010** | **2009** |
| 3,964.8 | 4,301.0 | NET REVENUES | 820.5 | 820.0 |
| 367.8 | 377.3 | EBITDA | 69.7 | 73.3 |
| 666.8 | 334.2 | EBIT | 98.0 | 386.7 |
| 521.5 | 285.1 | NET PROFIT | 128.3 | 372.8 |
| 16.7 | 7.7 | EBIT/REVENUES (%) | 11.4 | 45.8 |
| 13.1 | 6.5 | NET PROFIT/REVENUES (%) | 14.9 | 44.1 |

## Balance Sheet Highlights (in millions of euros)

| PARMALAT GROUP | | | PARMALAT S.P.A. | |
|---|---|---|---|---|
| **12.31.2009** | **12.31.2010** | | **12.31.2010** | **12.31.2010** |
| 1,384.6 | 1,435.2 | NET FINANCIAL ASSETS | 1,345.0 | 1,486.6 |
| 37.1 | 16.9 | ROI (%)(1) | 14.6 | 63.6 |
| 17.1 | 8.4 | ROE (%)(1) | 4.5 | 13.4 |
| 0.7 | 0.8 | EQUITY/ASSETS | 0.9 | 0.9 |
| (0.4) | (0.4) | NET FINANCIAL POSITION/EQUITY | (0.5) | (0.5) |
| 0.18 | 0.19 | OPERATING CASH FLOW PER SHARE | 0.01 | 0.06 |

*(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

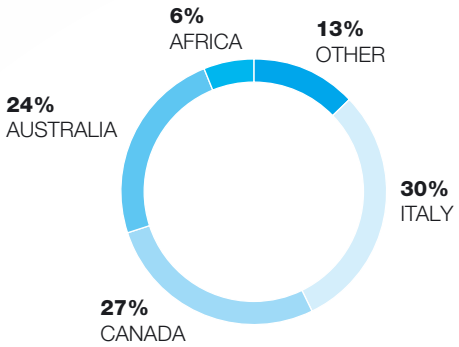

### Venezuela


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

# DIVISIONS BY GEOGRAPHIC REGION (%)

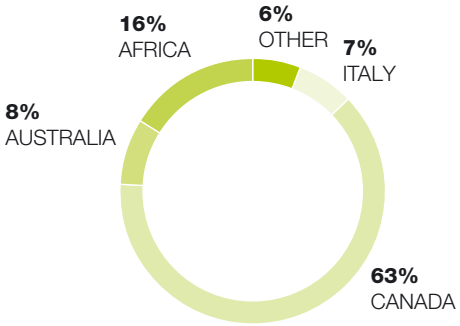
## MILK

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 (30%, divided equally between UHT milk and pasteurized milk), Canada and Australia, two countries where pasteurized milk is the main product.



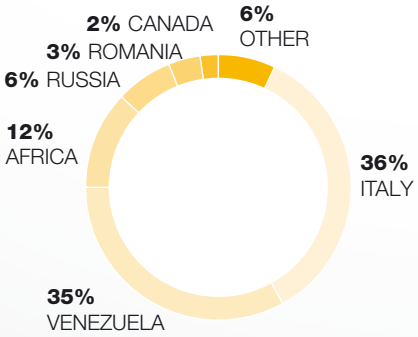

## MILK DERIVATIVES

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 markets are Canada where it sells mainly cheese, butter and yoghurt, and South Africa, where it distributes cheese and yoghurt, followed by Austrialia (yoghurt and desserts) and Italy (mainly yoghurt).



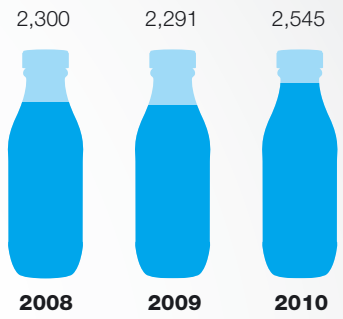

## FRUIT BASED DRINKS

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 about 70% of total revenues. Other important markets include South Africa, Russia and Romania, where sales consist exclusively of Santàl fruit juices.

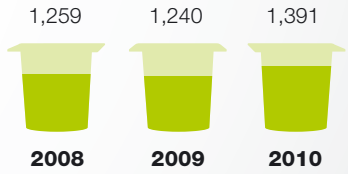


# TREND BY DIVISION (€ M)

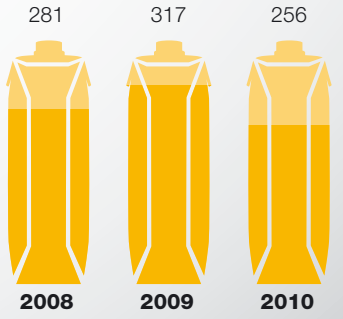
The Milk Division grew by an average of 5% (CAGR, Compound Annual Growth Rate) between 2008 and 2010, with the main Business Units performing as follows:
in Italy revenues decreased by 7% on average (about -108 million euros); in Australia, not considering the new operations acquired during 2009 (PFP), the average growth rate was 3% and so was in Canada (+3%). 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 5% (CAGR) between 2008 and 2010 also due to the strengthening of euro, with the main Business Units performing as follows: in Canada, the growth rate for the period was virtually flat; in Italy, the Division revenues were signifi cantly down due mainly to the disposal of the “Lodi” operations (cheese); in Africa, revenues were up by an average of +2%. 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 4% (CAGR) between 2008 and 2010 mainly due to the strong devaluation of Venezuelan bolivar fuerte versus euro, with the main Business Units performing as follows: in Italy, the Division revenues were down by an average of 5%; in Venezuela, in local currency, the growth rate was 27% on average. The growth rate of subsidiaries from non-euro areas are calculated excluding the impact of currency translations.



# Information about Parmalat's Securities

The securities of Parmalat S.p.A. have been trading on the Milan Online Stock Market since October 6, 2005. The key data for 2010 are summarized below:

| | COMMON SHARES | WARRANTS |
|---|---|---|
| Securities outstanding at 12/30/10 | 1,732,915,571 | 67,479,534 |
| Closing price on 12/30/10 | 2.059 | 1.057 |
| Capitalization | 3,568,073,160.689 | 71,325.867.44 |
| High for the year (in euros) | 2.1275<br>April 14, 2010 | 1.082<br>April 26, 2010 |
| Low for the year (in euros) | 1.724<br>February 15, 2010 | 0.74<br>February 12, 2010 |
| Average price in December (in euros) | 1.99 | 0.99 |
| Highest daily trading volume | 65,236,340<br>April 13, 2010 | 949,700<br>March 26, 2010 |
| Lowest daily trading volume | 2,714,859<br>December 28, 2010 | 16,045<br>August 13, 2010 |
| Average trading volume in December | 8,436,107[1] | 173,543 |

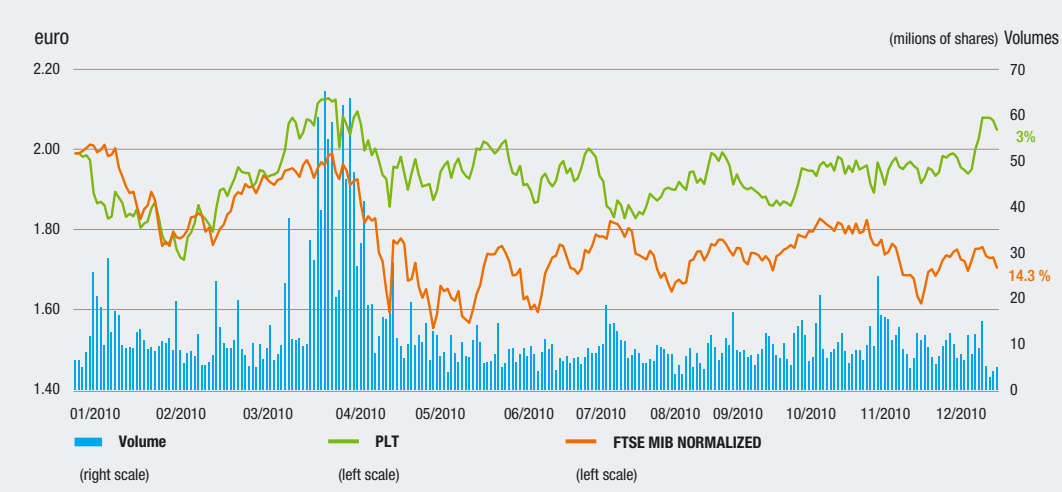
*(1) 0.486% of the share capital.*

# Performance of Parmalat's Shares

The chart that follows compares the performance of the Parmalat shares with that of the main Italian market index: FTSE MIB.
In 2010, as shown in the chart below, the price of Parmalat's shares increased by 3% compared with December 31, 2009, significantly outperforming the FTSE MIB market index, which fell by about 14.3% compared with the end of 2009.

The fact that the Company operates in a non-cyclical sector, such as the food industry, and the programs that it implemented provided it with stability, despite a challenging macroeconomic context, aggressive competition and a slump in consumer spending that persisted throughout the year.
The Parmalat shares have been part of the DJ STOXX 600 Index since March 2006 and were added to the MSCI World Index on June 1, 2007.

## Parmalat 2010 Share Price Performance




*Source: Bloomberg*

# Shareholder Base

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 February 24, 2011:

| | SIGNIFICANT INTERESTS | | | |
|---|---|---|---|---|
| | | PLEDGED SHARES | | |
| SHAREHOLDER | NO. OF SHARES | NO. OF SHARES | PERCENTAGE | PERCENTAGE |
| Mackenzie Cundill Investments Mng. Ltd | 131,138,280 | | | 7.557% |
| BlackRock, Inc. | 85,816,937 | | | 4.945% |
| *held by: BlackRock Institutional Trust Company* | *38,836,067* | | | *2.238%* |
| *BlackRock Advisors Ltd* | *11,304,100* | | | *0.651%* |
| *BlackRock Fund Advisors* | *8,496,423* | | | *0.490%* |
| *BlackRock Asset Management Japan Ltd* | *5,881,012* | | | *0.339%* |
| *BlackRock Advisors LLC* | *4,922,663* | | | *0.284%* |
| *BlackRock Investment Management LLC* | *4,230,489* | | | *0.244%* |
| *BlackRock Asset Management Ireland Ltd* | *3,042,374* | | | *0.175%* |
| *BlackRock Investment Management UK Ltd* | *2,392,140* | | | *0.138%* |
| *BlackRock Asset Management Australia Ltd* | *1,315,082* | | | *0.076%* |
| *BlackRock Asset Management Deutschland AG* | *1,247,664* | | | *0.072%* |
| *BlackRock Asset Management Canada Ltd* | *924,656* | | | *0.053%* |
| *BlackRock International Ltd* | *538,638* | | | *0.031%* |
| *BlackRock Capital Management Inc.* | *624,567* | | | *0.036%* |
| *BlackRock Financial Management Inc.* | *792,093* | | | *0.046%* |
| *BlackRock Luxembourg SA* | *354,169* | | | *0.020%* |
| *BlackRock Fund Managers Ltd* | *435,771* | | | *0.025%* |
| *BlackRock Netherlands BV* | *303,109* | | | *0.017%* |
| *BlackRock Investment Management Australia Ltd* | *175,920* | | | *0.010%* |
| Skagen AS | 86,922,227 | | | 5.009% |
| Total for the Intesa S. Paolo Group | 40,274,358 | | | 2.321% |
| *shares held by Intesa Sanpaolo S.p.A.* | *36,930,518* | *411,658* | *0.00025* | *2.128%* |
| *shares held by Gruppo San Paolo IMI* | *3,343,840* | | | *0.193%* |
| Norges Bank Investment Management | 35,108,360 | | | 2.023% |
| **Total significant interests** | **379,260,162** | | | **21.855%** |

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 2,470,755 euros. Consequently, the share capital, which totaled 1,732,915,571 euros at December 23, 2010, amounted to 1,735,386,326 euros at February 18, 2011.

More specifically, 7,891,519 shares, equal to 0.5% of the share capital, are still held on deposit by Parmalat S.p.A. A breakdown of these shares is as follows:

- 5,722,423 shares, equal to 0.3% of the share capital, are owned by commercial creditors who have been identified by name and are held by Parmalat S.p.A. as intermediary through the Monte Titoli centralized securities clearing system;
- 2,169,096 shares, equal to 0.1% of the share capital, are registered in the name of Fondazione Creditori Parmalat, broken down as follows:
  - 120,000 shares represent the initial capital of Parmalat S.p.A.;
  - 2,049,096 shares, equal to 0.1% of the share capital, belong to creditors who have not yet claimed them.

The maintenance of the Stock Register has been 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 approved 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

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.

## Parmalat 2010 warrant performance


*Source: Teleborsa Spa 2010*

## Global Depositary Receipts

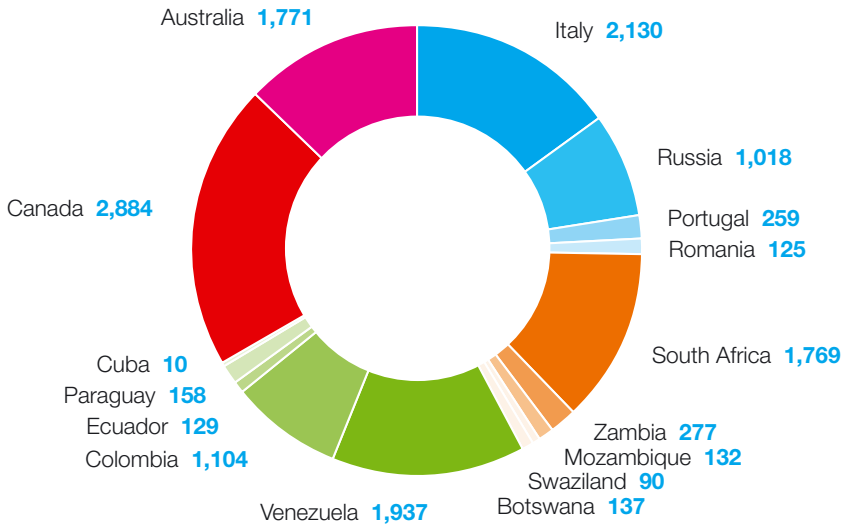
Pursuant to the Composition with Creditors and with express exemption from any related liability, the Fondazione Creditori Parmalat and the Issuer have been authorized, each within the scope of its jurisdiction, to award to unsecured creditors who can be classified as "Qualified Institutional Buyers" 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, 2010.



# Governance Bodies

## Board of Directors

| | |
|---|---|
| Chairman | Raffaele Picella |
| Chief Executive Officer | Enrico Bondi |
| Directors | Piergiorgio Alberti[i]<br>Massimo Confortini[i] [3]<br>Marco De Benedetti[i] [2]<br>Andrea Guerra[i] [2]<br>Vittorio Mincato[i] [3]<br>Erder Mingoli[i]<br>Marzio Saà[i] [1]<br>Carlo Secchi[i] [1] [2]<br>Ferdinando Superti Furga[i] [1] [3] |

(i) Independent Director
(1) Member of the Internal Control and Corporate Governance Committee
(2) Member of the Nominating and Compensation Committee
(3) Member of the Litigation Committee

## Board of Statutory Auditors

| | |
|---|---|
| Chairman | Alessandro Dolcetti |
| Statutory Auditors | Enzio Bermani<br>Renato Colavolpe |

## Independent Auditors

PricewaterhouseCoopers S.p.A.

# Report on operations

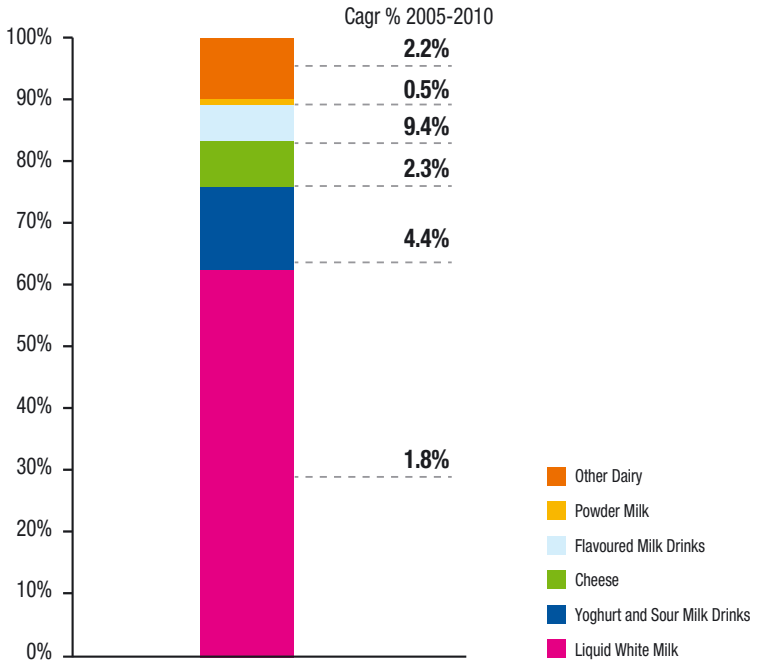

ribilità.
ro
ista.
Anche
Microfiltrato
ZYMIL
Alta Digeribilità
parmalat
parmalat
Il latte oggi.

# The Global Dairy Market

The global dairy market was valued at about 276 billion euros in 2010, corresponding to 207 million tons of dairy products.

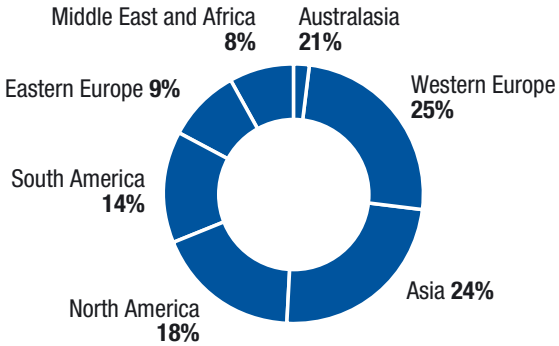
On a value basis, milk (white+flavored) is the biggest category (39%), followed by cheese (30%) and yoghurt and similar products (19%). On a volume basis, milk is still the top category (72%), but in this case yoghurt is next (14%), followed by cheese (7%).

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




*Data source: Euromonitor*
*Total Volume (Tonnes) - '000 tonnes*

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.




*Data source: Euromonitor*
*Market Size - Historic - Total Volume (Tonnes) - '000*

More specifically, while Western Europe and North America are more mature markets with limited growth (2005-2010 CAGR of 0.6% and 0.7%, respectively), Asia is growing at the fastest rate (2005-2010 CAGR of more than 6.5%), showing that it is a dynamic market in the diary segment as well. The Middle East and Africa are also growing markets (2005-2010 CAGR of more than 6%).

Overall, the position of private labels in the dairy market is substantially stable, accounting for about 16% of total turnover. However, they have a much stronger position in the markets for staple goods, such as liquid milk (pasteurized and UHT, with a 23% share) and cheese (17.3% share).

In the liquid milk category, in the Parmalat Group's target markets, the market share of private labels is 12.6% in Canada, 45% in Australia and 15.4% for fresh milk and 14.6% 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 LABEL | 2009 VALUE MARKET SHARE | PRIVATE LABELS LIQUID WHITE MILK (PASTEURIZED - UHT) | 2009 VALUE MARKET SHARE |
|---|---|---|---|
| World | 15.8% | World | 23.0% |
| Asia | 1.1% | Asia | 1.4% |
| **Asia/Pacific** | **19.1%** | **Asia/Pacific** | **33.7%** |
| Eastern Europe | 3.6% | Eastern Europe | 5.6% |
| South America | 1.4% | South America | 2.5% |
| Middle East and Africa | 1.3% | Middle East and Africa | 2.1% |
| **North America** | **33.8%** | **North America** | **55.4%** |
| **Western Europe** | **26.6%** | **Western Europe** | **42.4%** |

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

# Review of Operating and Financial Performance

## Parmalat Group

**Net revenues** increased by 8.5% compared with 2009, thanks to the consolidation of Parmalat Food Products, an Australian company acquired in July 2009, the effect of a decrease in the value of the euro versus the main currencies of the countries where the Group operates and strong performances by the Australian and Canadian subsidiaries. These positive developments more than offset the negative impact of an across-the-board reduction in volumes in Venezuela, lower unit sales of fruit beverages in Italy and the streamlining of the product portfolio in South Africa, which included discontinuing production of some items for private labels and exiting excessively competitive segments, such as fresh fruit juices and pasteurized milk.

**EBITDA** totaled 377.3 million euros, for a gain of 9.5 million euros (+2.6%) compared with the 367.8 million euros reported in 2009.
The Group continued to face strong competitive pressure from its competitors and from private labels. Nevertheless, it maintained profitability, thanks to price-list increases and a more effective use of sales tools.

**EBIT** amounted to 334.2 million euros, down 332.6 million euros compared with 666.8 million euros in 2009. Lower proceeds from litigation settlements (104.7 million euros, compared with 441.8 million euros in 2009) account for the decrease in EBIT.
Depreciation, amortization and writedowns of non-current assets totaled 148.4 million euros (117.3 million euros in 2009), including a charge of 24.5 million euros required by the impairment test.

**Group interest in net profit** decreased to 282.0 million euros, or 237.0 million euros less than the 519.0 million euros earned in 2009. A reduction in the contribution provided to the bottom line by litigation settlements, which generated total after-tax proceeds of 79.2 million euros in 2010 (384.8 million euros in 2009), accounts for this decrease.

**Operating working capital** totaled 328.6 million euros, down 14.5 million euros compared with December 31, 2009, when it amounted to 343.1 million euros. This decrease reflects a more efficient management of working capital, despite the negative impact of the translation of financial statements of foreign subsidiaries.

**Net invested capital** amounted to 2,096.6 million euros, for an increase of 224.4 million euros compared with 1,872.2 million euros at December 31, 2009. The impact of the translation of the financial statements of companies that operate outside the euro zone and income tax payments (balance due for 2009 and 2010 estimated payment) account for most of this increase.

**Net financial assets** totaled 1,435.2 million euros, up from 1,384.6 million euros reported at December 31, 2009. This increase reflects primarily the combined impact of the following factors: cash flow from operating activities of 155.6 million euros, cash flow from litigation settlements of about 35 million euros, net of legal costs, and dividend payments of 113.3 million euros.

**Group interest in shareholders' equity** grew to 3,505.3 million euros. The increase of 273.0 million euros compared with the amount at December 31, 2009 (3,232.3 million euros) is due mainly to the net profit for the period (282.0 million euros) and the translation of the financial statements of companies that operate outside the euro zone (94.0 million euros), offset in part by the payment of the final dividend for 2009 (108.9 million euros), as approved by the Ordinary Shareholders' Meeting on April 1, 2010.

# Parmalat Group

## Reclassified Consolidated Income Statement

(€ m)

| | 2010 | 2009 |
|---|---|---|
| **REVENUES** | **4,360.6** | **3,992.1** |
| Net revenues | 4,301.0 | 3,964.8 |
| Other revenues | 59.6 | 27.3 |
| **OPERATING EXPENSES** | **(3,967.2)** | **(3,609.4)** |
| Purchases, services and miscellaneous costs | (3,430.8) | (3,135.0) |
| Labor costs | (536.4) | (474.4) |
| **Subtotal** | **393.4** | **382.7** |
| Writedowns of receivables and other provisions | (16.1) | (14.9) |
| **EBITDA** | **377.3** | **367.8** |
| Depreciation, amortization and writedowns of non-current assets | (148.4) | (117.3) |
| Other income and expenses: | | |
| - Litigation-related legal expenses | (9.2) | (14.7) |
| - Miscellaneous income and expenses | 114.5 | 431.0 |
| **EBIT** | **334.2** | **666.8** |
| Net financial income (expense) | 7.2 | (6.0) |
| Interest in the results of companies valued by the equity method | (0.8) | 0.0 |
| Other income from (charges for) equity investments | 0.6 | 5.6 |
| **PROFIT BEFORE TAXES** | **341.2** | **666.4** |
| Income taxes | (56.1) | (144.9) |
| **NET PROFIT FROM CONTINUING OPERATIONS** | **285.1** | **521.5** |
| **NET PROFIT FOR THE YEAR** | **285.1** | **521.5** |
| Minority interest in net (profit) | (3.1) | (2.5) |
| Group interest in net profit | 282.0 | 519.0 |
| **Continuing operations:** | | |
| **Basic earnings per share** | **0.1632** | **0.3055** |
| **Diluted earnings per share** | **0.1599** | **0.3005** |

# Reclassified Consolidated Balance Sheet

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| **NON-CURRENT ASSETS** | **2,073.6** | **1,900.1** |
| Intangibles | 1,116.4 | 1,063.5 |
| Property, plant and equipment | 864.3 | 774.0 |
| Non-current financial assets | 10.9 | 11.4 |
| Deferred-tax assets | 82.0 | 51.2 |
| **AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES** | **0.5** | **1.0** |
| **NET WORKING CAPITAL** | **393.2** | **352.9** |
| Inventories | 390.5 | 376.1 |
| Trade receivables | 484.0 | 459.9 |
| Trade payables (-) | (545.9) | (492.9) |
| **OPERATING WORKING CAPITAL** | **328.6** | **343.1** |
| Other current assets | 222.3 | 211.8 |
| Other current liabilities (-) | (157.7) | (202.0) |
| **INVESTED CAPITAL NET OF OPERATING LIABILITIES** | **2,467.3** | **2,254.0** |
| **PROVISIONS FOR EMPLOYEE BENEFITS (-)** | **(97.2)** | **(92.6)** |
| **PROVISIONS FOR RISKS AND CHARGES (-)** | **(268.7)** | **(282.6)** |
| **PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS** | **(4.8)** | **(6.6)** |
| **NET INVESTED CAPITAL** | **2,096.6** | **1,872.2** |
| ***Covered by:*** | | |
| **SHAREHOLDERS' EQUITY[1]** | **3,531.8** | **3,256.8** |
| Share capital | 1,732.9 | 1,712.6 |
| Reserve for creditor challenges and claims of late-filing creditors convertible into share capital | 153.7 | 168.8 |
| Other reserves and retained earnings | 1,336.7 | 901.7 |
| Interim dividend | 0.0 | (69.8) |
| Profit for the year | 282.0 | 519.0 |
| Minority interest in shareholders' equity | 26.5 | 24.5 |
| **NET FINANCIAL ASSETS** | **(1,435.2)** | **(1,384.6)** |
| Loans payable to banks and other lenders | 33.6 | 254.4 |
| Loans payable to investee companies | 4.5 | 6.0 |
| Other financial assets (-) | (1,155.3) | (1,216.8) |
| Cash and cash equivalents (-) | (318.0) | (428.2) |
| **TOTAL COVERAGE SOURCES** | **2,096.6** | **1,872.2** |

*(1) A schedule reconciling the result and shareholders' equity at December 31, 2010 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 2010

(€ m)

| | 2010 | 2009 |
|---|---|---|
| **Net financial assets at beginning of the year** | **(1,384.6)** | **(1,108.8)** |
| Changes during the year: | | |
| - Cash flow from operating activities | (324.4) | (316.0) |
| - Cash flow from investing activities | 150.1 | 132.3 |
| - Accrued interest | 30.3 | 48.6 |
| - Cash flow from settlements | (34.7) | (379.8) |
| - Dividend payments | 113.3 | 234.7 |
| - Exercise of warrants | (5.2) | (0.8) |
| - Miscellaneous items | (6.4) | (8.7) |
| - Impact of changes in the scope of consolidation | - | (2.9) |
| - Translation effect | 26.4 | 16.8 |
| Total changes during the period | (50.6) | (275.8) |
| **Net financial assets at end of the year** | **(1,435.2)** | **(1,384.6)** |

## Breakdown of net financial position

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Loans payable to banks and other lenders | 33.6 | 254.4 |
| Loans payable to investee companies[1] | 4.5 | 6.0 |
| Other financial assets (-) | (1,155.3) | (1,216.8) |
| Cash and cash equivalents (-) | (318.0) | (428.2) |
| **Net financial assets** | **(1,435.2)** | **(1,384.6)** |

*(1) Including 2.2 million euros owed to PPL Participações Ltda and 2.3 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** | **(428.2)** | **(1,216.8)** | **260.4** | **(1,384.6)** |
| Cash flow from operating activities | (324.4) | - | - | (324.4) |
| Cash flow from investing activities | 150.1 | - | - | 150.1 |
| New borrowings[1] | (9.9) | - | 9.9 | - |
| Loan repayments[1] | 225.4 | - | (225.4) | - |
| Accrued interest | - | - | 30.3 | 30.3 |
| Investments in current financial assets and sundry assets | (54.6) | 54.6 | - | - |
| Cash flow from settlements | 19.7 | - | (54.4) | (34.7) |
| Dividend payments | 113.3 | - | - | 113.3 |
| Exercise of warrants | (5.2) | - | - | (5.2) |
| Miscellaneous items | - | 0.8 | (7.2) | (6.4) |
| Translation effect | (4.2) | 6.1 | 24.5 | 26.4 |
| **Ending balance** | **(318.0)** | **(1,155.3)** | **38.1** | **(1,435.2)** |

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

# Parmalat S.p.A.

**Net revenues** totaled 820.5 million euros, in line with the 820.0 million euros reported at December 31, 2009. The production activity carried out in the second half of the year in support of the Centrale del Latte di Roma subsidiary contributed to the Company's ability to hold revenue levels steady, as it offset the impact of a policy of discounts, promotions and price reductions adopted to increase competitiveness and respond to aggressive competitors, especially in the conventional pasteurized milk segment.
It is also worth mentioning that, in 2010, fruit beverage sales were affected by aggressive competition and by the effect of negative seasonal weather factors.

**EBITDA** amounted to 69.7 million euros, for a decrease of 3.6 million euros (-4.9%) compared with the 73.3 million euros earned in 2009. This negative change reflects a net reduction of 2.9 million euros in the margin before writedowns. Programs implemented to support sales volumes included increased investments in advertising and a more aggressive use of product promotions.
In addition, writedowns of receivables increased by 0.7 million euros in 2010.

**EBIT** totaled 98.0 million euros, for a decrease of 288.7 million euros compared with the amount reported at December 31, 2009 (386.7 million euros). EBIT include proceeds from litigation settlements and damage compensation payments amounting to 46.1 million euros, or 257.8 million euros less than the 303.9 million euros collected in 2009, and a reduction of 54.9 million euros in the amount of provisions reversed into earnings upon settlements. On the other hand, net recoveries on equity investments (+18.8 million euros), a decrease in litigation related legal expenses (5.5 million euros) and lower depreciation and amortization expense (4.1 million euros) had a positive effect on EBIT.

**The net profit for the year** amounted to 128.3 million euros (372.8 million euros in 2009). The factors described above, combined with a reduction in net financial income (-12.6 million euros), offset in part by an increase in dividends from investee companies (42.4 million euros, up from 37.2 million euros in 2009) are the main reasons for the year-over-year decrease of 244.5 million euros.

**Net invested capital** totaled 1,515.0 million euros, compared with 1,348.7 million euros at December 31, 2009. The increase of 166.3 million euros is chiefly the net result of a gain in non-current financial assets (68.9 million euros, due mainly to intra-Group facilities provided to subsidiaries), a net reduction in provisions (42.8 million euros, chiefly the reversal of the Venezuela equity provision upon the settlement of litigation) and an increase in working capital (53.4 million euros) caused mainly by the payment of current taxes.

**Net financial assets** fell from 1,486.8 million euros at December 31, 2009 to 1,345.0 million euros at December 31, 2010. Dividend distributions of about 111.8 million euros and income tax payments account for most of this change.

The Company's **shareholders' equity** totaled 2,860.0 million euros, up from 2,835.5 million euros at December 31, 2009. The increase of 24.5 million euros is essentially the net result of the profit for the period, reduced by the payment of the 2009 dividend and increased by the exercise of warrants.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# Parmalat S.p.A.

## Reclassified Income Statement

(€ m)

| | 2010 | 2009 |
|---|---|---|
| **REVENUES** | **859.3** | **844.8** |
| Net revenues | 820.5 | 820.0 |
| Other revenues | 38.8 | 24.8 |
| **OPERATING EXPENSES** | **(780.9)** | **(763.5)** |
| Purchases, services and miscellaneous costs | (673.5) | (658.7) |
| Labor costs | (107.4) | (104.8) |
| **Subtotal** | **78.4** | **81.3** |
| Writedowns of receivables and other provisions | (8.7) | (8.0) |
| **EBITDA** | **69.7** | **73.3** |
| Depreciation, amortization and writedowns of non-current assets | (44.0) | (48.1) |
| Other income and expenses: | | |
| - Litigation-related legal expenses | (9.2) | (14.7) |
| - (Additions to)/Reversals of provision for losses of investee companies | 1.3 | (17.5) |
| - Miscellaneous income and expenses | 80.2 | 393.7 |
| **EBIT** | **98.0** | **386.7** |
| Net financial income (expense) | 13.3 | 25.9 |
| Other income from (charges for) equity investments | 42.4 | 37.2 |
| **PROFIT BEFORE TAXES** | **153.7** | **449.8** |
| Income taxes | (25.4) | (77.0) |
| **NET PROFIT FROM CONTINUING OPERATIONS** | **128.3** | **372.8** |
| **NET PROFIT FOR THE YEAR** | **128.3** | **372.8** |

# Reclassified Balance Sheet

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| **NON-CURRENT ASSETS** | **1,466.7** | **1,396.6** |
| Intangibles | 378.5 | 388.9 |
| Property, plant and equipment | 155.9 | 151.7 |
| Non-current financial assets | 892.8 | 823.9 |
| Deferred-tax assets | 39.5 | 32.1 |
| **AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES** | **0.0** | **0.0** |
| **NET WORKING CAPITAL** | **144.5** | **91.1** |
| Inventories | 42.6 | 37.1 |
| Trade receivables | 188.9 | 180.0 |
| Trade payables (-) | (184.5) | (179.1) |
| **OPERATING WORKING CAPITAL** | **47.0** | **38.0** |
| Other current assets | 143.2 | 140.2 |
| Other current liabilities (-) | (45.7) | (87.1) |
| **INVESTED CAPITAL NET OF OPERATING LIABILITIES** | **1,611.2** | **1,487.7** |
| **PROVISIONS FOR EMPLOYEE BENEFITS (-)** | **(25.3)** | **(26.8)** |
| **PROVISIONS FOR RISKS AND CHARGES (-)** | **(66.5)** | **(107.1)** |
| **PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS** | **(4.4)** | **(5.1)** |
| **NET INVESTED CAPITAL** | **1,515.0** | **1,348.7** |
| ***Covered by:*** | | |
| **SHAREHOLDERS' EQUITY** | **2,860.0** | **2,835.5** |
| Share capital | 1,732.9 | 1,712.6 |
| Reserve for creditor challenges and claims of late-filing creditors convertible into share capital | 153.7 | 168.9 |
| Other reserves and retained earnings | 845.1 | 651.0 |
| Interim dividend | 0.0 | (69.8) |
| Profit for the year | 128.3 | 372.8 |
| **NET FINANCIAL ASSETS** | **(1,345.0)** | **(1,486.8)** |
| Loans payable to banks and other lenders | 4.4 | 9.2 |
| Loans payable to (receivable from) investee companies | (80.5) | (25.5) |
| Other financial assets (-) | (1,134.4) | (1,188.1) |
| Cash and cash equivalents (-) | (134.5) | (282.4) |
| **TOTAL COVERAGE SOURCES** | **1,515.0** | **1,348.7** |

# Parmalat S.p.A.

## Statement of changes in net financial Position in 2010

(€ m)

| | 2010 | 2009 |
|---|---|---|
| **Net financial assets at beginning of the year** | **(1,486.8)** | **(1,441.2)** |
| Changes during the year: | | |
| - Cash flow from operating activities | (60.8) | (113.3) |
| - Cash flow from investing activities | 108.5 | 104.0 |
| - Loan repayments and interest expense | 6.7 | 6.4 |
| - Cash flow from settlements, net of lawsuit costs | 25.6 | (228.3) |
| - Cash flow from divestments and sundry items | (0.9) | (9.8) |
| - Dividend payments | 111.8 | 231.9 |
| - Dividend income | (39.0) | (34.7) |
| - Exercise of warrants | (5.2) | (0.8) |
| - Miscellaneous items | (4.9) | (1.0) |
| Total changes during the period | 141.8 | (45.6) |
| **Net financial assets at end of the year** | **(1,345.0)** | **(1,486.8)** |

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

## Breakdown of net financial position

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| **(Net financial assets)** | | |
| Loans payable to banks and other lenders | 4.4 | 9.2 |
| Loans payable to (receivable from) investee companies, net | (80.5) | (25.5) |
| Other financial assets (-) | (1,134.4) | (1,188.1) |
| Cash and cash equivalents (-) | (134.5) | (282.4) |
| **Total** | **(1,345.0)** | **(1,486.8)** |

# 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** | **(282.4)** | **(1,213.6)** | **9.2** | **(1,486.8)** |
| Cash flow from operating activities | (60.8) | | | (60.8) |
| Cash flow from investing activities | 108.5 | | | 108.5 |
| Loan repayments and interest expense | 6.7 | | (4.8) | 1.9 |
| Investments in current financial assets and sundry assets | 1.5 | (1.5) | | 0.0 |
| Cash flow from settlements | 25.6 | | | 25.6 |
| Cash flow from divestments and sundry items | (0.9) | | | (0.9) |
| Dividend payments | 111.8 | | | 111.8 |
| Dividend income | (39.0) | | | (39.0) |
| Exercise of warrants | (5.2) | | | (5.2) |
| Miscellaneous items | (0.3) | 0.2 | | (0.1) |
| **Ending balance** | **(134.5)** | **(1,214.9)** | **4.4** | **(1,345.0)** |

# Revenues and Profitability

The global macroeconomic environment continues to be characterized by a two-speed recovery, with the emerging countries growing at a sustained rate, while the upturn in most advanced economies is limited, due in part to the retrenching fiscal policies that countries with excessive debt problems were forced to adopt. Moreover, concerns about sovereign risk in some euro-zone countries caused the single European currency to weaken steadily during the year.
Against this background, the Group, which operates in a basically non-cyclical market, performed best in countries outside the euro zone, where reported results were further boosted by a favorable translation effect. Venezuela and Russia were the exceptions, with the latter suffering from extremely adverse weather conditions in the second half of the year. Lastly, even consumers in markets with a more sustained growth rate are continuing to focus their attention on the ratio of price to perceived product quality, which requires the use of commercial strategies chosen with the utmost care.

## Parmalat Group

In 2010, the Parmalat Group reported gains in absolute terms both in net revenues and EBITDA, compared with the previous year.

(€ m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **4,301.0** | **3,964.8** | **336.2** | *+8.5%* |
| **EBITDA** | **377.3** | **367.8** | **9.5** | *+2.6%* |
| *EBITDA %* | *8.8* | *9.3* | *-0.5 ppt* | |

The increase in revenues achieved in 2010 (+8.5% compared with the previous year) is chiefly the result of the following factors:

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

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

EBITDA totaled 377.3 million euros, or 9.5 million euros more (+2.6%) than the 367.8 million euros earned in 2009.

For the sake of a clearer understanding of the Group's performance, it seemed appropriate to segregate the economic effects of the Venezuelan subsidiary, considering that factors mostly beyond its control (devaluation of the bolivar, hyperinflation, limited availability of electric power) that occurred in 2010 had a highly significant impact on its performance.

The table that follows shows the data at constant exchange rates and scope of consolidation, without the contribution of Venezuela:

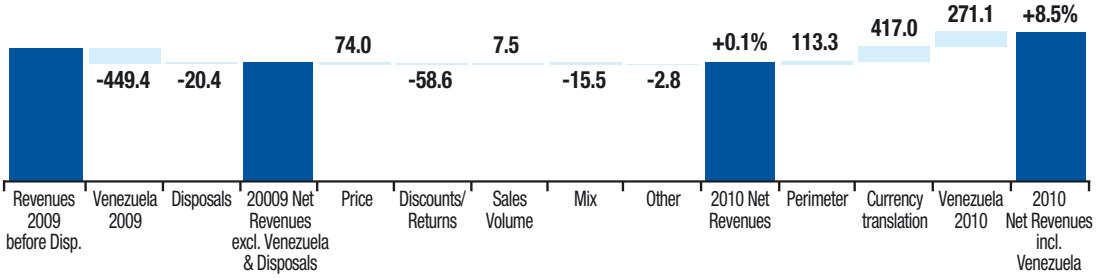
(€ m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **3,499.7** | **3,495.0** | **4.7** | *+0.1%* |
| **EBITDA** | **321.7** | **316.5** | **5.2** | *+1.6%* |
| *EBITDA %* | *9.2* | *9.1* | *0.1 ppt* | |

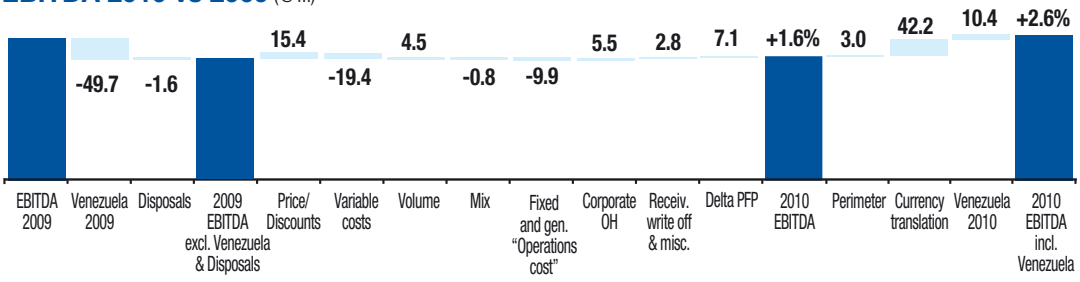
A constant scope of consolidation is obtained by excluding from the 2010 data the operations acquired in Australia in the third quarter of 2009 and without counting in the 2009 data the contribution of the Nicaraguan operations, which were divested at the end of the year.

## LIKE FOR LIKE NET REVENUES AND EBITDA

### Net Revenues 2010 vs 2009 (€ m)




### EBITDA 2010 vs 2009 (€ m)



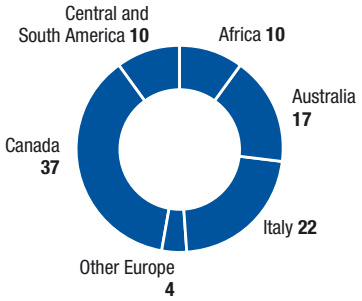
# Data by Geographic Region

(€ m)

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| **REGION** | **REVENUES** | **EBITDA** | ***EBITDA %*** | **REVENUES** | **EBITDA** | ***EBITDA %*** |
| **Italy** | 963.3 | 95.4 | *9.9* | 992.6 | 112.0 | *11.3* |
| **Other Europe** | 152.0 | 11.4 | *7.5* | 135.9 | 18.4 | *13.5* |
| *Russia* | *85.3* | *4.9* | *5.7* | *66.0* | *9.7* | *14.7* |
| *Portugal* | *57.6* | *5.6* | *9.7* | *60.4* | *7.8* | *13.0* |
| *Romania* | *9.0* | *0.9* | *10.4* | *9.5* | *0.9* | *9.2* |
| **Canada** | 1,609.3 | 159.3 | *9.9* | 1,382.8 | 131.8 | *9.5* |
| **Africa** | 415.9 | 40.9 | *9.8* | 357.7 | 24.8 | *6.9* |
| *South Africa* | *356.4* | *36.6* | *10.3* | *310.0* | *20.8* | *6.7* |
| *Other Africa* | *59.6* | *4.3* | *7.2* | *47.6* | *4.0* | *8.4* |
| **Australia**[1] | 742.1 | 68.9 | *9.3* | 508.6 | 47.2 | *9.3* |
| **Central and South America** | 419.3 | 19.9 | *4.8* | 588.3 | 57.3 | *9.7* |
| *Venezuela* | *271.1* | *10.4* | *3.8* | *449.4* | *49.7* | *11.1* |
| *Colombia* | *123.9* | *9.1* | *7.4* | *99.6* | *6.4* | *6.5* |
| *Other Central and South America* | *24.3* | *0.4* | *1.5* | *39.4* | *1.2* | *3.1* |
| **Other**[2] | (0.9) | (18.6) | *n.s.* | (1.0) | (23.8) | *n.s.* |
| **Group** | **4,301.0** | **377.3** | ***8.8*** | **3,964.8** | **367.8** | ***9.3*** |

*Regions represent the consolidated countries.*
*(1) 2010 data include net revenues of 193.1 (excluding intercompany) and EBITDA of 7.3 million euros relating to the acquisition of new operations occurred during the third quarter of 2009 (2009 net revenues of 69.2 and EBITDA of -2.8 million euros).*
*(2) Including Group's parent Company's costs, other no core companies and eliminations between regions.*

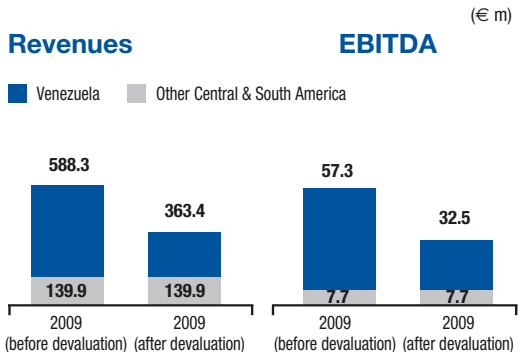
## Net Revenues by Geographic Region (%)




The cumulative data at December 31, 2009 for Central and South America include the data for Venezuela translated at the historical exchange rate (before devaluation).

The charts below show the data for Central and South America with the 2009 Venezuelan data restated to reflect the effect of the currency devaluation.

(€ m)



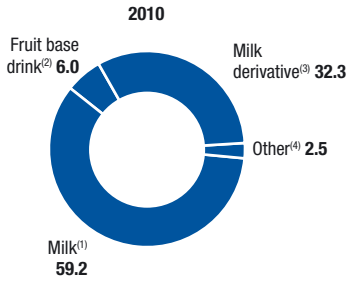
# Data by Product Division

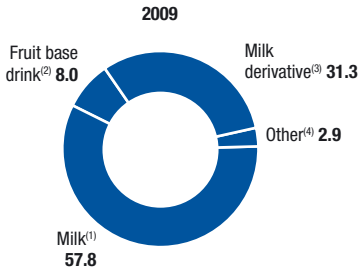
(€ m)

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| **DIVISION** | **REVENUES** | **EBITDA** | ***EBITDA %*** | **REVENUES** | **EBITDA** | ***EBITDA %*** |
| Milk[1] | 2,544.8 | 185.2 | *7.3* | 2,291.0 | 183.5 | *8.0* |
| Fruit base drink[2] | 256.0 | 39.0 | *15.2* | 317.4 | 62.2 | *19.6* |
| Milk derivative[3] | 1,390.9 | 161.5 | *11.6* | 1,239.8 | 134.3 | *10.8* |
| Other[4] | 109.3 | (8.3) | *(7.6)* | 116.7 | (12.2) | *(10.5)* |
| **Group** | **4,301.0** | **377.3** | ***8.8*** | **3,964.8** | **367.8** | ***9.3*** |

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

## Net Revenues by Product Division (%)




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

The table below shows the cumulative data at December 31, 2009 restated to reflect the impact of the devaluation of the Venezuelan currency.

(€ m)

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| **DIVISION** | **REVENUES** | **EBITDA** | ***EBITDA %*** | **REVENUES** | **EBITDA** | ***EBITDA %*** |
| Milk[1] | 2,544.8 | 185.2 | *7.3* | 2,205.4 | 193.4 | *8.8* |
| Fruit base drink[2] | 256.0 | 39.0 | *15.2* | 243.7 | 36.2 | *14.8* |
| Milk derivative[3] | 1,390.9 | 161.5 | *11.6* | 1,196.4 | 126.9 | *10.6* |
| Other[4] | 109.3 | (8.3) | *(7.6)* | 94.5 | (13.5) | *(14.3)* |
| **Group** | **4,301.0** | **377.3** | ***8.8*** | **3,739.9** | **342.9** | ***9.2*** |

# Italy

In the face of a weak economic recovery, consumer confidence and propensity to spend remained low. Consumption of food products decreased and prices have been falling across the board in many markets, due to an increased use of promotions and growth by private labels and the discount channel.

## MARKET AND PRODUCTS

In the **UHT milk** market, competition grew steadily more aggressive in 2010, as substantially flat demand triggered a relentless use of promotional programs. The resulting price cuts caused the value of the market to shrink by 1.7% compared with 2009.
Parmalat held its leadership position relatively steady, with a value market share of 34.8%, owing mainly to the promotional and advertising programs carried out to support sales of Parmalat milk and Zymil high digestibility milk and comarketing activities.

Based on internal estimates, consumption contracted by 1.6% overall in the **pasteurized milk** market, due to lower volumes in the Traditional Channel. In the Modern Channel, however, the trend was up on a volume basis (+1.4%) bur negative on a value basis (-1.2%), due to extremely aggressive pricing policies that drove prices in this market segment lower throughout the first half of the year.

2,130 **EMPLOYEES**

12 **MANUFACTURING FACILITIES**



In this environment, Parmalat, alongside its price realignment strategy implemented important advertising and promotional programs in support of its Blue Premium milk and select local brands, which enabled it to achieve the market leadership in the Modern Channel as well, with a 25.6% value market share, and consolidate its overall market leadership.

The market for **UHT milk cream** ended 2010 with increases of 1.1% on a volume basis and 2.0% on a value basis. Parmalat, achieved excellent results, particularly with its Chef brand, with volumes increasing by 6.4% and its value market share rising to 35.8%, or 1.5 percentage point more than the previous year, thanks to promotional programs and the launch of a new product.

The **yoghurt** market grew both in terms of volume (+5%) and on a value basis (+2.7%) in 2010, thanks to an outstanding performance in the functional products segment (+16.1% on a volume basis). The difference between the volume and value growth rates is evidence of a market trend toward increased use of promotional programs and, consequently, lower average prices.

Even though Parmalat increased yoghurt sales volumes, its value market share decreased, settling at the 5.7% level.

As a result of highly unfavorable weather conditions, the **fruit beverage** market contracted by 5.3% on a volume basis in 2010. In this extremely competitive market, private labels achieved a major presence (31.2% volume market share).
Nevertheless, despite a product portfolio that is more sensitive to seasonal factors and intense price pressure, Parmalat's Santàl brand retained its position as the brand leader with a 15% value market share.

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

| Product | UHT MILK | PASTEUR-IZED MILK[1] | YOGHURT | FRUIT BEVERAGES |
|---|---|---|---|---|
| Value market share | 34.8% | 25.6% | 5.7% | 15.0% |

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

# Business Unit Results

(€ ml)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **963.3** | **992.6** | **(29.3)** | *-2.9%* |
| **EBITDA** | **95.4** | **112.0** | **(16.7)** | *-14.9%* |
| *EBITDA%* | *9.9* | *11.3* | *-1.4 ppt* | |

Total unit sales decreased by 1.3% compared with the previous year, due mainly to a reduction in sales of fruit juices (-7.5%) attributable in part to unfavorable weather conditions. On the other hand, unit sales of pasteurized milk and UHT milk, which account for 35% and 43% of the total sales volume, respectively, were substantially in line with the previous year.

It is worth pointing out that this performance was achieved despite a massive fire that broke out in the evening of August 6 at the plant of Centrale del Latte di Roma, completely shutting down production for the rest of the year (return to full capacity at the end of March 2011). Under these challenging circumstances, Parmalat guaranteed supply continuity to the marked thanks to backup capacity provided by other Group production facilities.

EBITDA were 14.9% lower than in 2009, due mainly to the following factors:

- higher raw material costs recovered only in part through list-price increases for UHT milk starting in October;
- use of promotional programs, mainly during the first half of the year, to increase competitiveness and respond to the aggressiveness of competitors, particularly in the pasteurized milk segment;
- production and commercial problems for the Latte Sole subsidiary;
- the effects of a fire at the plant of Centrale del Latte di Roma in August, which caused damages compensated virtually in full by an insurance settlement.

## RAW MATERIALS AND PACKAGING

The purchase price of raw milk increased in 2010, with the "at the barn" milk price in Lombardy posting a year-over-year gain of 20% in December. Over the same period, the price of spot milk rose by 28% in Italy.
A major factor driving the price of milk higher was an increase in the price of Grana Padano cheese, the production of which absorbs about one-fourth of Italy's milk production.

The cost of packaging materials also increased compared with the previous year, due to a rise in the price of plastic raw materials that reflected higher crude oil prices.

## CAPITAL EXPENDITURES

In 2010, the BU invested a total of 35.9 million euros, focusing on the following objectives:

- improving production quality and the safety of food production processes;
- improving operating safety in compliance with the applicable laws;
- reducing energy consumption and environmental impact;
- installing new packaging lines at the Collecchio, Albano, Zevio and Rome plants;
- upgrading sanitary facilities and building a new plant for the production of freezing water in Ragusa;
- replacing delivery vehicles required to distributed fresh products.

The 2010 amount mentioned above does not include investments in land and buildings.

# Russia

The upturn in commodity prices on the international markets, particularly with regard to energy resources, of which Russia is one of the world's principal exporters, helped the Russian economy grow, with an attendant increase in consumer spending.

## MARKET AND PRODUCTS

After the slump in consumer demand that characterized 2009, sales volumes gradually improved in 2010, both for dairy products and beverages. Compared with the previous year, the UHT milk market and the fruit beverage market grew by 8.2% and 4.8%, respectively, making up in part the contraction that occurred in 2009.

Both the UHT milk market and the fruit beverage market are highly concentrated, due in part to the policy of acquisitions pursued recently by international groups. The main players control 86% of the fruit beverage market and 43.4% of the dairy market.
Nevertheless, the local BU was able to hold its market share virtually unchanged, actually increasing it in some dairy categories (UHT milk and flavored milk), despite some raw material procurement problems.

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

| Product | UHT MILK | UHT CREAM | FLAVORED UHT MILK | FRUIT BEVERAGES(1) |
|---|---|---|---|---|
| Value market share | 2.9% | 5.5% | 5.2% | 1.6% |

*Source: AC Nielsen AS2010.*
*(1) AC Nielsen Date2010 - Business Analytica 2010.*

1,018 EMPLOYEES

2 MANUFACTURING FACILITIES

## Business Unit Results

(€ m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **85.3** | **66.0** | **19.4** | *+29.4%* |
| **EBITDA** | **4.9** | **9.7** | **(4.8)** | *-49.8%* |
| *EBITDA%* | *5.7* | *14.7* | *-9.0 ppt* | |

## Local currency figures

(Local currency m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **3,435.1** | **2,911.0** | **524.1** | *+18.0%* |
| **EBITDA** | **195.9** | **427.7** | **(231.8)** | *-54.2%* |
| *EBITDA%* | *5.7* | *14.7* | *-9.0 ppt* | |

The Russian ruble increased in value by 8.8% compared with the exchange rate applied last year. The impact of this change on revenues and EBITDA was 7.5 million euros and 0.4 million euros, respectively.

Overall, unit sales increased by 17.4% compared with 2009.

More specifically, shipments of UHT milk, which together with flavored milk account for 38% of total unit sales, were up 32.9% compared with 2009.
A recovery in consumption and a more incisive sales policy, which enabled the BU to make up for the ground it lost in 2009, are the main reasons for the increase in sales.

In 2010, the profitability of the BU was penalized by a protracted drought during the summer months that had negative repercussions on the quantity of raw milk available on the domestic market, resulting in a significant price increase that could not be fully passed on to consumers.

## RAW MATERIALS AND PACKAGING

In Russia, milk is a scarce resource and its price is strongly affected by supply levels both domestically and in the international market. Throughout the year, the price of milk was significantly higher than in 2009, due to the reasons explained above.
The impact of these increases was offset in part by savings in the cost of packaging materials and ingredients priced in foreign currencies.


## CAPITAL EXPENDITURES

Capital expenditures totaled 7.1 million euros in 2010. They were used mainly to replace equipment needed to maintain production capacity, comply with current regulations and improve the distribution organization, including the start of construction of a central warehouse in Moscow.

# Portugal

The market was affected by conditions in the global economy and by an extremely challenging local scenario caused mainly by the high level of government debt, which forced the Portuguese government to adopt restrictive measures that included tax increases and drastic spending cuts. All of these programs had a massive impact on consumption, which decreased dramatically compared with 2009.

## MARKET AND PRODUCTS

The Portuguese milk market is highly concentrated, with only one strong leader and a steadily growing presence by private labels, which is causing sharp reductions in prices and margins.

Despite an unfavorable macroeconomic context, Parmalat is continuing to seek growth opportunities in market segments with a high value added, such as flavored milk, cream and béchamel.


With its Ucal brand, Parmalat holds a significant position in the flavored milk market, a favorite in the all-important away-from-home segment. Thanks to this brand, which accounts for about one-fourth of its sales, Parmalat Portugal was able to increase revenues by about 2%.

In the fruit beverage segment, which account for about 15% of BU's revenues, the market scenario is particularly challenging due both to the growth of private labels and to price cuts by the market leader.

| 259 | 1 |
|---|---|
| EMPLOYEES | MANUFACTURING FACILITY |

| Product | FLAVORED MILK1[1] | UHT MILK[2] | FRUIT BEVERAGES[2] |
|---|---|---|---|
| Value market share | 27.5% | 0.3% | 2.5% |

*Source: (1) AC Nielsen Homescan revalued, (2) AC Nielsen Homescan*

# Business Unit Results

(€ m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **57.6** | **60.4** | **(2.7)** | *-4.5%* |
| **EBITDA** | **5.6** | **7.8** | **(2.3)** | *-28.8%* |
| *EBITDA%* | *9.7* | *13.0* | *-3.3 ppt* | |

Net revenues totaled 57.6 million euros in 2010, decreasing by 4.5% compared with the previous year, due both to lower sales prices and a reduction in unit sales, which were down 6.0% compared with 2009.

## RAW MATERIALS AND PACKAGING

On average, raw milk prices were in line with the previous year, but the purchase cost of cream and cocoa were up sharply compared with 2009. Packaging material costs were roughly in line with the previous year and prices of glass containers were slightly lower than in 2009.

## CAPITAL EXPENDITURES

Capital expenditures totaled 1.3 million euros in 2010. The main projects included extraordinary maintenance of the production facilities, the purchase of a sterilizer and programs to continuously improve quality, safety and regulatory compliance.

# Romania

All products sold by Parmalat Romania are distributed under the Santàl brand, which is used to market fruit beverages. The Santàl brand is present in the nectars, juices and still drinks segments, in each of which it is positioned in the Premium Price group.

## Business Unit Results

(€ m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **9.0** | **9.5** | **(0.5)** | *-5.4%* |
| **EBITDA** | **0.9** | **0.9** | **0.1** | *+7.3%* |
| *EBITDA%* | *10.4* | *9.2* | *1.2 ppt* | |

## Local currency figures

(Local currency m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **38.0** | **40.5** | **(2.4)** | *-6.0%* |
| **EBITDA** | **4.0** | **3.7** | **0.2** | *+6.6%* |
| *EBITDA%* | *10.4* | *9.2* | *1.2 ppt* | |

The performance of the local subsidiary, which reported a decrease of 1.8% in unit sales of fruit beverages compared with 2009, should be viewed against the backdrop of a 35% market contraction, caused essentially by a slump in consumer spending, which was severely curtailed as a result of the austerity measures adopted by the government in the second half of the year.


In a market environment characterized by a major contraction both in volume and value terms, the local subsidiary succeeded in maintaining the leadership position in the “100% fruit juice” segment and grew in the “Nectar” segment, thanks to a carefully targeted promotional policy.

Despite a contraction both in revenues and unit sales, the profitability of the Romanian BU improved on a percentage basis compared with the previous year due to the combined impact of the appreciation of the local currency versus the euro, which had a positive effect on the cost of imported raw materials, and the successful implementation of cost cutting programs.

# Canada

Canada came out of the recession faster than other western countries due, on the one hand, to the healthier financial conditions of its public sector, financial institutions and households and, on the other hand, the expansive effect generated by Asian demand for raw materials.
The food market is extremely competitive, with large investments in advertising by all major competitors, while the propensity of consumers to seek out products offered with strong promotional incentives continues to increase steadily.

## MARKET AND PRODUCTS

The food market continues to be highly challenging for producers, with businesses pressured by strong competition as they seek to meet consumer demands for lower prices while at the same time having to invest in advertising to maintain market share and safeguard brand values.

In the milk market, Parmalat held on to the third position on a nationwide basis, with a value market share of 20%, stable compared with 2009. Despite the market's low growth rate, Parmalat gained additional market share in the lactose-free segment, which, together with the microfiltered segment, continues to offer some of the best growth opportunities among premium segments. In 2010, Parmalat completed the migration of all premium milks to the Lactantia brand, supporting this process with investments in advertising.

In the yoghurt market, which continues to enjoy sustained growth, Parmalat ranks second in English Canada and third nationally. Despite strong competition, it succeeded in maintaining its position in this category, thanks to its entry in the low-fat segment of the Québec market, the promotional programs implemented during the year and advertising investments in support of its leading products, including Astro BioBest, Zero and Original. Parmalat is the leader in the natural yoghurts segment and has a 10% value market share in the drinkable yoghurt segment.


In the second half of 2010, in line with the dynamic nature of the yoghurt market, Parmalat launched several new products in different subsegments: Superfruit in

2,884 EMPLOYEES

18 MANUFACTURING FACILITIES



the low-fat segment, BioBest with plant sterols and antioxidants in the functional segment, and organic and Greek-style yoghurt in the natural segment.
The cheese market is continuing to grow both in volume and value terms. The most dynamic segment is without doubt that of snack cheese, which, while still small in absolute terms, grew by 11% both in volume and value terms in 2010. Parmalat maintained the leadership position in this segment, with a 38% share, thanks to advertising investments in support of its Cheestrings and Funcheez brands.
In addition, Parmalat's growth in the two most important segments of the cheese market (natural cheese and processed cheese) continued in 2010.

The butter market has been growing steadily, but the pace slowed in 2010. Parmalat retained its position as a national leader, with a 25.7% value market share.

The table below shows the market share of the Canadian subsidiary in the main segment in which it operates:

| Product | MILK | SPOONABLE YOGHURT | DRINKABLE YOGHURT | SNACK CHEESE | BUTTER | NATURAL CHEESE |
|---|---|---|---|---|---|---|
| Value market share | 20.0% | 14.3% | 9.8% | 38.0% | 25.7% | 17.3% |

*Source: ACNielsen, MarketTrack, National Grocery Banner+Drug+Mass Merch, Latest 12 and 52 weeks ending December 18th, 2010*

The Canadian dollar increased in value by 13.9% compared with the exchange rate applied last year, with an impact on revenues and EBITDA of 223.2 million euros and 22.1 million euros, respectively.

In 2010, overall unit sales were in line with those reported the previous year. More specifically, unit sales of yoghurt were up 7.4%, while shipments of pasteurized milk, which accounted for 58% of total sales volume, and cheese held steady compared with 2009. The local BU succeeded in maintaining sales volume levels, despite a competitive and challenging environment, thanks to increased investments in advertising and promotions, focused primarily on the yoghurt segment.

# Business Unit Results

(€ m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **1,609.3** | **1,382.8** | **226.5** | *+16.4%* |
| **EBITDA** | **159.3** | **131.8** | **27.5** | *+20.9%* |
| *EBITDA%* | *9.9* | *9.5* | *0.4 ppt* | |

# Local currency figures

(Local currency m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **2,196.9** | **2,191.7** | **5.2** | *+0.2%* |
| **EBITDA** | **217.5** | **209.0** | **8.5** | *+4.1%* |
| *EBITDA%* | *9.9* | *9.5* | *0.4 ppt* | |

EBITDA stated in the local currency increased by 4.1% in 2010, owing to a carefully planned commercial strategy and a reduction in manufacturing overhead.

## RAW MATERIALS

In the Canadian market for raw milk, the purchase price is regulated, which has limited the impact of price swings in the international market in recent years. However, because of this system, the average price of raw milk has been significantly higher than in other world markets.

## CAPITAL EXPENDITURES

Capital expenditures totaled 47.3 million euros in 2010.
The main investments included the following projects:

- start of a project named “Rocket Project” for the construction of a refrigerate warehouse in Montreal;
- beginning of construction of a new refrigeration system and a finished goods warehouse and expansion of milk production capacity at the Brampton plant;
- installation of cheese production equipment at Winchester and Victoriaville;
- completion of the reconstruction of the Victoriaville factory;
- programs to continuously improve quality, safety and regulatory compliance.

# South Africa



In South Africa, the economic recovery, which over the short term was supported by the economic benefits generated by hosting the soccer World Cup, is proving to be weaker than in other emerging countries. In addition, a persistently high unemployment rate continues to depress consumption.

In 2010, there was significant price pressure coming from our main competitors, due to the combined effect of a surplus of raw milk and a weak local economy.

The local subsidiary, which, differently from its competitors and private labels, chose to pursue a portfolio management strategy focused on premium-price products, succeeded in improving its profitability.

## MARKET AND PRODUCTS

In the market for UHT milk, which enjoyed sustained growth the previous year, consumption was virtually flat in 2010, despite a heavy use of promotional programs by some of Parmalat's top competitors.
On the other hand, the upward trend in demand that characterized the cheese segment in recent years continued (+1.5 compared with 2009), despite the challenging conditions of the local economy. It is worth noting that consumption of non-packaged product with a low unit price increased in 2010. The yoghurt and flavored milk categories, which enjoyed steady and substantial increases in consumption throughout 2010, were the most dynamic segments in the dairy market (yoghurt +9.0%, flavored milk +7.6% on a volume basis).


In the market for UHT milk, where the competitive environment became particularly aggressive in 2010 (pricing pressure by key competitors), the local subsidiary was forced to selectively deploy promotional programs, which enabled it to maintain the second-place position, with a 19.5% value market share.

1,769

EMPLOYEES

In the cheese category, Parmalat retained the leadership position with a 35% value market share, thanks mainly to a strong performance in the spreadable cheese (new product launches and advertising) and packaged slice segments.

Following a challenging period the previous year, 2010 was a year of recovery and brand consolidation in the yoghurt category, thanks to the revamping of the entire product line: the results achieved in the fourth quarter (+26.8% on a volume basis compared with 2009) provide confirmation of the positive trend generated by the activities implemented during the year. Parmalat retained the second-place position, with a value market share of 15.6%.

Parmalat continued to perform particularly well in the flavored milk segment, confirming its position as the market leader with Steri Stumpie branded products.

The table below shows the market share held in 2010 by the South African BU in the main product categories in which it operates:

| Product | UHT MILK | CHEESE | YOGHURT | FLAVORED MILK |
|---|---|---|---|---|
| Value market share | 19.5% | 35.0% | 15.6% | 40.9% |

*Source:Synovate Aztec Scan Data*

8

MANUFACTURING FACILITIES

Africa

# Business Unit Results

(€ m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **356.4** | **310.0** | **46.3** | *+14.9%* |
| **EBITDA** | **36.6** | **20.8** | **15.8** | *+76.1%* |
| *EBITDA%* | *10.3* | *6.7* | *3.6 ppt* | |

# Local currency figures

(Local currency m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **3,456.1** | **3,619.2** | **(163.1)** | *-4.5%* |
| **EBITDA** | **355.1** | **242.7** | **112.4** | *+46.3%* |
| *EBITDA%* | *10.3* | *6.7* | *3.6 ppt* | |

The local currency (South African rand) increased in value by 16.9% compared with the exchange rate applied last year. The impact of this change on revenues and EBITDA was 60.3 million euros and 6.2 million euros, respectively.

Overall, sales volumes decreased by 16.6% compared with the previous year, due in part to the BU's decision to end production of some items for private labels and exit some unprofitable product categories, such as fresh fruit juices and pasteurized milk.

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

## RAW MATERIALS AND PACKAGING

In 2010, the supply of raw milk increased compared with the previous year, causing the average price paid to decrease, particularly in last quarter of the year.
Packaging costs were lower than in 2009, due mainly to the appreciation of the local currency.

## CAPITAL EXPENDITURES

Capital expenditures, which totaled 4.4 million euros in 2010, were used mainly to:

- increase milk and cheese storage capacity at the Bonnievale plant;
- revamp the assets of the cheese production facilities;
- update and upgrade production lines;
- improve effluent purification systems;
- carry out other projects required to comply with new regulations.

The 2010 amount mentioned above does not include investments in land and buildings.

# Other Countries in Africa

Net revenues, computed before intra-Group transactions within the Africa region, totaled 73.6 million euros, up 14.6 million euros compared with the previous year. EBITDA amounted to 4.3 million euros, or 0.3 million euros more than in 2009.

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

In **Zambia**, where Parmalat enjoys absolute leadership positions, with revenues of 33.6 million euros, the local operations reported increases both in unit sales (+15.8%) and net revenues. Steady market demand enables the local BU to consolidated its current positions.

In **Mozambique**, the local subsidiary reported higher net revenues of 10.7 million euros, despite a reduction in unit sales. However, the devaluation of the local currency versus the South African rand caused an increase in the cost of raw materials and packaging materials.

In **Botswana**, unit sales were higher than the previous year and net revenues increased to 19.4 million euros.

In **Swaziland**, gains both in unit sales and net revenues, which totaled 10.0 million euros, enabled the local subsidiary to maintain its market position.

# Australia

The Australian economy expanded in 2010, driven in part by economic growth in China, which is a major importer of commodities that are abundant in Australia. However, there was a growing focus on prices in the retail sector, with consumers favoring low-priced products and private labels, particularly with regard to market staples.

## MARKETS AND PRODUCTS

The pasteurized milk market grew on a volume basis compared with 2009 and Parmalat increased its market share, both in volume and value terms, thanks to an improved presence in New South Wales and South Australia and reliably strong performances by such products as Zymil and Smarter Milk, supported by multiple advertising campaign during the year. Having completed the restyling of several products, including Rev, Trim and Skinny Milk, the local BU invested in these products to regain sales volumes and brand recognition among consumers. Private labels achieved a 57.9% volume market share, but experienced negative growth in the fourth quarter.

In the flavored milk market, the Modern Channel grew at a 6% rate in value terms and Parmalat consolidated its position as the second ranked player, increasing its value market share by more than four points to 24.2%. Unit sales of Ice Break, Parmalat's leading product, grew by a substantial amount due both to the expansion of the distribution network and a new advertising campaign. In the new territories in which Parmalat now operates, the local BU

1,771 EMPLOYEES

8 MANUFACTURING FACILITIES

focused on launching and supporting the products in its existing portfolio, while at the same time strengthening "acquired" products, such as OAK, which, thanks to a newly created television advertising campaign, is generating positive results on a volume basis.

In addition, Good to Go, a healthy snack, was launched in the last quarter of 2010. This dairy beverage with fruit and other nutritional ingredients has been producing encouraging results.

The yoghurt market enjoyed further growth in 2010 (+3.1% compared with the previous year) and Parmalat continued to report a steady increase in the market share of the Vaalia brand, which has now reached 10.5%. Innergy, a new product that marked Parmalat's entry in the segment of drinkable probiotic yoghurts, was launched in the fourth quarter of 2010.

The dessert market began to grow again, both on a volume and a value basis, and Parmalat improved its market share (+0.9% on a value basis) compared with the previous year.

| Product | PASTEUR-IZED "WHITE" MILK | FLAVORED MILK | YOGHURT | DESSERTS |
|---|---|---|---|---|
| Value market share | 22.1% | 24.1% | 13.3% | 17.8% |

*Source: Aztec Grocery Data*

The table below presents the consolidated data for Parmalat Australia and Parmalat Food Products:

# Business Unit Results

(€ m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **742.1** | **508.6** | **233.5** | *+45.9%* |
| **EBITDA** | **68.9** | **47.2** | **21.7** | *+46.0%* |
| *EBITDA%* | *9.3* | *9.3* | *0.0 ppt* | |

# Local currency figures

(Local currency m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **1,070.4** | **901.6** | **168.8** | *+18.7%* |
| **EBITDA** | **99.4** | **83.7** | **15.7** | *+18.8%* |
| *EBITDA%* | *9.3* | *9.3* | *0.0 ppt* | |

The value of the Australian dollar increased by 18.6% compared with the exchange rate applied in 2009. At a constant scope of consolidation, the impact of this change on revenues and EBITDA was 106.2 million euros and 11.5 million euros, respectively.

The integration of Parmalat Food Products produced a significant sales increase, consolidating the local subsidiary's position as a national player. Investment efforts focused on brands and innovations enabled Parmalat to achieve strong growth in categories with the highest value added, such as yoghurt and flavored milk.

Excluding the volumes sold by Parmalat Food Products, the local BU reported higher unit sales of packaged products compared with the previous year. More specifically, unit sales of pasteurized milk, which accounts for 68% of the total sales volume, were up 7.1% and yoghurt volumes grew by 7.9%, owing in part to the launch of new products in this category.

EBITDA increased due mainly to the combined effect of a decrease in the cost of raw milk compared with 2009, the beneficial effect of an investment strategy focused on the BU's brands, positive results for high margin products, such as flavored milk and yoghurt, and the signing of contracts with private labels in the second half of the year.

## RAW MATERIALS AND PACKAGING

Purchasing prices of raw milk benefited from the effect of fixed-price contracts, which helped reduce procurement costs compared with the previous year. As for other materials and packaging materials, costs were substantially stable compared with 2009.

## CAPITAL EXPENDITURES

Capital expenditures totaled 27.4 million euros in 2010.
The following projects account for most of the large increase (+18.7 million euros) compared with the previous year:

- new drinking yoghurt line;
- dairy products manufacturing lines at the Bendigo plant;
- expansion of the milk production capacity to accommodate the increase in sales volumes;
- reorganization of the sales and distribution area;
- integration and reorganization of the two manufacturing units acquired in July 2009.

The 2010 amount mentioned above does not include investments in land and buildings.

# Venezuela

The performance of the Venezuelan economy is affected by international crude oil prices, a resource that Venezuela exports. An unstable political situation and a particularly strict currency control system complete a an environment that constrain the willingness of businesses to invest and consumers to spend. The government introduced a series of measures to slow inflation, designed to curb or prevent price increases, particularly in the food product sector.

## 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 the reduction in the propensity to consume.

The yoghurt and milk beverage categories were especially hard hit by the general climate of uncertainty, with volumes decreasing by 12.7% and 24.2%, respectively. The categories in which the growth phase continued included fruit beverages (+2.8%, with an even stronger +9.4% for extended shelf life products) and powdered milk (+4.6%), which benefited from increased market availability.

In this environment, the local subsidiary succeeded in maintaining its co-leadership positions but, as was the case for its branded product competitors, lost competitiveness due to the growth of local players who pursued a low price strategy.

The table below shows the BU's value market share in the main product segments:

| Product | FRUIT BEVERAGES | MILK BEVERAGES | POWDERED MILK | YOGHURT |
|---|---|---|---|---|
| Value market share | 19.2% | 33.0% | 16.7% | 24.1% |

*Source: AC Nielsen*

1,937 EMPLOYEES

5 MANUFACTURING FACILITIES

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

## Business Unit Results

(€ m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **271.1** | **449.4** | **(178.3)** | *-39.7%* |
| **EBITDA** | **10.4** | **49.7** | **(39.2)** | *-79.0%* |
| *EBITDA%* | *3.8* | *11.1* | *-7.2 ppt* | |

## Local currency figures

(Local currency m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **1,543.3** | **1,345.9** | **199.4** | *+14.8%* |
| **EBITDA** | **59.5** | **148.7** | **(89.3)** | *-60.0%* |
| *EBITDA%* | *3.8* | *11.1* | *-7.2 ppt* | |

Overall, unit sales decreased by 12.1% compared with 2009. Specifically, shipments were down 15.4% for fruit beverages, which accounted for 46% of the BU's total sales volume, and contracted by 2.3% for pasteurized milk and 21.1% for yoghurt compared with 2009. The shortage of electric power that affected Venezuela during the first four months of the year is the main reason for the contraction in sales volumes.

The EBITDA decrease in absolute terms, compared with the previous year, is chiefly the result of a reduction in sales volumes. In addition, the BU's results were penalized by the high level of inflation, which caused large increases in purchasing costs for raw materials and overhead that could not be fully reflected in the BU's sales prices.


## RAW MATERIALS AND PACKAGING

Throughout the year, the price paid for raw milk was higher than in 2009, due to an increase in domestic demand that reflected a surge in internal production of dairy products caused by restrictions imposed on imports of such products from other countries in the region.
In general, the prices of all imported packaging and raw materials reflected the impact of inflation, due in part to currency restrictions.

## CAPITAL EXPENDITURES

Capital expenditures, which totaled 4.1 million euros in 2010, were used primarily to:

- increase UHT and yoghurt production capacity at the Barinas and Miranda plants, respectively;
- increase creamery production capacity in Quenaca;
- revamp existing assets.

The 2010 amount mentioned above does not include investments in land and buildings.

## DEVALUATION OF THE LOCAL CURRENCY

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

(€ m)

| | 2009 | 2009 RESTATED | VARIANCE |
|---|---|---|---|
| **Revenues** | 449.4 | 224.4 | (225.0) |
| **EBITDA** | 49.7 | 24.8 | (24.9) |

# Colombia

The local economy grew in 2010, due mainly to rising demand for raw materials that Colombia exports. However, a persisting double-digit unemployment rate and the consequence of floods at the end of the year had a negative impact on the spending ability of consumers, who are becoming increasingly price conscious with regard to staple goods.

## MARKET AND PRODUCTS

The trends in the market segments in which local subsidiary operates at the national level show a shift in consumption patterns within the milk segment, with consumers migrating from fresh pasteurized milk (-5% on a volume basis compared with 2009) towards extended shelf life products packaged in aseptic plastic pouches (+17%), reducing purchases of powdered milk for adults and children (-7%) and increasing consumption of yoghurt, mainly in the basic segment, which caused volumes to increase by 7%.

In 2010, the local subsidiary focused its efforts on supporting sales of Zymil lactose-free milk and fine tuning the expansion of its distribution system in the Traditional Channel, with the result of improving its market share in the lactose-free milk and yoghurt segments.

The table below shows the BU's market share in the main product segments:

| Products | PASTEUR-IZED MILK (1) | UHT MILK | POWDERED MILK | YOGHURT |
|---|---|---|---|---|
| Value market share | 6.0% | 7.5% | 11.0% | 3.3% |

*Source: ACNielsen* *(1) Source: Fedegan*

1,104 EMPLOYEES

5 MANUFACTURING FACILITIES

## Business Unit Results

(€ m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **123.9** | **99.6** | **24.3** | *+24.4%* |
| **EBITDA** | **9.1** | **6.4** | **2.7** | *+41.5%* |
| *EBITDA%* | *7.4* | *6.5* | *0.9 ppt* | |

## Local currency figures

(Local currency m)

| | 2010 | 2009 | VARIANCE | VARIAN.% |
|---|---|---|---|---|
| **Revenues** | **311,604** | **297,604** | **14,000** | *+4.7%* |
| **EBITDA** | **22,942** | **19,264** | **3,678** | *+19.1%* |
| *EBITDA%* | *7.4* | *6.5* | *0.9 ppt* | |

The local currency (peso) increased in value by 15.8% compared with the exchange rate applied last year. The impact of this change on revenues and EBITDA was 19.6 million euros and 1.4 million euros, respectively.

Against this background, total unit sales were up 7.2% compared with the previous year, with shipments of liquid milk (which accounted for almost 90% of the total sales volume) up by 6%. A positive performance in the Normal Trade channel made possible by the coverage of national points of sale is partly responsible for this improvement.

## RAW MATERIALS AND PACKAGING

Overall, purchasing prices of raw milk held steady in 2010, with average procurement costs substantially in line with the previous year. Packaging costs benefited from savings on the cost of yoghurt containers.


## CAPITAL EXPENDITURES

Capital expenditures, which totaled 2.9 million euros in 2010, were used to complete the relocation of pasteurized milk production facilities from Bogota to Chia, purchase a sterilizer for the Chia plant, improve production efficiency and comply with new regulations.

The 2010 amount mentioned above does not include investments in land and buildings.

# Other Countries in Central and South America

Net revenues and EBITDA, computed excluding intra-Group transactions in Central and South America, increased compared with the previous year, despite the divestment of operations in Nicaragua in the last quarter of 2009.

The Group's BU in **Paraguay**, which produces and markets mainly pasteurized milk and yoghurt, reported gains both in net revenues and EBITDA, which grew to 9.8 million euros and 0.3 million euros, respectively, compared with 2009.

The Group's BU in **Ecuador** markets primarily UHT milk packaged in aseptic plastic pouches (APP) and UHT milk in Tetra Brick containers. In 2010, the local subsidiary increased its market share in the APP segment compared with 2009.


Net revenues and EBITDA totaled 14.7 million euros and 0.7 million euros, respectively. These improved results, compared with the previous year, were achieved thanks in part to the removal of government price controls.

The Group's BU in **Cuba** engages in the production of grapefruit juice and orange juice concentrate, fresh juices and orange and grapefruit essential oils. Production for the 2010-2011 campaign was not possible in 2010, due to the limited availability of raw materials.

# 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, 2010 and a comparison with the data at December 31, 2009.

### Total payroll by geographic region

| GEOGRAPHIC REGION | DECEMBER 31, 2010 | DECEMBER 31, 2009 |
|---|---|---|
| Italy | 2,130 | 2,233 |
| Europe excluding Italy | 1,402 | 1,383 |
| Canada | 2,884 | 2,919 |
| Africa | 2,405 | 2,343 |
| Australia | 1,771 | 1,707 |
| Central and South America | 3,338 | 3,203 |
| **Total** | **13,930** | **13,788** |

In 2010, the Group's staff increased by 142 employees, due mainly to the hiring of temporary workers in South America, Russia and Zambia, and of production employees in Australia. The main reasons for the decrease of 103 employee at the Italian BU include the shutdown of Pa.Di.Al, regular retirements, early retirements and reorganization of corporate functions and the sales force.

## Management and Development of Human Resources

In 2010, the Group began a process aimed at revising its performance assessment system and gradually introducing, starting in 2011, a system shared throughout the Group the main objectives of which are:

- assess resources with a uniform method and process throughout the Parmalat world;
- recognize individual contributions and disseminate a performance-oriented culture, encouraging the differentiation of individual tasks;
- facilitate the alignment with the organizational model of the Operating Companies (Op. Cos.) and with corporate KPIs;
- adopt a common and shared approach in identifying key resources and talents and in defining appropriate development and reward action plans, in line with business needs.

Group Guidelines for recruitment and hiring were published in 2010 with the aim of ensuring the adoption of homogeneous processes in the selection of new staff members.

All Group companies protect workplace safety and health and view respect of workers' rights as an issue of fundamental importance. Employees were required to attend specific training courses developed in this area.
Thanks to the constant support of the Professional Families, the effectiveness of training programs was enhanced through ongoing collaborative relationships both with prestigious external institutions and internal resources.

In addition, the following two international standing committees, comprised of members of Human Resource Departments in various countries, were established in 2010: a Committee for Compensation Policy, Benefits and Union Relations and a Committee for People Development and Training. The common objectives of both committees is to formulate guidelines regarding issues of common interest for the Group and support their adoption.

# 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 to interact with the communities of which each Group company is a member, the principles of social responsibility find concrete implementation in numerous initiatives, focused mainly on publicizing the principles of proper nutrition, often implemented alongside direct support activities.

Noteworthy initiatives included, in Australia "The West End Community House" project, which is a homeless shelter located near a Group facility that Parmalat Australia support by donating both cash and products. Projects in South Africa included assistance programs and initiatives to encourage prevention of HIV virus infection, as well as support for indigent communities through donations of products to non-profit associations. In Colombia, Parmalat supports with product donations three foundations whose mission is the nutritional heath of children.

In addition, Parmalat agreed to collaborate with the Intercultura Foundation for the third consecutive year, making available three scholarships that will provide deserving children of employees in Italy, Portugal and Colombia with enrollment, free of charge, in an annual school program in a foreign country during the 2011-2012 school year. 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, 2010 (excluding land and buildings)*

(€ m)

| | 2010 | | 2009 | |
|---|---|---|---|---|
| **REGION** | **AMOUNT** | **% OF THE TOTAL** | **AMOUNT** | **% OF THE TOTAL** |
| Italy | 35.9 | 27.0% | 29.9 | 32.9% |
| Europe excluding Italy | 8.5 | 6.4% | 6.1 | 6.7% |
| Canada | 47.3 | 35.6% | 30.1 | 33.1% |
| Africa | 6.3 | 4.8% | 4.1 | 4.5% |
| Australia | 27.4 | 20.6% | 8.7 | 9.6% |
| Central and South America | 7.4 | 5.6% | 12.0 | 13.2% |
| **Total for the Group** | **132.8** | **100.0%** | **90.9** | **100.0%** |

In 2010, the Group's capital expenditures totaled 132.8 million euros, for an increase of 46.1% 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 main investment projects included start of construction of a refrigerated warehouse in Canada (Rocket Project), installation of PET ESL packaging lines in Italy and dairy product production lines in Australia.
More detailed information is provided in the sections of this Report that review the performance of the individual BUs.

The amount shown for capital expenditures does not include the costs incurred to erect or purchase buildings or to buy land, which amounted to 9.5 million euros in 2010. The main projects carried out by the Group in this area included:

- in Italy, construction of a new packaging department and new premises annexed to the production facilities at the Zevio plant, expansion of existing buildings, major maintenance projects to comply with new regulatory requirements and several building renovations;
- in Colombia, construction of the facilities needed to house new production department and renovation of the old Bogota plant, which is being remodeled to accommodate new administrative offices, currently located in leased premises;
- in Venezuela, expansion of existing industrial facilities.

Capital expenditures do not include the cost of licensing and implementing information systems (13.6 million euros in 2010), incurred mainly in Italy and Canada.


parmalat
Pauls
Milk
FOR
life
Pauls
REAL
COFFEE
ICE
COLD
SILO 11
SILO 7

# Research and Development

Consistent with the Group' strategic objectives of increasing product cross-fertilization and strengthening central coordination, a Product Lyfecycle Management software has been implemented in all of the countries where the Group operates.

This software centralizes information concerning ingredients/suppliers, formulations, ingredient costs and final labels, while at the same time fostering collaboration and sharing among different Research Groups, who can now access, in real time, expertise and information available in other countries.
The flow of innovation and new product research is now controlled at the Corporate level and the various R&D Centers are aware of project started by colleagues in other countries.

This software covers several other areas, in addition to research. Specifically, it incorporates a module managed by International Marketing that includes fact sheets for all Parmalat products sold worldwide. Each product fact sheet lists both technical data and general information.

Work continued on the development and launch of new products, including new entries for the functional segment in Canada and Australia and new fruit-based products launched in Italy.

In each of the countries where the Group operates, the local R&D function promotes on an ongoing basis activities to optimize recipe costs and increase perceived product quality.

The laboratories of the R&D units continued the development of methods to test ingredient safety, monitor food quality and identify any instances of product non-compliance. Also in 2010, the Corporate R&D function carried out a coordination and analysis activity within the framework of the "Parmalat and Universities for Quality" project, a collaborative endeavor between Parmalat and five Italian universities pursuant to which Italian universities certify the main nutritional principles of Parmalat's products.

# Financial Performance

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

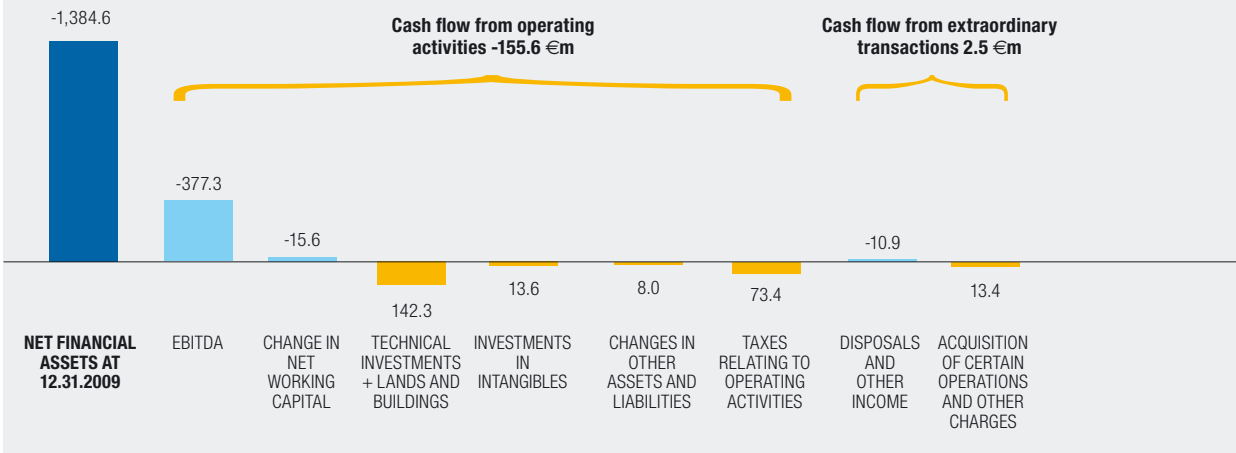
The cash management policy pursued both by Parmalat S.p.A. individually and the Group as a whole is guided by a conservative approach.

Consistent with the strategy pursued the previous year, 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 used to optimize the Group's financial structure through the reduction of external debt owed by the Group's main subsidiaries in Canada and Australia.

As a result of these transactions and the execution of the agreement with Parmalat Capital Finance ("PCF"), the indebtedness owed to banks and other lenders decreased from 260.4 million euros at December 31, 2009 to 38.1 million euros at December 31, 2010.

The Group's liquid assets totaled 1,473.3 million euros, including 1,268.9 million euros held by Parmalat S.p.A. This liquidity was invested in short-term bank deposits and Italian, French and German treasury securities. More than half of these investments mature within three month and the rest matures between three and six months. The liquid assets not held by Parmalat S.p.A. are held by individual Group companies, which invest them in the same instruments as the Parent Company. At the Group level, income from securities and bank interest totaled 13.5 million euros, including 10.0 million euros attributable to Parmalat S.p.A. The decrease in financial income compared with the previous year is due mainly to a worldwide reduction in interest rates.

**Consolidated Cash Flow January 1 - December 31, 2010**



# Change in Net Financial Position

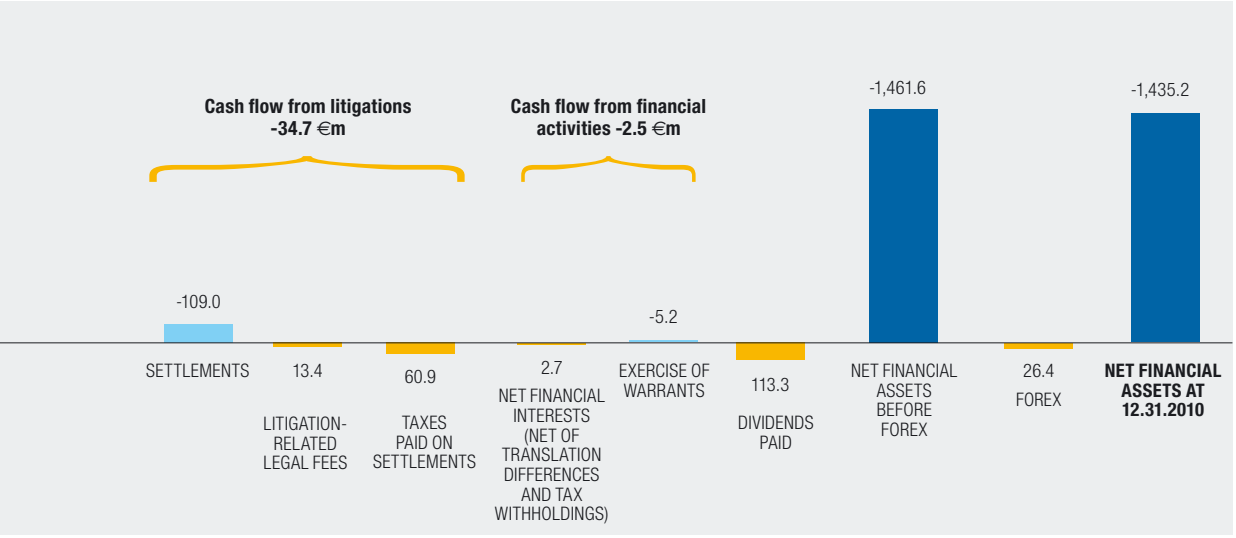
The Group's net financial assets increased from 1,384.6 million euros at December 31, 2009 to 1,435.2 million euros at December 31, 2010, after a negative foreign exchange effect of 26.4 million euros and the payment of dividends totaling 113.3 million euros. The signing of the agreement with PCF had the effect of completely eliminating the gross indebtedness in foreign currencies owed by the Venezuelan subsidiaries.

The cash flow from operating activities amounted to 155.6 million euros.

The cash flow from nonrecurring transactions totaled 2.5 million euros.

The positive contribution provided to the net financial position by litigation settlements totaled 34.7 million euros. This amount is the net result of 109.0 million euros in proceeds from settlements, less legal costs totaling 13.4 million euros and income taxes on settlements amounting to 60.9 million euros (balance due for 2009 and 2010 estimated payment). For presentation purposes, payments from distribution plans of companies under extraordianry administration are included among the proceeds from litigation settlements. The largest amounts were received from PCF (52.5 million euros), Parmatour (16.1 million euros), Deutsche Parmalat (7.0 million euros), licensees (6.5 million euros), UGF Banca (7.4 million euros) and GE Capital Finance (7.3 million euros).

The cash flow from financial transactions (exercise of warrants and net financial expense) totaled 2.5 million euros.



# Managing Business Risks

In the normal course of its business operations, the Group is exposed to the operating 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 it may not be able to perform obligations associated with financial liabilities;

and risks of a general nature.

Lastly, the Company and the Group are defendants in 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, 2010."

## Operating 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 throughout the production process, from the procurement of raw materials to the distribution of finished products.

The Group's Parent Company implemented a project to allow individual BUs to map operational risks. Operational risks are mapped by means of a special tool that ranks them based on probability of occurrence, potential economic impact and 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.

However, 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 coverages are constantly updated, using, when appropriate, the support of independent professionals.

# Financial Risks

The Group's financial risk management policy is coordinated through guidelines defined by the Parent Company and adjusted by each company in local policies adopted to address specific issues that exist in the 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 because purchases and sales made by operations in the different target markets are denominated almost exclusively in local currencies.
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.
Intra-Group facilities are provided by Parmalat S.p.A. in euros and the recipient company hedges the foreign exchange risk, using the best suited instruments.

Lastly, the companies that operate in countries with economies that are highly dependent on the oil industry are exposed to an economic risk. Specifically, the pressure that could develop on the currencies of such countries could translate into higher costs caused internally by the devaluation of the local currencies and these companies may not be able to fully reflect such increases in the prices of the products they sell.

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

## Interest Rate Risk

The repayment of indebtedness owed by the Canadian and Australian subsidiaries virtually eliminated the Group's exposure to the interest rate risk. Concurrent with repayment of their bank facilities, these two subsidiaries closed out the interest swaps with which they hedged these positions.

## Price Risk

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

### Credit Risk

The Group is not exposed to significant credit risk with regard to its cash and cash equivalents, since all of its liquidity is deposited with banks that are rated "investment grade," in the countries where this is possible, or it is invested in short-term treasury securities.

All of the liquidity of Parmalat S.p.A. is permanently held in Italy. At December 31, 2010, it was invested primarily in short-term securities: about 60% of the total amount was invested in treasury securities, with a slight preponderance of German and French treasury securities over Italian treasury securities. The remaining 40% was held in short-term deposits with banks rated "superior investment grade."

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.

In any case, because the Group's customer portfolio is diversified over different countries and within each country, the Group's exposure to commercial credit risk is limited.

### 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 forecasts concerning the financial 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 2010.

The abundant liquid assets held by 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 operates in countries that are more vulnerable to the effects of the global crisis. Consequently, in light of the preceding remarks, a continuation of the economic crisis, local situations of geopolitical uncertainty or environmental events could have an effect on the Group's performance.

***

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

***

Transactions among Group companies or 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.

# Tax Issues

The Group's tax burden totaled about 56 million euros in 2010, down sharply compared with the previous year.

The liability for current taxes, which amounted to about 94 million euros, reflects mainly a decrease in taxable income earned by the Group's Parent Company. The taxable income reported by the other Group companies was about the same as in 2009.

The Group's effective tax rate was about 16.4%. When litigation-related components are eliminated, the effective tax rate increases to 17.5%.

The effective tax rate of Parmalat S.p.A. was about 16.6%. Net of litigation components, the effective tax rate on income from regular activities increases to 20.2%. The main reason for the difference between the tax rate on income from regular activities and the statutory tax rate (31.4% including the regional tax rate) is due mainly to income excluded from the taxable base, consisting of dividends.

# 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 2010.

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).

### Group's Mission

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 consolidated 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 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.".*

### 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 Section "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 February 18, 2011, 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 1,735,386,326 euros had been subscribed and allocated; in relation with this amount please be informed that:

- 7,891,519 shares representing approximately 0.5% of the share capital are still in a deposit account c/o Parmalat S.p.A., of which:
  – 5,722,423 shares, or 0.3% of the share capital, registered in the name of individually identified

commercial creditors, are still deposited in the intermediary account of Parmalat S.p.A. centrally managed by Monte Titoli;

– 2,169,096 shares, or 0.1% of the share capital registered in the name of the Foundation, called Fondazione Creditori Parmalat, of which:
  - 120,000 shares representing the initial share capital of Parmalat S.p.A.;
  - 2,049,096 shares, or 0,1% of the share capital that pertain to currently undisclosed creditors.

As of the same date, a total of 89,897,433 warrants had been issued, 24,887,318 of which had been exercised.

Because the process of distributing shares and warrants is still ongoing, the Company's share capital could vary on a monthly basis until it reaches an amount that could reach 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 February 24, 2011, 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 have been computed based on a share capital of 1,735,386,326 euros, which is the amount deposited as of February 18, 2011.

| | | SIGNIFICANT INTERESTS | | |
|---|---|---|---|---|
| | | PLEDGED SHARES | | |
| SHAREHOLDER | NO. OF SHARES | NO. OF SHARES | PERCENTAGE | PERCENTAGE |
| Mackenzie Cundill Investments Mng. Ltd | 131,138,280 | | | 7.557% |
| BlackRock, Inc. | 85,816,937 | | | 4.945% |
| *held by: BlackRock Institutional Trust Company* | *38,836,067* | | | *2.238%* |
| *BlackRock Advisors Ltd* | *11,304,100* | | | *0.651%* |
| *BlackRock Fund Advisors* | *8,496,423* | | | *0.490%* |
| *BlackRock Asset Management Japan Ltd* | *5,881,012* | | | *0.339%* |
| *BlackRock Advisors LLC* | *4,922,663* | | | *0.284%* |
| *BlackRock Investment Management LLC* | *4,230,489* | | | *0.244%* |
| *BlackRock Asset Management Ireland Ltd* | *3,042,374* | | | *0.175%* |
| *BlackRock Investment Management UK Ltd* | *2,392,140* | | | *0.138%* |
| *BlackRock Asset Management Australia Ltd* | *1,315,082* | | | *0.076%* |
| *BlackRock Asset Management Deutschland AG* | *1,247,664* | | | *0.072%* |
| *BlackRock Asset Management Canada Ltd* | *924,656* | | | *0.053%* |
| *BlackRock International Ltd* | *538,638* | | | *0.031%* |
| *BlackRock Capital Management Inc.* | *624,567* | | | *0.036%* |
| *BlackRock Financial Management Inc.* | *792,093* | | | *0.046%* |
| *BlackRock Luxembourg SA* | *354,169* | | | *0.020%* |
| *BlackRock Fund Managers Ltd* | *435,771* | | | *0.025%* |
| *BlackRock Netherlands BV* | *303,109* | | | *0.017%* |
| *BlackRock Investment Management Australia Ltd* | *175,920* | | | *0.010%* |
| Skagen AS | 86,922,227 | | | 5.009% |
| Total for the Intesa S. Paolo Group | 40,274,358 | | | 2.321% |
| *shares held by Intesa San Paolo S.p.A.* | *36,930,518* | *411,658* | *0.00025* | *2.128%* |
| *shares held by other banks of the Sanpaolo IMI Group* | *3,343,840* | | | *0.193%* |
| Norges Bank Investment Management | 35,108,360 | | | 2.023% |
| **Total significant interests** | **379,260,162** | | | **21.855%** |

## 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 February 18, 2011, the Company's share capital amounted to 1,735,386,326 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 Section "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 Section "Composition and Election" below.

i) **Authorizations to Increase Share Capital and Authorizations to Buy Treasury Shares**
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.
The Company has not considered the option of submitting motions asking that the Shareholders' Meeting authorize the purchase of treasury shares, as required by Articles 2357 and following of the Italian Civil Code

l) **Significant Agreements**
For some of the Group's companies, the signing of agreements that contain change of control clauses is part of the normal process of negotiating major contracts. A review pertaining to this issue was carried out with regard to Parmalat S.p.A. and its subsidiaries; Parmalat Canada indicated that it was a party to an agreement with a "change of control clause", pursuant to which a former lender would be paid an amount equal to 10% of Parmalat Canada's equity value in the event of a change of control, as defined therein. The foregoing agreement terminates on 9 July 2011, unless an arrangement is undertaken before 9 July 2011 to cause a change of control and such arrangement is formally consummated before 9 July 2012, in which case the term of the agreement would be extended so as to allow the former lender to receive its payment accordingly.

m) **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.

n) **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.

# Board of Directors

## Composition and Election

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.

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.

As required by Article 11 of the Bylaws, as amended by the Board of Directors, 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, according to Article 11 of the Bylaws, 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 leave 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 at publicly traded companies; financial, banking and insurance institutions; and large businesses. The current Board of Directors was elected by the Shareholders' Meeting convened on April 9, 2008, on the second calling, and will remain in office up to the date of the Shareholders' Meeting convened to approve the annual financial statements at December 31, 2010.

The Directors currently in office were elected based on a slate of candidates filed by the following investors: *Lehman Brothers International (Europe), Angelo, Gordon & Co. LP, Stark Master Fund Ltd, Stark Global Opportunities Master Fund Ltd, Stark Criterion Master Fund Lt, MKM LongBoat Multi-strategy Master Fund Ltd and Zenit Fund.* The abovementioned slate was published in the following newspapers on March 27, 2008: *Il Sole 24 Ore*, *Corriere della Sera* and *Financial Times.*

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 (AS DEFINED BY GUIDELINE 1.C.2 OF THE CODE) THAT ARE NOT PART OF THE PARMALAT GROUP |
|---|---|---|
| **Raffaele Picella** | Chairman | ■ Chairman of Banca Campania S.p.A. |
| **Massimo Confortini** | Independent Director | ■ Director of Cementir Holding SpA<br>■ Independent Director of Caltagirone Editore SpA<br>■ Extraordinary Commissioner Antonio Merlonispin A.S. |
| **Enrico Bondi** | Chief Executive Officer* | |
| **Vittorio Mincato** | Independent Director | ■ Chairman Neri Pozzi SpA<br>■ Vice Chairman of Nordest Merchant SpA<br>■ Director of Tecnoholding SpA<br>■ Independent Director of Fiat SpA |
| **Marzio Saà** | Independent Director | ■ Director of Eridano Finanziaria Spa<br>■ Independent Director of Juventus Football Club SpA<br>■ Director of Società Italiana Tecnodinamica La Precisa SpA<br>■ Director Cofiber SpA<br>■ Director ITS SpA |
| **Carlo Secchi** | Independent Director | ■ Independent Director of Pirelli & C. SpA<br>■ Independent Director of Allianz SpA<br>■ Independent Director of Mediaset SpA<br>■ Independent Director of Italcementi SpA<br>■ Independent Director of Expo 2015 |
| **Ferdinando Superti Furga** | Independent Director | ■ Chairman Board of Stat. Auditors of Arnoldo Mondadori Editore SpA<br>■ Statutory Auditor of Telecom Italia SpA<br>■ Chairman Board of Stat. Auditors of Fininvest SpA<br>■ Independent Director of Giuseppe Citterio SpA<br>■ Vice Chairman of the Board of Directors of Sociètè Europèenne de Banque SA<br>■ Chairman Board of Stat. Auditors of Publitalia'80 SpA<br>■ Independent Director of Luisa Spagnoli SpA<br>■ Chairman Board of Stat. Auditors of Saras SpA |
| **Piergiorgio Alberti** | Independent Director | ■ Director of Finmeccanica SpA<br>■ Director Banca Carige SpA |
| **Marco De Benedetti** | Independent Director | ■ Director of Cofide SpA<br>■ Director of NBTY, Inc. |
| **Andrea Guerra** | Independent Director | ■ Chief Executive Officer of Luxottica SpA<br>■ Director of DEA Capital |
| **Erder Mingoli** | Independent Director | ■ Vice Chairman BoD of Lucchini RS SpA<br>■ Managing Director BoD of Lucchini RS SpA<br>■ Chairman BoD of Lucchini UK Ltd<br>■ Chairman BoD of Lucchini Sweden AB<br>■ Chairman BoD of Lucchini Poland Sp. Z.O.O. |

*(*) Also serves as Chairman of Fondazione Creditori Parmalat.*

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 page.

### Indipendence

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 election. These qualifications were checked by the Board of Directors at the first Board meeting after the election, which was held on April 9, 2008, after the Shareholders' Meeting had been adjourned. 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 Section 3.C.1 of the Corporate Governance Code published by Borsa Italiana, 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 Section 3.C.1 of the Code and the provisions established in paragraph 3, of Article 148 of TUF, as well as in article 12 of Parmalat's Bylaws. The outcome of this review was communicated to the market on April 9, 2008.

The current Board of Directors includes nine 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 2, 2011, 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 2010, the independent Directors met separately from the other Directors on one occasion (on April 1st, 2010).

### 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 questionnaire by which they assessed the Board's performance in terms of the parameters referred to above and provided suggestions about the inclusion of members with professional qualifications that could prove useful to the Board. The self-assessment questionnaire was submitted 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 2010 financial year was performed by the Board of Directors at a meeting held on March 2, 2011.

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. The Board of Directors ascertained periodically the implementation of the self assessment process.

### Guidelines About the Maximum Number of Governance Positions

At its meeting of December 11, 2007, 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) - provided 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 five (5) Boards of Directors or Boards of Statutory Auditors (including the Board of Directors of Parmalat SpA) of companies whose securities are traded on a regulated market in Italy or abroad. 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

At a meeting held on April 9, 2008, after the Shareholders' Meeting has been adjourned, the Board of Directors appointed Raffaele Picella Chairman of the Board of Directors and Enrico Bondi 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 April 9, 2009, 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 in Section "Functions of the Board of Directors" below. 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.

At each meeting of the Board of Directors, as required by Article 2381 of the Italian Civil Code and Article 150 of Legislative Decree No. 58/98, the Chief Executive Officer reports to the Board of Directors and the Board of Statutory Auditors on the work he has performed, the use of the powers of attorney he has been granted and the material transactions not requiring the prior approval of the Board of Directors that were executed by the Company and its subsidiaries.

In the performance of their duties, the Directors reviewed the information provided by the Chief Executive Officer, specifically asking the CEO to provide clarifications, in-depth analyses and

additional information as may have been necessary and appropriate for a complete and accurate assessment of the facts brought to the attention of the Board of Directors.

In order to help the Directors gain greater insight into the Company's organization and its businesses, the respective Chairmen invited Company executives, mainly from Operations, Planning, Control and Group Reporting, the Corporate Accounting Documents Officer *(Dirigente Preposto alla redazione dei documenti contabili societari)* and Human Resources, to attend meetings of the Board Committees (Nominating and Compensation Committee and Internal Control and Corporate Governance Committee) for the purpose of discussing and analyzing in greater detail specific Company issues. The subjects that were reviewed and discussed, on occasion with the assistance of an outside expert, included the Company's market positions and its potential and strategies. The Board Committees report to the Board of Directors to which take part, on a regular basis, the Chief Financial Officer and the General Manager in charge for Operations.

# Functions of the Board of Directors

## Functions 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.

The Board of Directors, during the meeting held on April 9, 2008, agreed to confirm in its entirety the resolution approved on July 25, 2007, which specified the issues that are exclusively under the jurisdiction of the Board of Directors and, consequently, clarified more effectively how the new guidelines of Borsa Italiana S.p.A. are being implemented.
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.

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. This body of knowledge made it possible to analyze issues from different perspectives and contributed to the development of a lively discussion, which is the hallmark of a collegial, reasonable and informed decision making process.

### The Parmalat Code of Conduct

The Code of Conduct approved by the Board of Directors of Parmalat S.p.A. on March 1, 2005, 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 April 9, 2008.
The Parmalat Code of Conduct is available on the Company website: www.parmalat.com - Corporate Governance page.

On July 29, 2010, Parmalat's Board of Directors, subsequent to a review performed by the Internal Control and Corporate Governance Committee on July 26, 2010, agreed to amend Article 13 of the Parmalat Code of Conduct and the Regulations of the Internal Control and Corporate Governance Committee, due to the enactment of a Uniform Code for Legally Recognized Auditing by Legislative Decree No. 39 of January 27, 2010. Article 19 of the abovementioned Uniform Code assigns specific oversight responsibilities to the Board of Statutory Auditors with regard to:

a) the financial reporting process;
b) the effectiveness of the system of internal controls, the internal auditing system and, if applicable, the risk management system;
c) the legally recognized auditing of the annual and consolidated financial statements;
d) the independence of legally recognized independent auditors or legally recognized auditing firms, specifically with regard to the provision of non-auditing services to the company subject of a legally recognized audit of its financial statements.

This development made it necessary to develop a coordination mechanism between the Internal Control and Corporate Governance Committee and the Board of Statutory Auditors with regard to issues of common interest.

In order to provide a clear disclosure of the progress made in implementing the guidelines of Borsa Italiana's Corporate Governance Code, the table that follows provides an overview of the guidelines adopted by Parmalat.

## Additional Requirements of the Code

| | YES | NO | BRIEF EXPLANATION OF THE REASON FOR NOT FOLLOWING THE CODE'S RECOMMENDATIONS |
|---|---|---|---|
| **System for the Delegation of Powers and Transactions with Related Parties** | | | |
| Did the BoD delegate powers defining: | | | |
| a) the scope of the powers | ☑ | | |
| b) the manner in which they may be exercised | ☑ | | |
| c) the reporting intervals | ☑ | | |
| Has the BoD reserved jurisdiction over reviewing and approving transactions that could have a material effect on the Company's operating performance, balance sheet or financial position (including transactions with related parties)? | ☑ | | |
| Has the BoD defined guidelines and criteria to identify "material transactions"? | ☑ | | |
| Are these guidelines and criteria described in this Report | ☑ | | |
| Has the BoD established specific procedures for the review and approval of transactions with related parties? | ☑ | | |
| Are the procedures for the approval of transactions with related parties described in this Report? | ☑ | | |

| | YES | NO | BRIEF EXPLANATION OF THE REASON FOR NOT FOLLOWING THE CODE'S RECOMMENDATIONS |
|---|---|---|---|
| **Latest procedures for the election of Directors and Statutory Auditors** | | | |
| Were the slates of candidates to the post of Director filed at least 15 days before the Shareholders' Meeting? | ☑ | | Superseded. On July 29, 2010, the Bylaws were amended to include the mandatory changes required by Legislative Decree No. 27 of January 27, 2010.<br>According to the new 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. |
| Were the slates of candidates to the post of Director filed together with adequate information? | ☑ | | |
| Were the slates of candidates to the post of Director filed together with affidavits by the candidates attesting that they qualified as independent Directors? | ☑ | | |
| Were the slates of candidates to the post of Statutory Auditor filed at least 15 days before the Shareholders' Meeting? | ☑ | | Superseded. On July 29, 2010, the Bylaws were amended to include the mandatory changes required by Legislative Decree No. 27 of January 27, 2010.<br>According to the new Bylaws, 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. |
| Were the slates of candidates to the post of Statutory Auditor filed together with adequate information? | ☑ | | |
| **Shareholders' Meetings** | | | |
| Did the Company approve Shareholders' Meeting regulations? | | ☑ | For the time being, the Company has not proposed the adoption of specific Shareholders' Meeting regulations because it believes that the power attributed by the Bylaws to the Chairman of the Meeting are sufficient to maintain an orderly performance of Shareholders' Meetings, thereby avoiding the risks and inconveniences that could result, should a Shareholders' Meeting fail to comply with Meeting regulations. Pursuant to article 10 of the Bylaws, the Chairman of the Meeting is responsible for ascertaining whether the Meeting has been properly convened, managing the progress of the Meeting and discussion of the items on the Agenda and verifying voting results. |

| | YES | NO | BRIEF EXPLANATION OF THE REASON FOR NOT FOLLOWING THE CODE'S RECOMMENDATIONS |
|---|---|---|---|
| Are these Regulations annexed to this Report? | | ☑ | |
| **Internal Control** | | | |
| Did the Company appoint Internal Control Officers? | ☑ | | |
| Are these Officers hierarchically independent of operational managers? | ☑ | | |
| Is there an organizational unit responsible for the internal control system (as per Article 9.3 of the Code)? | ☑ | | |
| **Investor Relations** | | | |
| Did the Company appoint and Investor Relations Officer? | ☑ | | |
| Contact information | | | Cristina Girelli<br>Tel: +39 0521 808550<br>E-mail: c.girelli@parmalat.com |

## 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 2010, the Board of Directors met 5 (five) times. The attendance percentage of each Director at the abovementioned Board meetings is listed below:

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

Four meetings of the Board of Directors have been planned for 2011. At the first of these meetings, scheduled for March 2, 2011, the Board will review this Annual Report on Corporate Governance.

A calendar of Board meetings planned for 2011 to review annual and interim results was communicated to the market and Borsa Italiana on January 26, 2011 in a press release that was also published on the Company website: www.parmalat.com - Investor Relations - Press Releases page. 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 "B," 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.

At a meeting held subsequent to the adjournment of the Shareholder's Meeting of April 9, 2008, the Board of Directors agreed to keep in place its existing internal Committees. At the same meeting, the Board of Directors also approved the various Committee regulations.

The establishments of the Internal Committees of the Board of Directors 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 on a regular basis 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

This Committee, which comprises three independent Directors without executive authority (Massimo Confortini, Chairman; Ferdinando Superti Furga; and Vittorio Mincato), 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.

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

In 2010, the Litigation Committee met 4 (four) times. Each meeting was attended by all Committee members, who reviewed all settlement proposals prior to their approval by the Board of Directors. Minutes were kept of each Committee meeting.

A breakdown of Committee meetings is provided below:

| COMMITTEE MEMBERS | NUMBER OF MEETINGS ATTENDED IN 2010 | ATTENDANCE PERCENTAGE |
|---|---|---|
| Massimo Confortini | 4 | 100 |
| Ferdinando Superti Furga | 4 | 100 |
| Vittorio Mincato | 4 | 100 |

# Nominating and Compensation Committee

This Committee, which has three members (Carlo Secchi, Chairman, Andrea Guerra and Marco De Benedetti), performs 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 2010, the Nominating and Compensation Committee met 3 (three) times, with 100% attendance by virtually all members. At those meetings, the Committee reviewed the program for the management and development of the corporate staff. Also the Chairman of the Board of Directors, the Chief Executive Officer and the Group Human Resources Director were invited to attend Committee meetings.

Meetings of the Committee have been duly recorded.

A breakdown of Committee meetings is provided below:

| COMMITTEE MEMBERS | NUMBER OF MEETINGS ATTENDED IN 2010 | ATTENDANCE PERCENTAGE |
|---|---|---|
| Carlo Secchi | 3 | 100 |
| Andrea Guerra | 2 | 66.67 |
| Marco De Benedetti | 3 | 100 |

# Compensation of Directors

On April 9, 2008, the Shareholders' Meeting approved a resolution awarding Directors who serve as committee members an additional variable compensation amount based on the actual number of committee meetings. This additional compensation is listed in the section of this Report entitled "Compensation of Directors and Statutory Auditors."

The total compensation allotted to the Directors currently in office was set at the Shareholders' Meeting held on April 9, 2008, concurrently with the election of the Board of Directors. Information about the compensation of Directors is provided in a schedule entitled "Compensation of Directors and Statutory Auditors," which is appended to this Report as Annex "A."

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 m), paragraph 2.3 of the present Report.

# Internal Control and Corporate Governance Committee

This Committee, which comprises three independent Directors without executive authority (Marzio Saà, Chairman; Carlo Secchi; and Ferdinando Superti Furga), performs a consulting and proposal-making function. Sessions of the Committee are attended by the Chairman of 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)[1] 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 evaluates proposals put forth by independent auditors who are seeking the award of the audit assignment, their audit work plans and the findings contained in the audit report and the suggestion letter.
- 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 performs any additional assignments it receives form the Board of Directors, particularly with regard to the relationship with the independent auditors.

*(1) these are rules concerning corporate governance and the obligation to oversee and assess the overall performance of the Company's operations.*

- 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.

In 2010, the Internal Control and Corporate Governance Committee met 9 (nine) times. Each meeting was attended by all Committee members and by the Chairman of the Board of Statutory Auditors and/or other Statutory Auditors. Also the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer and the General Manager on Operations have been invited to the Committee's meetings.
Each meeting was also attended by the Head of Internal Audit Corporate, the Head of Planning, Control and Group Reporting, the Head of Corporate Affairs, and, for specific projects, the Head of Information Technology and the Head of Group Organization Structure.The guests reported to the Committee about the principal activities in progress and updated it about the work it has performed.
The Committee reviewed the valuation criteria and accounting principles applied to prepare the income statement and balance sheet prior to their submission to the Board of Directors, the Group's independent audit plan, the annual internal audit plan, the projects carried out to implement the Company's governance rules (including the appointment of the Internal Control Officer, as required by Law No. 262/05), the programs launched in connection with Legislative Decree No. 231/2001 and those concerning market abuse. Other issues discussed at Committee meetings included a project to streamline the corporate chain of control and a project to analyze/manage operational risks. The programs related to Legislative Decree No. 231/2001 are discussed in greater detail in Section below on the Internal Control System.
The Committee also provided the Board of Directors with a report reviewing the effectiveness of the internal control system.
Minutes were kept of each Committee meeting.

A breakdown of Committee meetings is provided below:

| COMMITTEE MEMBERS | NUMBER OF MEETINGS ATTENDED IN 2010 | ATTENDANCE PERCENTAGE |
|---|---|---|
| Marzio Saà | 9 | 100 |
| Carlo Secchi | 9 | 100 |
| Ferdinando Superti Furga | 9 | 100 |

# 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.
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. The members of the Oversight Board are an independent Director (Marzio Saà), a Statutory Auditor (Enzio Bermani) 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 2010, the Oversight Board met 5 times. 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 February 25, 2010, the Board of Directors approved a budget earmarked for use by the Oversight Board in 2010. In 2010, 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.

In 2010, the organizational model used by Parmalat was updated to address an expansion of the range of prosecutable offenses, particularly with regard to the provisions of Article 25-bis and Article 25-novies of Legislative Decree No. 231/01 concerning food-product fraud.

Additional work included the completion of a training program, coordinated by the Group's Parent Company, concerning the implementation of the Occupational Health and Safety Management System, in accordance both with the provisions of Legislative Decree No. 81/08 and the Organizational Model adopted pursuant to Legislative Decree No. 231/01.

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

AIn 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 Company and some of its subsidiaries completed a risk assessment program of their main operating processes that will lead to a better and more specific

risk identification and management, both individually by each department and, at the Group level, by the Board of Directors. The Board of Directors plans to broaden the scope of the abovementioned assessments to include the more important subsidiaries, in order to monitor their performance and how mapped risks are being managed.
To supplement and round off the actions described above with regard to risks and uncertainties, the Company adopted procedures that enable it to collect data and information about its main subsidiaries for the purpose of monitoring risks and uncertainties that are typical of its industry.
Responsibility for managing these risks rests with local management.

## Independent Auditors

The law requires that each year a firm of independent auditors ascertain that the Company's accounting records are properly maintained and faithfully present the results of operations, and that the statutory and consolidated financial statements fairly reflect the data in the accounting records, are consistent with the findings of the audits performed and comply with the applicable statutes.

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.

## 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.

As part of the process of appointing 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 Company found that its Chief Financial Officer, PL De Angelis, was the person best qualified to meet the requirements of the Uniform Financial Code, as amended. The appointment of the Documents Officer, which falls under the jurisdiction of the Board of Directors, was carried out by a resolution that the Board of Directors, acting with the support of the Board of Statutory Auditors and of the Internal Control and Corporate Governance Committee, approved on July 25, 2007. 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.
On November 11, 2010, the Board of Directors approved the 2011 expense budget of 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 on July 2007, 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.
The Accounting and Administrative Risk Management Model was completed in 2010 and was then approved by the Chief Executive Officer, consistent with a favorable opinion provided the Internal Control and Corporate Governance Committee. This document is a compendium of all measures adopted to manage administrative and accounting risks, as described above.

# 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 Procedure, which was adopted on December 1, 2010 in compliance with the regulation, is applied 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.

# 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 at the Shareholders' Meeting of April 9, 2008. It will remain in office until the Shareholders' Meeting convened to approve the financial statements at December 31, 2010. No members of the current Board of Statutory Auditors has been elected by minority shareholders because only one slate was filed when elections were held in 2008.
The current Board of Statutory Auditors includes the following three Statutory Auditors:

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

and the following two Alternates:

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

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

| NAME OF STATUTORY AUDITORS | POST HELD AT PARMALAT SPA | POSTS HELD AT OTHER COMPANIES |
|---|---|---|
| **Alessandro Dolcetti** | Chairman | ■ Chairman Board of Stat. Auditors Mediagraf SpA |
| **Enzio Bermani** | Statutory auditor | ■ Statutory Auditor of Sistemi di Energia SpA<br>■ Statutory Auditor Cimberio SpA<br>■ Chief Exeutive Officer RCS Investimenti SpA |
| **Renato Colavolpe** | Statutory auditor | ■ A2A Energia SpA<br>■ Edipower SpA<br>■ Edison Trading SpA<br>■ Edison Energia SpA<br>■ Edison International SpA |

The Statutory Auditors currently in office were elected based on a slate of candidates filed by the following investors: *Lehman Brothers International (Europe), Angelo, Gordon & Co. LP, Stark Master Fund Ltd, Stark Global Opportunities Master Fund Ltd, Stark Criterion Master Fund Lt, MKM LongBoat Multi-strategy Master Fund Ltd e Zenit Fund.* The abovementioned slate was published in the following newspapers on March 27, 2008: Il Sole 24 Ore, Corriere della Sera and *Financial Times*.

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.

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 April 9, 2008, the Board of Statutory Auditors verified that its members were in compliance with the independence requirements set forth in Guideline 10.C.2 of the Code.

At a meeting held on December 16, 2010, the Board of Statutory Auditors verified whether its members continued to meet the Code's independence requirements.

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 "C" to this Report.
In 2010, 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 other member of the Board, attended all the Committee meetings. In addition, a Statutory Auditor (E. Bermani) is also a member of the Oversight Board established pursuant to Legislative Decree No. 231/01 and attended all Oversight Board meetings from the date of his appointment on July 3, 2009.

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, as part of the tasks that it is required to perform pursuant to law, the Board of Statutory Auditors checked that the verification criteria and procedures adopted by the Board of Directors to assess the independence of its members were being properly applied. Lastly, the Board of Statutory Auditors supervises on the independence of the firm of independent auditors.

The Board of Statutory Auditors met 16 (sixteen) times in 2010. Almost all of the Members attended the meetings. A breakdown of the meetings of the Board of Statutory Auditors is provided below:

| COMMITTEE MEMBERS | NUMBER OF MEETINGS ATTENDED IN 2010 | ATTENDANCE PERCENTAGE |
|---|---|---|
| Alessandro Dolcetti | 15 | 93.75 |
| Enzio Bermani | 16 | 100.00 |
| Renato Colavolpe | 15 | 93.75 |

The compensation payable to the Board of Statutory Auditors, which was approved by the Shareholders' Meeting on April 9, 2008, is outlined in a schedule entitled "Compensation of Directors and Statutory Auditors," which is appended to this Report as Annex

# Relationship with Shareholders

Parmalat's communication policy is based on maintaining an ongoing dialog with 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 in a manner that prevents the occurrence of "timing differences" in the disclosure of information and ensures that the same information is made available at the same time to all shareholders.

The ongoing disclosure of information to investors, the market and the media is achieved by means of press releases; regular meetings with institutional investors, the financial community and the media; 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 in the *Official Gazette of the Italian Republic,* two Italian newspapers with national circulation and the *Financial Times,* and makes material with relevant information available on its website at least 15 days before the date of each Shareholder's Meeting.

In addition to the opportunities provided by the Shareholders' Meetings, the Company's dialog with its shareholders and institutional investors continues on the occasion of regular meetings with the financial community organized by the Investor Relations Office, headed by C. Girelli, and with the support of the Corporate Affairs Office.

# Shareholder's Meeting

Shareholders' Meetings are convened in Ordinary or Extraordinary Session pursuant to law, unless one is called to vote on resolutions concerning amendments to Article 10 (Convening, Chairing and Handling Shareholders' Meeting), Article 11 (Board of Directors), Article 12 (Requirements of Independent Directors), Article 15 (Meetings of the Board of Directors), Article 16 (Resolutions of the Board of Directors), Article 17 (Powers of the Board of Directors - Delegation of Powers) or Article 18 (Committees) of the Bylaws, which, until the approval of the financial statements for the 2009 fiscal year, will require the favorable vote of shareholders representing at least 95% of the share capital.

Please be advised that as mentioned in the Proposal of Composition with Creditors annex to the Prospectus filed with the Consob on May 27, 2005, these governance rules cannot be modified for a period of at least five years from the date of the deposit (October 1, 2005) of the decision approving the Proposal of Composition with Creditors (as stated in Article 4.8 of the Proposal of Composition with Creditors).

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 Shareholders' Meetings. Pursuant to the Bylaws (Articles 8, 9 and 10), 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 firs 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 who has not as yet been appointed.

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 2010, a Shareholders' Meeting was held on April 1, 2010 for the purpose of approving the 2009 Annual Report and elect a Statutory Auditor and an Alternate.

# 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"

# Compensation of directors and statutory auditors

On April 9, 2008, the Shareholders' Meeting approved a resolution granting to the Board of Directors a total annual compensation of 1,300,000.00 euros. On April 9, 2008, the Board of Directors allocated this amount as follows:

- To each Director a fixed fee of €30,000.00 and a variable fee of up to €20,000.00, based on the percentage of attendance at Board meetings, as follows:
  for less than 50% attendance €0;
  for an attendance between 50% and 70% €10,000.00;
  for an attendance greater than 70% €20,000.00;
- For the Chairman an additional fee of €250,000.00;
- For the Chief Executive Officer and additional fee of €500,000.00.

**Compensation of Committee Members**

Directors who serve on Board Committee receive an additional variable compensation, based on actual attendance at Committee meetings amounting to 3,900 euros per meeting for Committee members and 6,500 euros per meeting for the Committee Chairman.

# Compensation for 2010 - Amounts in thousands of euros

| | FIXED ANNUAL FEE | VARIABLE FEE | COMMITTEE ATTENDANCE FEE | OVERSIGHT BOARD FEE | TOTAL COMPENSATION FOR POSTS HELD AT THE COMPANY PREPARING ANNUAL FINANCIAL STATEMENTS FROM JANUARY 1, 2010 TO DECEMBER 31, 2010 | NON-CASH BENEFITS | BONUS AND OTHER INCENTIVES | OTHER COMPENSATION |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Raffaele Picella | 280 | 20 | | | 300 | | | |
| Enrico Bondi | 530 | 20 | | | 550 | | | |
| Vittorio Mincato | 30 | 20 | 15.6 | | 65.6 | | | |
| Marco De Benedetti | 30 | 20 | 11.7 | | 61.7 | | | |
| Piergiorgio Alberti | 30 | 20 | | | 50 | | | |
| Andrea Guerra | 30 | 20 | 7.8 | | 57.8 | | | |
| Carlo Secchi | 30 | 20 | 54.6 | | 104.6 | | | |
| Massimo Confortini | 30 | 20 | 26 | | 76 | | | |
| Marzio Saà | 30 | 20 | 58.5 | 13 | 121.5 | | | |
| Erder Mingoli | 30 | 20 | | | 50 | | | |
| Ferdinando Superti Furga | 30 | 20 | 50.7 | | 100.7 | | | |
| | **1,080** | **220** | **224.9** | **13** | **1,537.9** | **-** | **-** | **-** |
| **Statutory Auditors** | | | | | | | | |
| Alessandro Dolcetti | 65 | | | | 65 | | | |
| Enzio Bermani | 45 | | | 13 | 58 | | | |
| Renato Colavolpe* | 45 | | | | 45 | | | |
| | **155** | | | **13** | **168** | **-** | **-** | **-** |

*The Shareholders' Meeting of April 9, 2008 resolved to award to the Statutory Auditors an annual remuneration of 45,000.00 for each Statutory Auditor and annual remuneration of 65,000.00 euros for the Chairman of the Board of Statutory Auditors.*

*(*) Renato Colavolpe was elected by the Shareholders' Meeting of April 1, 2010.*

| | FIXED ANNUAL FEE | VARIABLE FEE | COMMITTEE ATTENDANCE FEE | OVERSIGHT BOARD FEE | TOTAL COMPENSATION FOR POSTS HELD AT THE COMPANY PREPARING ANNUAL FINANCIAL STATEMENTS FROM JANUARY 1, 2010 TO DECEMBER 31, 2010 | NON-CASH BENEFITS | BONUS AND OTHER INCENTIVES | OTHER COMPENSATION |
|---|---|---|---|---|---|---|---|---|
| Antonio Vanoli<br>Chief Operating Officer ** | - | - | - | - | - | 2.5 | 253 | 1,000 |
| **Managers with Strategic Responsibilities** | **-** | **-** | **-** | **-** | **-** | **42** | **454** | **1,845** |

*(**) The preceding table was prepared as follows:*

*- Fixed compensation amounts are listed in the "Other compensation" column;*
*- Bonus amounts are listed in the "Bonus and other incentives" column;*
*- The value of housing accommodations, the conventional value of a Company car, the value of casualty and life insurance premiums and the indemnities provided pursuant to Article 10 of National Collective Labor Agreement for Executives are listed in the "Non-cash benefits" column.*

# Annex "B"

## Equity investments held by members of the corporate governance bodies

| FIRST AND LAST NAME | INVESTEE COMPANY | NUMBER OF SHARES HELD AT JANUARY 1, 2010 | NUMBER OF SHARES BOUGHT IN 2010 | NUMBER OF SHARES BOUGHT IN 2010 | NUMBER OF SHARES HELD AT DECEMBER 31, 2010 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Picella Raffaele | - | - | - | - | - |
| Bondi Enrico | - | - | - | - | - |
| Confortini Massimo | - | - | - | - | - |
| De Benedetti Marco | - | - | - | - | - |
| Superti Furga Ferdinando | - | - | - | - | - |
| Guerra Andrea | - | - | - | - | - |
| Mincato Vittorio | - | - | - | - | - |
| Alberti Piergiorgio | - | - | - | - | - |
| Mingoli Erder | - | - | - | - | - |
| Saà Marzio | - | - | - | - | - |
| Secchi Carlo | - | - | - | - | - |
| **Statutory Auditors** | | | | | |
| Dolcetti Alessandro | - | - | - | - | - |
| Bermani Enzio | - | - | - | - | - |
| Colavolpe Renato | - | - | - | - | - |

# Annex "C"

## Personal and professional data of the members of the board of statutory auditors

### ALESSANDRO DOLCETTI - Chairman of the Board of Statutory Auditors

Alessandro Dolcetti was born in Cortina d'Ampezzo (BL) on August 18, 1962. He graduated from the University of Venue with a Degree in Business Economics. He is listed in the Register of Certified Public Accountants and in the Register of Independent Auditors. He provides professional services to industrial and financial companies, with special emphasis on industrial reorganization transactions, acquisitions and corporate governance issues. Currently, he is Of Counsel of Simmons & Simmons in Rome. In 1986, he joined the Pirelli Group, Tires Division, working in the areas of financial controlling and key account management at the Milan and Frankfurt offices. From 1994 to 2004 he worked as a consultant on corporate and tax issues at Fantozzi & Associati, a law firm specialized in taxation.

### ENZIO BERMANI - Statutory Auditor

Enzio Bermani was born in Casalbeltrame ( NO ) on July 17, 1931. He holds a Degree in Economics and Business Administration from the Bocconi University in Milan and is listed in the Register of Independent Auditors. After 2000, he served as Chief Executive Officer of RCS Investimenti S.p.A. and Statutory Auditor at several companies. From 1983 to 1999, he worked at the Fila Group as manager of the Accounting, Finance, Control and Systems Department. In 1993, when the Fila Group was listed on the New York Stock Exchange (NYSE), he was appointed Chief Financial Officer. He was Chief Executive Officer of Fila Sport S.p.A. from 1995 to 1999 and served on the Boards of Directors of several companies in the Fila Group. Until 1983, he developed his career at the B.P.D. Group, where he rose to become Deputy General Manager, in charge of accounting, finance, control, systems and human resources of S. Andrea Novara S.p.A.

### RENATO COLAVOLPE - Statutory Auditor

Renato Colavolpe was born in Naples on February 7, 1953. He holds a Law Degree from the Cattolica University of Milan. He is listed in the Register of Lawyers in Milan and in the Register of Independent Auditors. From 1979 to 1988 he developed his experience in fiscal and corporate affairs fields for several principal companies (such as Banco Ambrosiano, Bastogi I.R.B.S.S. and Snia BPD). Form 1989 to 1995 he also cooperated with "Studio di Consulenza Tributaria e Legale Pirola, Pennuto, Zei & Associati" assisting them for several transaction of acquisition related to shareholding, companies, mergers, contribution of capital and joint venture. Following this experience, he opened his Law firm in Milan (Square Guastalla 10) and he is currently mainly focused on Corporate Governance System and in Company's Control System also with reference to the regulation of administrative responsibility for agency.

# Key Events of 2010

### Devaluation of the Bolivar

Subsequent to the devaluation of the bolivar fuerte on January 8, 2010, a new system for transaction in securities denominated in foreign currencies was introduced on June 4, 2010. Under this system, the Venezuelan Central Bank has sole jurisdiction over regulating transactions involving securities of any issuer denominated in foreign currencies. Transactions in these securities provide residents with a source of foreign currency in addition to the amount available from the monetary authorities (Comisión de Administración de Divisas).

### Settlement with Parmalat Capital Finance

On February 25, 2010, Parmalat S.p.A. reached a settlement agreement with Parmalat Capital Finance ("PCF"). Under the settlement, Parmalat S.p.A. released from an order of attachment 5.6 million shares previously issued for the benefit of PCF and awarded 12.4 million new shares (already issued) to PCF, while at the same time desisting from enforcing any claims against PCF in the bankruptcy proceedings (without any assets) pending in the Cayman Islands. In exchange, PCF waived all of its claims against Parmalat S.p.A., anywhere in the world, including claims filed past the statutory deadline against Parmalat S.p.A. in A.S. and the liability actions filed as single shareholder against Parmalat Finanziaria S.p.A. in A.S. (claim of 1.7 billion euros). Moreover, PCF transferred to Parmalat a receivable for a loan provided to Parmalat de Venezuela ($45 million, plus accrued interest) and other sundry claims. On March 30, 2010, the Court in the Cayman Islands approved the settlement, which thus became final.

### Fire at Centrale del Latte di Roma

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

### Equity Investment in Centrale del Latte di Roma

A number of decisions have been handed down in the dispute started by Ariete Fattoria Latte Sano with regard to Centrale del Latte di Roma (started in 2000 and still pending).

After a series of contrasting decisions by administrative judges, the Council of State, by a decision handed down on March 1, 2010, voided the privatization of Centrale del Latte di Roma. Parmalat filed two separate appeals against this decision and against another decisions handed down by the Council of State in 2010 that rejected an appeal for revocation. Both appeals are pending before the Court of Cassation.

Despite the fact that the Council of State's decision has not become final, both Ariete Fattoria Latte Sano and the City of Rome filed two separate compliance motions demanding enforcement of the abovementioned decisions. Parmalat joined these proceedings resisting the motion and arguing that, in addition to the fact that the decisions subject of the compliance motions are not final, in its opinion, the request that the shares be returned is devoid of merit because no decision in these proceedings found that the City of Rome had title to the shares representing Parmalat's equity interest in Centrale del Latte di Roma.

Parmalat filed with the Civil Court of Rome a motion for an action to establish its ownership of the shares representing its interest in Centrale del Latte di Roma. In any case, any claim for the surrender of the shares held by Parmalat could not be enforced without the City of Rome concurrently making available the consideration for the increased value of Centrale del Latte di Roma.

**Agreement Between Parmalat and UGF Banca S.p.A.**

On November 23, 2010, Parmalat reached an agreement with UGF Banca S.p.A. (formerly Unipol Banca S.p.A.) settling disputes related to the period prior to the failure of the Parmalat Group. Pursuant to this agreement, UGF Banca S.p.A. paid to Parmalat S.p.A. the amount of 7,358,000.00 euros, plus a contribution towards legal expenses, in exchange for Parmalat S.p.A. abandoning the action to void that it filed against UGF Banca S.p.A. In addition, UGF Banca S.p.A. waived the right to demand the inclusion the settlement payment among the Composition's liabilities.

**Agreement Between Parmalat and GE Capital Finance S.p.A.**

On December 22, 2010, Parmalat reached an agreement with GE Capital Finance S.p.A. settling the dispute arising from the action to void filed by Parmalat S.p.A. in A.S. against GE Capital Finance S.p.A. Pursuant to this agreement, GE Capital Finance S.p.A. paid to Parmalat S.p.A. the total amount of 7,300,000.00 euros and waived the right to demand the inclusion the settlement payment among the Composition's liabilities.

# Events occurring after December 31, 2010

**The Second Circuit Court of Appeals Reinstates the Proceedings Concerning Whether the Illinois State Court Has Jurisdiction to Hear the Lawsuit Filed Against Grant Thornton**

On January 18, 2011, the Second Circuit Court of Appeals ruled that the New York Federal District Court erred in applying the U.S. bankruptcy law when it ruled that the proceedings should continue under the federal jurisdiction, rejecting Parmalat's argument that the Federal Court should abstain from hearing the merits of these proceedings, which properly belong before the Illinois State Court, where Parmalat originally filed its complaint. The Court of Appeals thus sent the proceedings back to the New York Federal District Court, asking it to reconsider, based on the correct principles of law, the motion filed by Parmalat asking the court to abstain from hearing this case.

With this decision, the Court of Appeals reopens the possibility that, after a review by the District Court, the proceedings could be sent back for a full merit review to the Illinois State Court, which, as Parmalat argued from the start, has jurisdiction over these proceedings. The lawsuit is now continuing before the Federal District Court, where it was returned for further review.

**Settlement with PPL Partecipações Limitada in Bankruptcy**

On February 23, 2011, Parmalat S.p.A. reached a settlement with PPL Partecipações Limitada in Bankruptcy (hereinafter PPL), formerly Parmalat Partecipações do Brasil Limitada.

Pursuant to this agreement, PPL shall waive all claims against Parmalat in exchange for the award of 7 million Parmalat shares, PPL shall transfer to Parmalat in exchange for 1 euro the receivables owed by the South American subsidiaries, Parmalat shall pay a consideration of 1,563,000 euros for the transfer by PPL to Parmalat S.p.A. of a 9.01% equity interest in Parmalat Colombia Ltda.

This settlement is subject to the fulfillment of the following conditions precedent:

(i) for PPL, the approval of this transaction by the Creditors' Committee, the Public Prosecutor and the Bankruptcy Judge;

(ii) for Parmalat, the issuance by the Parma Bankruptcy Court of a resolution amending the list of verified claims and awarding to PPL the Parmalat shares.

# Business Outlook

In 2011, the Group's operating performance will continue to be affected not only by changing conditions in the global economy, but also by uncertainty in the Mediterranean Basin and the consequences of the natural disasters that occurred in Asia/Pacific.

Both in the mature and the emerging markets, consumers are expected to continue focusing on the price/quality ratio when making purchasing decisions. In this scenario, the Group is looking forward to seizing all available growth opportunities through a well balanced mix of advertising projects, promotional programs and discounts, and innovation. All of these development should viewed in the context of an upturn in raw material costs, provided that the exogenous factors mentioned above do not become the cause of volatility and instability in commodity prices, including milk.

In any case, market testing projects are already scheduled to launch in 2011 to assess the growth potential that could be realized through the geographic expansion of the Group's leading products. The costs of these initiatives are already reflected in the guidance provided below.

## Guidance

Projections for 2011, at constant exchange rates, call for net revenues of about 4,400 million euros and EBITDA of about 385 million euros.

*This Report contains forward looking statements, particularly in the section entitled "Business Outlook." Projections for 2011 are based on the Group's performance in the fourth quarter of 2010 and take into account market trends at the beginning of this year. The group's activities are affected by changing conditions in the global economy, uncertainty in the Mediterranean Basin and the consequences of the natural disasters in the Asia/Pacific region. Consequently, the impact of any of these factors is difficult to quantify.*

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

Dear Shareholders,

we recommend that you:

(i) Approve the statutory financial statements as at December 31, 2010, which show a net profit of 128,282,187 euros, and the Report on Operations for the same year;
(ii) Add to the statutory reserve 5% of the net profit which amounts to 6,414,109 euros.

We also recommend that you:

(iii) Appropriate:
a) to the distribution of dividends the 50% of the net residual profit, which rounded up to 0.036 euro for each of the 1,737,925,715 common shares issued on March 16, 2011, with a total amount to 62,565,326 euros;
b) to set aside the remaining 59,302,752 euros to "retained earnings".

The dividend of 0.036 euros per share, which corresponds to Coupon No. 7, will be payable on July 21, 2011, Stock Exchange coupon presentation date of July 18, 2011.

Collecchio, May 12, 2011

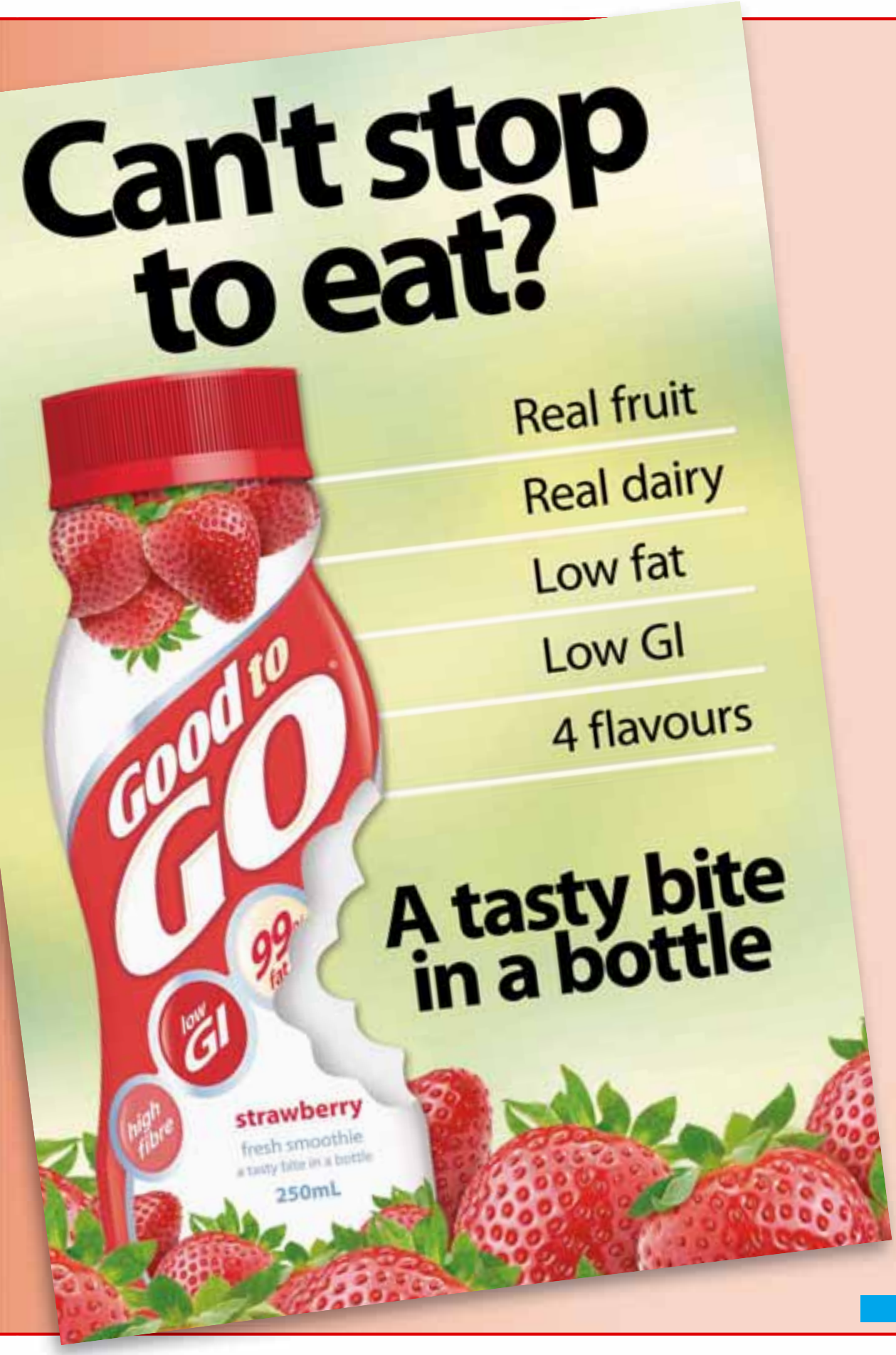
For the Board of Directors

The Chairman
(Raffaele Picella)

The Chief Executive Officer
(Enrico Bondi)

# Parmalat S.p.A.

## Financial Statements and Notes to the Separate Financial Statements at December 31, 2010


Can't stop to eat?
Real fruit
Real dairy
Low fat
Low GI
4 flavours
A tasty bite in a bottle
Good to GO
low GI
high fibre
strawberry
fresh smoothie
a tasty bite in a bottle
250mL

# Statement of Financial Position

## ASSETS

| NOTE | (€) | 12.31.2010 | 12.31.2009 |
|---|---|---|---|
| | **NON-CURRENT ASSETS** | **1,466,706,661** | **1,396,638,904** |
| (1) | Goodwill | 183,994,144 | 183,994,144 |
| (2) | Trademarks with an indefinite useful life | 178,000,000 | 178,000,000 |
| (3) | Other intangibles | 16,510,043 | 26,948,652 |
| (4) | Property, plant and equipment | 155,853,008 | 151,667,274 |
| (5) | Investments in subsidiaries, joint ventures and affiliated companies | 766,121,859 | 752,821,858 |
| (6) | Other non-current financial assets | 126,713,028 | 71,126,093 |
| | *amount of intra-Group financial receivables* | *123,219,608* | *67,935,868* |
| (7) | Deferred-tax assets | 39,514,579 | 32,080,883 |
| | | | |
| | **CURRENT ASSETS** | **1,726,382,350** | **1,855,598,425** |
| (8) | Inventories | 42,645,132 | 37,121,339 |
| (9) | Trade receivables | 188,856,696 | 179,999,089 |
| | *amount of intra-Group receivables* | *28,894,911* | *15,895,145* |
| (10) | Other current assets | 226,000,844 | 167,905,261 |
| | *amount of intra-Group receivables* | *83,117,750* | *27,695,489* |
| (11) | Current financial assets | 1,134,387,429 | 1,188,124,507 |
| (12) | Cash and cash equivalents | 134,492,249 | 282,448,229 |
| | | | |
| | **Held-for-sale assets** | **0** | **0** |
| | | | |
| | **TOTAL ASSETS** | **3,193,089,011** | **3,252,237,329** |

# LIABILITIES

| NOTE | (€) | 12.31.2010 | 12.31.2009 |
|---|---|---|---|
| | **SHAREHOLDERS' EQUITY** | **2,860,062,519** | **2,835,449,374** |
| (13) | Share capital | 1,732,915,571 | 1,712,558,142 |
| (14) | Reserve for creditor challenges and claims of late-filing creditors convertible exclusively into share capital | 153,746,500 | 168,854,615 |
| (16) | Riserva legale | 81,370,395 | 62,730,294 |
| (15) | Shares subscribed through the exercise of warrants | 0 | 41,394 |
| (16) | Other reserves and retained earnings | 763,747,866 | 588,290,108 |
| | Interim dividend | 0 | (69,827,193) |
| (17) | Profit for the year | 128,282,187 | 372,802,014 |
| | **NON-CURRENT LIABILITIES** | **98,154,657** | **143,528,058** |
| (18) | Long-term borrowings | 1,922,009 | 4,450,291 |
| (19) | Deferred-tax liabilities | 29,980,843 | 22,887,056 |
| (20) | Provisions for post-employment benefits | 25,298,802 | 26,843,416 |
| (21) | Provisions for risks and charges | 36,521,519 | 84,245,935 |
| (22) | Provision for contested preferential and prededuction claims | 4,431,484 | 5,101,360 |
| | **CURRENT LIABILITIES** | **234,871,835** | **273,259,897** |
| (23) | Short-term borrowings | 4,756,265 | 6,995,661 |
| | *amount of intra-Group financial payables* | *2,263,588* | *2,272,545* |
| (24) | Trade payables | 184,469,478 | 179,131,666 |
| | *amount of intra-Group payables* | *16,738,348* | *16,275,882* |
| (25) | Other current liabilities | 45,646,092 | 48,491,441 |
| | *amount of intra-Group payables* | *274,411* | *2,012,577* |
| (26) | Income taxes payable | 0 | 38,641,129 |
| | **Liabilities directly attributable to held-for-sale assets** | **0** | **0** |
| | **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **3,193,089,011** | **3,252,237,329** |

# Income Statement

| NOTE | (€) | 2010 | 2009 |
|---|---|---|---|
| | **REVENUES** | **859,344,897** | **844,816,273** |
| (27) | Net revenues | 820,548,165 | 819,978,274 |
| | *amount from transactions with related parties* | *42,201,586* | *31,211,099* |
| (28) | Other revenues | 38,796,732 | 24,837,999 |
| | *amount from transactions with related parties* | *13,503,678* | *8,464,070* |
| (29) | Cost of sales | (555,495,662) | (540,685,380) |
| | *amount from transactions with related parties* | *(48,120,346)* | *(43,431,271)* |
| (30) | Distribution costs | (195,861,881) | (202,221,644) |
| | *amount from transactions with related parties* | *(6,761,004)* | *(11,730,335)* |
| (31) | Administrative expenses | (82,192,735) | (76,726,770) |
| | *amount from transactions with related parties* | *(201,564)* | *(150,785)* |
| (32) | Other (income) expense | 80,119,856 | 393,749,065 |
| (33) | Litigation-related legal expenses | (9,217,370) | (14,711,541) |
| (34) | Additions to/Reversals of provisions for losses of associates | 1,331,719 | (17,532,946) |
| | **EBIT** | **98,028,824** | **386,687,057** |
| (35) | Financial income | 15,278,261 | 28,193,489 |
| | *amount from transactions with related parties* | *2,226,319* | *1,848,434* |
| (35) | Financial expense | (1,983,944) | (2,351,208) |
| (36) | Other income from (Expense for) equity investments | 42,406,606 | 37,227,384 |
| | *amount from transactions with related parties* | *41,941,136* | *35,969,176* |
| | **PROFIT BEFORE TAXES** | **153,729,747** | **449,756,722** |
| (37) | Income taxes | (25,447,560) | (76,954,708) |
| | **PROFIT FROM CONTINUING OPERATIONS** | **128,282,187** | **372,802,014** |
| | **PROFIT FOR THE YEAR** | **128,282,187** | **372,802,014** |

# Statement of Cash Flows

| (€ K) | 2010 | 2009 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit (Loss) from operating activities | 128,282 | 372,802 |
| Depreciation, amortization and writedowns of non-current assets | 43,954 | 48,095 |
| Additions to provisions | 47,792 | 115,286 |
| Interest and other financial expense | 1,908 | 2,351 |
| Non-cash (income) expense items | (45,223) | (105,219) |
| (Gains) Losses on divestments | 120 | 0 |
| Accrued dividends | (42,527) | (37,330) |
| Proceeds from actions to void and actions for damages | (46,119) | (303,820) |
| Litigation-related legal expenses | 9,217 | 14,712 |
| **Cash flows from operating activities before change in working capital** | **97,404** | **106,877** |
| *Changes in net working capital and provisions:* | | |
| Operating working capital | (9,538) | 31,843 |
| Payments of income taxes on operating results | (5,211) | (2,389) |
| Other assets/Other liabilities and provisions | (77,057) | (31,176) |
| **Total change in net working capital and provisions** | **(91,806)** | **(1,722)** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **5,598** | **105,155** |
| **INVESTING ACTIVITIES** | | |
| Investments: | | |
| *- Intangibles* | *(10,229)* | *(7,909)* |
| *- Property, plant and equipment* | *(28,266)* | *(25,534)* |
| *- Non-current financial assets* | *(69,987)* | *(70,509)* |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **(108,482)** | **(103,952)** |
| **PROCEEDS FROM SETTLEMENTS** | **48,726** | **286,586** |
| **INCOME TAXES PAID ON PROCEEDS FROM SETTLEMENTS** | **(60,901)** | **(30,953)** |
| **LITIGATION-RELATED LEGAL EXPENSES** | **(13,365)** | **(27,384)** |
| **PROCEEDS FROM DIVESTMENTS AND SUNDRY ITEMS** | **924** | **9,763** |
| **DIVIDENDS RECEIVED** | **39,034** | **34,749** |
| **FINANCING ACTIVITIES** | | |
| New loans (finance leases and other transactions) | 0 | 4,282 |
| Repayment of principal and interest due on loans and finance leases | (6,676) | (6,356) |
| Investments in other current assets that mature later than three months after the date of purchase | 53,737 | (508,910) |
| Dividends paid | (111,759) | (231,853) |
| Exercise of warrants | 5,249 | 757 |
| Other changes in shareholders' equity | (41) | 33 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **(59,490)** | **(742,047)** |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM JANUARY 1 TO DECEMBER 31** | **(147,956)** | **(468,083)** |
| **CASH AND CASH EQUIVALENTS AT JANUARY 1** | **282,448** | **750,531** |
| **Increase (decrease) in cash and cash equivalents from January 1 to December 31** | **(147,956)** | **(468,083)** |
| **CASH AND CASH EQUIVALENTS AT DECEMBER 31** | **134,492** | **282,448** |

*Net interest income earned during the year: 9,551,420 euros.*

# Statement of Changes in Shareholders' Equity

The schedule below shows the changes that occurred in the Company's shareholders' equity from January 1 to December 31 in 2009 and 2010:

| | SHARE CAPITAL | RESERVE CONVERTIBLE INTO SHARE CAPITAL[1] | OTHER RESERVES | |
|---|---|---|---|---|
| | | | STATUTORY RESERVE | RES. FOR DIVIDENDS TO CHALLENGES AND CONDIT. CLAIMS |
| **Balance at January 1, 2009** | **1,687,397** | **193,259** | **31,960** | **21,742** |
| Share capital incr. from convertible reserves | 24,404 | (24,404) | | |
| Allocation of shares to subscribers of warrants in 2008 | 8 | | | |
| Exercise of warrants | 749 | | | |
| Appropriation of 2008 profit | | | 30,770 | 4,798 |
| 2008 dividend | | | | |
| Dividends to shareholders challenging share allocation | | | | (608) |
| 2009 interim dividend | | | | |
| Profit for 2009 | | | | |
| **Balance at December 31, 2009** | **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 2009 profit | | | 18,640 | |
| 2009 dividend | | | | |
| Profit for 2010 | | | | |
| **Balance at December 31, 2010** | **1,732,915** | **153,747** | **81,370** | **25,932** |
| **Note reference** | *(13)* | *(14)* | *(16)* | *(16)* |

*(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.*

(€ K)

| AND RETAINED EARNINGS | | | | |
|---|---|---|---|---|
| SHARES SUBSCRIBED THROUGH EXERCISE OF WARRANTS | SUNDRY RESERVES[2] | INTERIM DIVIDEND | PROFIT (LOSS) FOR THE YEAR | SHAREHOLDERS' EQUITY |
| **8** | **275,274** | **(130,028)** | **615,392** | **2,695,004** |
| | | | | 0 |
| (8) | | | | 0 |
| 41 | | | | 790 |
| | 287,085 | | (322,653) | 0 |
| | | 130,282 | (292,740) | (162,458) |
| | | (255) | | (863) |
| | | (69,827) | | (69,827) |
| | | | 372,802 | 372,802 |
| **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** |
| *(15)* | *(16)* | *(17)* | *(18)* | |

# 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. 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, South 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* (yoghurt, 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, 2010 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 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 May 15, 2005, as extended for the 2008-2013 period by the Shareholders' Meeting of April 28, 2007.

The Board of Directors authorized the publication of these separate financial statements on March 2, 2011.

# Presentation Formats 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 held-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 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, 2010:

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

*Amendments to IFRS 2 - Share-based Payments*

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

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

*Amendments to IFRIC 9 - Reassessment of Embedded Derivatives*

*Minor revisions to IFRSs ("IFRS improvements" - issued in 2009)*

*IFRIC 17 - Distributions of Non-cash Assets to Owners*

*IFRIC 18 -Transfers of Assets from Customers*

However, these principles, amendments and interpretations apply to situations and issues that did not exist within the Company at the end of the reporting period.

Please note that, in connection with the preparation of the 2009 financial statements, the Company opted for the early adoption of the revised versions of IFRS 3 - *Business Combinations and IAS 27 - Consolidated and Separate Financial Statements*.

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

In 2009 and 2010, 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 IAS 32 - Classification of Rights Issues (applicable as of January 1, 2011).*
The amended version of this principle applies to situations and issues that did not exist within the Company at the end of the reporting period.

*Amendments to IAS 24 - Related-party Disclosures (applicable as of January 1, 2011).*
The adoption of this amended version will have no impact on the valuation of the items listed in the financial statements

*Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement (applicable as of January 1, 2011).* The adoption of this amended version will have no material impact on the Company's financial statements.

*Amendments to IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments (applicable as of January 1, 2011).* The adoption of this amended version will have no material impact on the Company's financial statements.

*Minor Amendments to IFRS ("Annual Improvements to IFRSs" - issued in 2010; applicable as of January 1, 2011).* The adoption of this amended version will have no material impact on the Company's financial statements.

# Valuation Criteria

The main valuation criteria adopted in the preparation of the consolidated financial statements at December 31, 2010 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 | 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.

**(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 SUBSIDIARIES, JOINT VENTURES AND AFFILIATED COMPANIES

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

Other investments in other companies are valued at their fair value. When their fair value cannot be determined reliably, investments are valued at cost, adjusted for impairment losses. This item consists primarily of the investment held in Bonatti S.p.A., which is carried at 3.1 million euros

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 primarily related to trade receivables (which 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.

- **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. 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.

## HELD-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. Held-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 held-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, 2010, the Company had positions outstanding with the companies listed below. Receivables are shown net of the corresponding allowances for doubtful accounts.

(€ m)

| COMPANY | 12.31.2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| | COUNTRY | TRADE RECEIVABLES[1] | LONG-TERM LOANS ECEIVABLE[1] | OTHER CURRENT ASSETS[1] | TRADE PAYABLES | LOANS PAYABLE | OTHER 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 | | 0.3 | (14.0) | | |
| 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** | **83.1** | **(16.7)** | **(2.3)** | **(0.3)** |

*(1) Net of the allowance for doubtful accounts.*

At the end of 2009, the Company had the following positions, also net of the corresponding allowances for doubtful accounts, outstanding with other Group companies or related parties:

(€ m)

| COMPANY | 12.31.09 | | | | | | |
|---|---|---|---|---|---|---|---|
| | COUNTRY | TRADE RECEIVABLES[1] | LONG-TERM LOANS ECEIVABLE[1] | OTHER CURRENT ASSETS[1] | TRADE PAYABLES | LOANS PAYABLE | OTHER PAYABLES |
| SATA S.r.l. | Italy | | 14.2 | | | | |
| Dalmata S.p.A. | Italy | | 0.6 | | | | |
| Latte Sole S.p.A. | Italy | 3.3 | 2.0 | | (0.5) | | |
| Parmalat Portugal Prod. Alim. Ltda | Portugal | 0.1 | 7.3 | 3.7 | | | |
| Curcastle Corporation NV | Ne. Antilles | | 4.3 | 0.5 | | | |
| Boschi Luigi & Figli S.p.A. | Italy | 0.2 | | 0.1 | | | (0.6) |
| Parmalat Canada Inc. | Canada | 1.5 | | | | | |
| Centrale del Latte di Roma S.p.A. | Italy | 4.7 | | | (12.5) | | |
| Parmalat Distribuzione Alim. S.r.l. | Italy | 1.1 | | 0.2 | (3.2) | | |
| OOO Parmalat MK | Russia | 0.4 | 1.3 | 3.0 | | | |
| Parmalat Romania SA | Romania | 1.1 | | | | | |
| Oao Belgorodskij | Russia | | | 3.0 | | | |
| Parmalat South Africa (PTY) Ltd | South Africa | 0.4 | | 9.2 | | | |
| Carnini S.p.A. | Italy | 1.1 | | | | | |
| Parmalat Botswana (PTY) Ltd | Botswana | | | 3.0 | | | |
| Indulac | Venezuela | | 14.1 | | | | |
| Parmalat del Ecuador | Ecuador | 0.1 | | | | | (1.4) |
| Parmalat Colombia | Colombia | 0.9 | | | | | |
| Parmalat Food Products | Australia | | 23.5 | 5.0 | | | |
| Other companies | | 1.0 | 0.6 | | (0.1) | (2.3) | |
| **Total** | | **15.9** | **67.9** | **27.7** | **(16.3)** | **(2.3)** | **(2.0)** |

*(1) Net of the allowance for doubtful accounts.*

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

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.

(€ m)

| COMPANY | COUNTRY | 2010 | | |
|---|---|---|---|---|
| | | SALES REVENUES AND OTHER REVENUES | FINANCIAL INCOME AND INCOME FROM EQUITY INVESTMENTS | 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** |

The table below provides a breakdown of intra-Group expenses and revenues in 2009:

(€ m)

| COMPANY | COUNTRY | 2009 SALES REVENUES AND OTHER REVENUES | 2009 FINANCIAL INCOME AND INCOME FROM EQUITY INVESTMENTS | 2009 COST OF MATERIALS AND SERVICES |
|---|---|---|---|---|
| Boschi Luigi & Figli S.p.A. | Italy | | 3.2 | |
| Centrale del Latte di Roma S.p.A. | Italy | 14.4 | 6.9 | 43.8 |
| Latte Sole S.p.A. | Italy | 2.4 | 0.1 | 0.4 |
| Parmalat Distribuzione Alimenti S.r.l. | Italy | 11.9 | 0.1 | 10.7 |
| SATA S.r.l. | Italy | | 0.3 | |
| Parmalat Romania | Romania | 0.4 | 0.6 | |
| OOO Parmalat MK | Russia | 1.0 | 0.5 | 0.2 |
| Oao Belgorodskij | Russia | | 2.7 | |
| Parmalat Canada Inc. | Canada | 1.7 | 15.6 | |
| Parmalat Australia Limited | Australia | 1.8 | 3.0 | |
| Parmalat Food Products | Australia | | 0.4 | |
| Carnini S.p.A. | Italy | 3.8 | 0.2 | 0.2 |
| Parmalat Colombia | Colombia | 0.9 | 1.6 | |
| Procesadora de Leches | Colombia | | 1.0 | |
| Parmalat Portugal Produtos Alimentares Ltda | Portugal | 0.4 | 1.1 | |
| Citrus International Corporation SA | Cuba | 0.1 | | |
| Parmalat South Africa | Africa | 0.5 | 0.3 | |
| Other companies | | 0.4 | 0.2 | |
| **Total** | | **39.7** | **37.8** | **55.3** |

## Percentage of Financial Statement Amounts Represented by Transactions with Related Parties

| | ASSETS | LIABILITIES | LIQUID ASSETS | REVENUES | COST OF SALES | DISTRIBUTION COSTS | ADMINISTRATIVE EXPENSES | NET FINANCIAL INCOME |
|---|---|---|---|---|---|---|---|---|
| Total | 3,193.1 | 333.0 | 1,345.0 | 859.3 | 555.5 | 195.9 | 82.2 | 55.7 |
| Amount with related parties | 235.2 | 19.3 | (2.3) | 55.7 | 48.1 | 6.8 | 0.2 | 44.1 |
| *Percentage of the total* | *7.4%* | *5.8%* | *n.s.* | *6.5%* | *8.7%* | *3.5%* | *0.2%* | *79.2%* |

# Notes to the Statement of Financial Position - Assets

## (1) Goodwill

Goodwill amounted to 184.0 million euros, unchanged compared with December 31, 2009.

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.

Concurrently with the preparation of the annual financial statements at December 31, 2010 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.

As was the case in the previous year, the abovementioned test was performed by 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 10.2%.
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.

## (2) Trademarks with an Indefinite Useful Life

The carrying amounts of these trademarks totaled 178.0 million euros, unchanged compared with December 31, 2009.

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

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Parmalat | 121.9 | 121.9 |
| Santàl | 32.6 | 32.6 |
| Chef | 16.2 | 16.2 |
| Elena | 7.3 | 7.3 |
| **Total** | **178.0** | **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 by 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 motivate 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 strategic plan for the next three years. For the years not covered by the strategic 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, net of taxes, was 10.2%.

## (3) Other Intangibles

Other intangibles of 16.5 million euros include the following:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Other trademarks and sundry intangibles | 1.5 | 15.3 |
| Licenses and software | 15.0 | 11.6 |
| **Total** | **16.5** | **26.9** |

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 (October 1, 2005) and are amortized over five years.

## Other Trademarks and Sundry Intangibles

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Berna | 0.0 | 7.5 |
| Lactis | 0.0 | 2.4 |
| Monza | 0.0 | 0.9 |
| Solac | 0.0 | 0.8 |
| Kyr | 1.2 | 1.6 |
| Stella | 0.0 | 0.4 |
| Torvis | 0.0 | 0.3 |
| Pascolat | 0.0 | 0.2 |
| Dolomiti | 0.0 | 0.2 |
| Sundry trademarks | 0.3 | 1.0 |
| **Total** | **1.5** | **15.3** |

## Changes in Other Intangibles

(€ m)

| | TRADEMARKS WITH A FINITE LIFE | CONCESSIONS, LICENSES AND SIMILAR RIGHTS | WORK IN PROGR. AND ADVANCES | TOTAL |
|---|---|---|---|---|
| **Balance at 12.31.08** | **30.1** | **7.3** | | **37.4** |
| - Additions | | 7.9 | | 7.9 |
| - Amortization (-) | (16.3) | (4.2) | | (20.5) |
| - Restatements and reclassifications of historical value | (2.4) | 1.0 | | (1.4) |
| - Restatements and reclassifications of accumulated amortization | 3.9 | (0.3) | | 3.6 |
| **Balance at 12.31.09** | **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 12.31.10** | **1.5** | **14.5** | **0.5** | **16.5** |

The increase in trademarks with a finite life reflects the acquisition of the brand *"5 colori del benessere"*. Concessions, licenses and similar rights refer mostly to the SAPiens project.
Work in process of 0.5 million euros consists mainly of software projects under development.

## (4) Property, Plant and Equipment

Property, plant and equipment totaled 155.9 million euros, broken down as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Land | 23.2 | 22.2 |
| Buildings | 67.8 | 67.7 |
| Plant and machinery | 56.1 | 53.1 |
| Industrial equipment | 1.2 | 1.3 |
| Other assets | 3.6 | 5.9 |
| Construction in progress | 4.0 | 1.5 |
| **Total** | **155.9** | **151.7** |

A notary is in the process of filing the paperwork required to delete from the Property Register a mortgage granted to a financial institution to secure a medium-term financing facility that was repaid in full at December 31, 2010.

Property, plant and equipment held under finance leases, which totaled 1.1 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 | CONSTRUCTION IN PROGRESS | TOTAL |
|---|---|---|---|---|---|---|---|
| **Balance at 12.31.08** | **22.2** | **68.9** | **55.0** | **1.6** | **4.9** | **1.2** | **153.8** |
| - Additions | | 1.8 | 15.5 | 0.5 | 5.6 | 2.1 | 25.5 |
| - Disposals (-) | | | (0.2) | | (0.4) | | (0.6) |
| - Writedowns (-) | | (0.5) | (5.8) | | | | (6.3) |
| - Depreciation (-) | | (3.3) | (12.5) | (0.8) | (4.7) | | (21.3) |
| - Other changes | | 0.8 | 1.1 | | 0.5 | (1.8) | 0.6 |
| **Balance at 12.31.09** | **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 12.31.10** | **23.2** | **67.8** | **56.1** | **1.2** | **3.6** | **4.0** | **155.9** |

The main additions included the following:

- 1.0 million euros for land adjacent to Company plants in Collecchio and Piana di Monteverna;
- 4.6 million euros for buildings, used mainly to enlarge the packaging department at the Zevio factory, complete the construction of the new entry gateway for the Collecchio plant, restore structures and comply with new regulatory requirements;
- 16.7 million euros for plant and machinery, used to install new production lines (at the Albano and Collecchio plants) and upgrade existing lines;
- 1.5 million euros to purchase new refrigerate vans, classified as other assets;
- 4.0 million euros for construction in progress allocated to new production lines (Collecchio, Albano and Zevio) and trucks the registration of which had not yet been completed at December 31, 2010.

Writedowns reflect primarily additions made to provisions, based on conservative estimates of the work that will be required at some production facilities included in the reorganization process, starting in 2010 and continuing in 2011.

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

## (5) Investments in Subsidiaries, Joint Ventures and Affiliated Companies

A breakdown of this item, which amounted to 766.1 million euros, is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Subsidiaries | 762.9 | 749.3 |
| Other companies | 3.2 | 3.5 |
| **Total** | **766.1** | **752.8** |

## Changes in Investments in Subsidiaries, Joint Ventures and Affiliated Companies

(€ m)

| | SUBSIDIARIES | OTHER COMPANIES | TOTAL |
|---|---|---|---|
| **Balance at 12.31.2008** | **629.5** | **3.5** | **633.0** |
| Additions/Purchases | 137.4 | 0.0 | 137.4 |
| Reductions/Divestments | (0.1) | 0.0 | (0.1) |
| Writedowns | (17.5) | 0.0 | (17.5) |
| **Balance at 12.31.2009** | **749.3** | **3.5** | **752.8** |
| Additions/Purchases | 12.3 | | 12.3 |
| Reductions/Divestments | | (0.3) | (0.3) |
| Writedowns/Reversals of writedowns | 1.3 | | 1.3 |
| **Balance at 12.31.2010** | **762.9** | **3.2** | **766.1** |

The main components of Additions/Purchases of 12.3 million euros include the advance on future capital contributions provided to the Russian companies OOO Dekalat, later merged and absorbed by Parmalat Mk, (1 million euros) and OOO Urallat (2.4 million euros), and the recapitalization of Latte Sole (8.1 million euros, part in cash and part by forgiving repayment of a loan).

The positive balance of 1.3 million euros shown for Writedowns/Reversals of writedowns reflects the results of the annual impairment test of investments in subsidiaries, which made it possible to reinstate in part the value of the investment in Parmalat Africa consistent with the higher economic value of the corresponding Strategic Business Unit (33.9 million euros), net of writedowns of 20.2 million euros for Latte Sole, 11.1 million euros for Parmalat Portugal, 0.5 million euros for Parmalat Distribuzione Alimenti and 0.8 million euros for Airetcal.

Investments in other companies decreased by 0.3 million euros due to the sale of the investment in Jonicalatte.

A breakdown of the investee companies included under "Investments in Subsidiaries, Joint Ventures and Affiliated Companies" at December 31, 2010 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[1] | Australia | 90.0 | 119.0 |
| Centrale del Latte di Roma S.p.A. | Italy | 75.0 | 104.1 |
| Parmalat Portugal Produtos Alimentares Ltda | Portugal | 100.0 | 30.5 |
| 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 |
| Parmalat South Africa Ltd | South Africa | 10.8 | 11.0 |
| Boschi Luigi & Figli S.p.A. | Italy | 100.0 | 10.3 |
| Carnini S.p.A. | Italy | 100.0 | 10.0 |
| OOO Parmalat Mk | Russia | 100.0 | 7.6 |
| OOO Urallat | Russia | 100.0 | 7.2 |
| Parmalat Romania SA | Romania | 100.0 | 6.3 |
| Dalmata S.p.A. | Italy | 100.0 | 5.0 |
| Citrus International Corp. | Cuba | 55.0 | 1.8 |
| Parmalat Distribuzione Alimenti Srl and 15 other companies | | | 0.1 |
| **Total subsidiaries** | | | **762.9** |
| **INVESTMENTS IN OTHER COMPANIES** | | **% INTEREST HELD** | **TOTAL VALUE** |
| Bonatti S.p.A. | Italy | 10.3 | 3.1 |
| Sundry companies | | | 0.1 |
| **Total other companies** | | | **3.2** |
| **GRAND TOTAL** | | | **766.1** |

*(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 this Report.

The Company prepares consolidated financial statements, which are being provided together with these statutory financial statements and provide information about the performance of the Group as a whole.

## (6) Other Non-current Financial Assets

Other non-current financial assets totaled 126.7 million euros. A breakdown is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Loans receivable from subsidiaries | 123.2 | 67.9 |
| Loans receivable from others | 3.5 | 3.2 |
| **Total** | **126.7** | **71.1** |

The table below and the comments that follow provide an overview of the changes that occurred in 2010.

## Changes in Other Non-current Financial Assets

(€ m)

| | LOANS RECEIVABLE FROM SUBSIDIARIES | LOANS RECEIVABLE FROM OTHERS | TOTAL |
|---|---|---|---|
| **Net carrying amount at 12.31.2009** | **67.9** | **3.2** | **71.1** |
| Disbursements | 88.5 | 0.3 | 88.8 |
| Repayments | (9.3) | | (9.3) |
| Forgiven loans/Conversions | (20.2) | | (20.2) |
| Reclassification from/to current receivables | (2.7) | | (2.7) |
| Addition to the provision for writedowns | (1.0) | | (1.0) |
| Reversal of the provision for writedowns | 0.0 | | 0.0 |
| **Net carrying amount at 12.31.2010** | **123.2** | **3.5** | **126.7** |

The main components of Disbursements of 88.5 million euros provided to subsidiaries are new loans totaling 87.9 million euros (80.9 million euros to Parmalat Canada, 4.8 million euros to Latte Sole and 2.0 million euros to Parmalat Portugal) and the capitalization of accrued interest owed by subsidiaries (0.2 million euros).

Repayments, which totaled 9.3 million euros, reflect primarily the partial repayment (7.5 million euros) of a loan owed by the Parmalat Food Products subsidiary in Australia.

The amount shown for Forgiven loans/Conversions refers to the capitalization of loans owed by the Venezuelan subsidiary Parmalat de Venezuela (later merged with Indulac), in the amount of 14.3 million euros, and by Latte Sole, in the amount of 5.9 million euros, the repayment of which was forgiven.

The Reclassification from/to current receivables of 2.7 million euros represents the portion of outstanding loans that has to be repaid by the end of 2011.

The addition to the provision for writedowns (1.0 million euros) was recognized to adjust the carrying amount of the remaining investment in Curcastle.

## (7) Deferred-tax Assets

A breakdown of Deferred-tax assets, which amounted to 39.5 million euros, is provided below:

(€ m)

| DEFERRED-TAX ASSETS | TAX RATE | TEMPORARY DIFFERENCES AT 12.31.2010 | BALANCE AT 12.31.2010 | TAX AMOUNT SET ASIDE | UTILIZATIONS | BALANCE AT 12.31.2009 |
|---|---|---|---|---|---|---|
| Provisions for restructuring | 27.50% | 5.0 | 1.4 | 0.7 | | 0.7 |
| Provision for prize contests | 31.40% | 1.3 | 0.4 | 0.4 | (0.6) | 0.6 |
| Maintenance expenses | 31.40% | 17.0 | 4.7 | 1.5 | (0.9) | 4.1 |
| Provision for invent. writedowns | 31.40% | 7.8 | 2.5 | 0.1 | | 2.4 |
| Tax-deductible amortization of trademarks | 31.40% | 48.6 | 15.3 | 2.0 | | 13.3 |
| Other corporate income tax items | 27.50% | 55.1 | 12.7 | 3.7 | | 9.0 |
| Other corporate income tax and regional tax items | 31.40% | 7.2 | 2.5 | 1.0 | (0.4) | 1.9 |
| **Total** | | | **39.5** | **9.4** | **(1.9)** | **32.0** |

Most of the increases refer to costs incurred in 2010 that will become tax deductible when the financial impact of the underlying transaction actually occurs or, as is the case for Maintenance expenses, 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 42.6 million euros, is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Raw materials, auxiliaries and supplies | 24.8 | 22.3 |
| Work in progress and semifinished goods | 0.0 | 0.0 |
| Finished goods | 19.5 | 16.8 |
| Provision for inventory writedowns | (1.7) | (2.0) |
| **Total** | **42.6** | **37.1** |

## Changes in Inventories

(€ m)

| | RAW MATERIALS, AUXILIARIES AND SUPPLIES | WORK IN PROGRESS AND SEMIFINISHED GOODS | FINISHED GOODS AND MERCHANDISE | TOTAL |
|---|---|---|---|---|
| **Carrying amount at 12.31.2009** | **22.3** | | **16.8** | **39.1** |
| Increases/(Decreases) | 2.5 | | 2.7 | 5.2 |
| **Gross carrying amount at 12.31.2010** | **24.8** | | **19.5** | **44.3** |
| **Provision for inventory writedowns at 12.31.2009** | **(1.4)** | | **(0.6)** | **(2.0)** |
| (Additions to)/Utilizations of provision | (0.1) | | 0.4 | 0.3 |
| **Carrying amount of provision for inventory writedowns at 12.31.2010** | **(1.5)** | | **(0.2)** | **(1.7)** |
| **Net carrying amount at 12.31.2010** | **23.3** | | **19.3** | **42.6** |

The higher inventory reflects an increase in purchases PET containers, which occurred after prices had been increased.

## (9) Trade Receivables

Trade receivables amounted to 188.9 million euros. A breakdown is provided below:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Gross trade receivables - customers | 293.6 | 314.4 |
| Gross trade receivables - subsidiaries | 29.1 | 16.0 |
| Allowance for doubtful accounts - customers | (133.6) | (150.2) |
| Allowance for doubtful accounts - subsidiaries | (0.2) | (0.2) |
| **Total** | **188.9** | **180.0** |

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 customers, net of the corresponding allowance, is consistent with the decrease in revenues. This amount corresponds to 69.3 day sales outstanding (70.4 days at the end of 2009).

The higher amount of receivables from subsidiaries reflects primarily an increase in business volume with Centrale del Latte di Roma S.p.A.

The Allowance for doubtful accounts – customers reflects the combined impact of the addition for the year (8.7 million euros) and utilizations/reversals totaling 25.3 million euros, which were recognized upon the final disposition of items that were part of composition with creditors proceedings and the collection of positions that had been written off in the past.

## Breakdown by Due Date of Trade Receivables from Outsiders

A breakdown by due date of trade receivables from outsiders, net of the corresponding allowance for doubtful accounts, is provided below:

(€ m)

| | 12.31.2010 | | 12.31.2009 | |
|---|---|---|---|---|
| Current | 106.5 | 67% | 108.9 | 66% |
| up to 30 days | 24.0 | 15% | 15.6 | 10% |
| from 31 to 60 days | 13.2 | 8% | 19.5 | 12% |
| from 61 to 120 days | 7.6 | 5% | 11.9 | 7% |
| over 120 days | 8.7 | 5% | 8.2 | 5% |
| **Total** | **160.0** | **100%** | **164.1** | **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, 2010, broken down by sales channel (the data for 2009 are different from those originally published due to a different aggregation of customers by sales channel):

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Modern Trade | 98.8 | 103.8 |
| Normal Trade | 13.1 | 14.7 |
| Dealers | 18.0 | 19.0 |
| HO.RE.CA. | 12.3 | 12.3 |
| Contract production | 5.2 | 6.0 |
| Other | 12.6 | 8.3 |
| **Total** | **160.0** | **164.1** |

*Modern Trade: sales to supermarket chains 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 67.1% of the Company's total credit exposure (63.3% at the end of 2009). However, because the counterparties are large supermarket chains, the collectability of the corresponding receivables does not present a significant risk.

## (10) Other Current Assets

Other current assets amounted to 226.0 million euros. A breakdown is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Loans receivable from subsidiaries | 82.8 | 27.6 |
| Miscellaneous receivables | 142.3 | 139.0 |
| Accrued income and prepaid expenses | 0.9 | 1.3 |
| **Total** | **226.0** | **167.9** |

Loans receivable from subsidiaries increased by 55.2 million euros, due mainly to short-term financing provided to Group companies (the largest of these loans included 50.0 million euros

to the Parmalat Australia subsidiary and 22.6 million euros to the Parmalat Canada subsidiary), net of loans repaid by the Parmalat South Africa subsidiary (9.2 million euros), the Parmalat Food Products subsidiary in Australia (4.8 million euros) and the Oao Belgorodskij subsidiary in Russia (3 million euros).

A breakdown of Miscellaneous receivables is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Amount receivable for litigation settlements | 2.2 | 4.4 |
| Amount receivable from the tax authorities for VAT | 59.1 | 58.5 |
| Accrued interest on VAT refunds receivable | 1.5 | 1.4 |
| Estimated tax payments and income taxes withheld | 69.9 | 65.3 |
| Amount receivable from the Ministry of Farm Policies | 4.8 | 4.4 |
| Advances to suppliers and sales agents | 0.8 | 0.9 |
| Sundry receivables | 3.7 | 4.0 |
| Amount receivable from subsidiaries included in the national consolidated tax return | 0.3 | 0.1 |
| **Total** | **142.3** | **139.0** |

The bulk of the Amount receivable from the tax authorities for VAT consists of VAT overpayments for the past five quarters (starting with the fourth quarter of 2009), for which the Company filed a refund application. In addition it includes VAT overpayments by companies under extraordinary administration included in the Composition with Creditors.

The amount shown for receivable from the tax authorities for estimated tax payments and income taxes withheld is shown net of 27.0 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 enforceability 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

The balance of 1,134.4 million euros includes the following:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Italian Treasury securities (Treasury bills) | 341.6 | 519.0 |
| Italian Treasury securities (Treasury Bonds) | 0.0 | 100.1 |
| Foreign Treasury securities (France) | 132.4 | 0.0 |
| Foreign Treasury securities (Germany) | 236.3 | 27.9 |
| Reverse repurchase agreements | 0.0 | 2.0 |
| Bank time deposits | 418.8 | 538.0 |
| **Total short-term investments of liquid assets** | **1,129.1** | **1,187.0** |
| Accrued interest | 5.3 | 1.1 |
| **Total** | **1,134.4** | **1,188.1** |

The items listed above represent short-term investments of liquid assets that do not qualify as cash equivalents, as defined in Paragraph 7 of IAS 7, because the overall term of the securities involved was longer than three months at the time of purchase. The change compared with December 31, 2009 (-53.7 million euros) is a function of the operating and financing dynamics of Group companies.

To further minimize its investment risk, the Company invested more than half of its liquid assets in treasury securities.

The table below provides a breakdown by type of the Company's short-term investments of liquid assets and shows the duration and rate of return of these investments.

| | AMOUNT | | DATE OF PURCHASE | MATURITY | ANNUAL RATE |
|---|---|---|---|---|---|
| **Italian Treasury bills** | **341.6** | 19.9 | August 2010 | 1.14.11 | 0.902% |
| | | 60.3 | Aug.-Oct. 2010 | 2.15.11 | 1.016% |
| | | 91.3 | Sept.-Oct. 2010 | 3.15.11 | 1.086% |
| | | 20.0 | December 2010 | 7.15.11 | 1.617% |
| | | 49.8 | October 2010 | 2.28.11 | 1.111% |
| | | 100.3 | December 2010 | 5.31.11 | 1.463% |
| **Foreign Treasury securities (France)[1]** | **132.4** | 112.1 | June 2010 | 1.12.11 | 0.281% |
| | | 20.3 | December 2010 | 7.12.11 | 0.417% |
| **Foreign Treasury securities (Germany)[1]** | **236.3** | 107.9 | August 2010 | 3.11.11 | 0.365% |
| | | 49.0 | November 2010 | 7.4.11 | 0.574% |
| | | 79.4 | December 2010 | 6.10.11 | 0.635% |
| **Bank time deposits** | **418.8** | 82.2 | August 2010 | Feb. 2011 | 1.155% |
| | | 74.0 | September 2010 | March 2011 | 1.146% |
| | | 30.0 | November 2010 | May 2011 | 1.271% |
| | | 232.6 | December 2010 | June 2011 | 1.267% |

*(1) AAA Rating.*

## (12) Cash and Cash Equivalents

Cash and cash equivalents totaled 134.5 million euros. A breakdown is provided below:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Unrestricted bank deposits | 133.9 | 205.7 |
| Time bank deposits | 0.0 | 76.0 |
| Cash and securities on hand | 0.5 | 0.5 |
| Accrued interest | 0.1 | 0.2 |
| **Total** | **134.5** | **282.4** |

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 2009 reflects the daily flow of collections and payments and transactions affecting the Group's financial position through the replacement of a portion of the bank debt of subsidiaries with resources provided by the Parent Company (see Note 6 and Note 10).

The Company has no operational short-term credit lines.

The change in financial position 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 lists the credit quality of unimpaired financial assets outstanding at December 31:

| | RATING | 12.31.2010 | 12.31.2009 |
|---|---|---|---|
| Cash equivalents | A or higher | 132.2 | 269.0 |
| | Lower than A | 2.3 | 13.3 |
| | Not rated | 0.0 | 0.2 |
| Current financial assets | A or higher | 1,134.4 | 1,088.1 |
| | Lower than A | 0.0 | 100.0 |
| **Total** | | **1,268.9** | **1,470.6** |

The amounts listed as having a rating lower than A refer mainly to bank accounts and time bank deposits with an Italian credit institution that was rated triple B by Moody's.

# Notes to the Statement of Financial Position - Shareholders' Equity

## SUMMARY OF THE SHAREHOLDERS' EQUITY ACCOUNTS

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| - Share capital | 1,732.9 | 1,712.6 |
| - Reserve for conversion exclusively into share capital of creditor challenges and claims of late-filing creditors | 153.7 | 168.8 |
| - Statutory reserve | 81.4 | 62.7 |
| - Other reserves and retained earnings | 763.8 | 588.3 |
| - Interim dividend | 0.0 | (69.8) |
| - Profit for the year | 128.3 | 372.8 |
| **Total** | **2,860.1** | **2,835.4** |

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 2010:

| NUMBER OF SHARES | |
|---|---|
| **Shares outstanding at 01.01.2010** | **1,712,558,142** |
| Shares issued for claims of late-filing creditors and/or upon the settlement of challenges (using reserves established for this purpose) | 15,108,115 |
| Shares issued upon the conversion of warrants | 5,249,314 |
| **Shares outstanding at 12.31.10** | **1,732,915,571** |

## Maximum Share Capital Amount

In accordance with the resolutions approved 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 explained above, the Company's share capital amounted to 1,732.9 million euros at December 31, 2010. As of the writing of these Notes, it had increased by 2.5 million euros to a total of 1,735.4 million euros. The Company, having carried out a detailed analysis of the challenges filed by creditors excluded from the sum of liabilities and of the claims of late-filing creditors, believes that the equity reserves it has established in connection with these claims are absolutely adequate. Any additional claims of late-filing creditors that may arise in the future and are verified by a final court decision can be satisfied using the retained earnings.

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

At December 31, 2010, this reserve convertible into share capital amounted to 153.7 million euros. Utilizations for the year totaled 15.1 million euros, causing the share capital to increase by the same amount.

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.

At the end of 2010, following the settlements of numerous disputes, the Company developed an updated estimate of the risks to which Parmalat S.p.A. could be exposed with regards 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.

With regard to the appeal filed by Parmalat against the decision of the Court of Bergen County (New Jersey), which was favorable to Citigroup, a hearing date for oral arguments before the Court of Appeals has not yet been set. Should the lower court's decision be upheld and become final, Citigroup would have to file a motion for enforcement with the Court of Parma and any relief granted to Citigroup would be subject to the claim reduction effect of the composition with creditors, as the New York Bankruptcy Court ordered.

## (15) Shares Subscribed Through the Exercise of Warrants

This reserve, which had a zero balance at December 31, 2010, represented the consideration for the warrants exercised in December 2009, with payment of the corresponding subscribed capital also received in December 2009. The corresponding 41,394 shares (amount of the reserve at the end of 2009) were issued in January 2010.

At December 31, 2010, there were 67,470,180 warrants outstanding, which are exercisable until December 31, 2015.

## (16) Other Reserves and Retained Earnings

This reserve amounted to 763.7 million euros, up from 588.3 million euros at the end of 2009. The statutory reserve also increased, rising to 81.4 million euros (62.7 million euros at December 31, 2009).

The main reason for the increase compared with 2009 is the impact of the Ordinary Shareholders' Meeting of April 1, 2010, which approved a resolution: (i) to set aside in a statutory reserve 5% of the balance of the net profit earned in 2009, equal to 18.6 million euros; (ii) to appropriate (a) 50% of the balance of the net profit earned in 2009 as a dividend rounded up to 0.104 euros per share, which, considering the 2009 interim dividend of 0.041 euros per share distributed in September 2009, brings to 0.063 euros the total for each of the 1,728,205,752 common shares outstanding as of March 26, 2010, for a balance payable of 108.9 million euros and a total dividend payout (interim plus final dividend) of 178.7 million euros; (b) the balance of 175.5 million euros to retained earnings.
Please note that, in accordance with resolutions approved by the Shareholders' Meeting in previous years, limited to an amount of up to 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.
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** | **1,732,915** | **-** | | | |
| **Capital reserves** | | | | | |
| *Reserve convertible into share capital* | *153,747* | *A* | *-* | | *67,788* |
| *Shares acquired through warrant conversion* | | *A* | | | *63* |
| **Earnings reserves** | | | | | |
| *Statutory reserve* | *81,370* | *B* | *-* | | |
| *Reserve for dividends for challenged and conditional claims[1]* | *25,932* | *C* | *-* | | *4,484* |
| *Other reserves[2]* | *737,816* | *A, B, C [3]* | *672,093* | | |
| **Total** | **2,731,780** | | **672,093** | | |
| *Amount restricted pursuant to Article 109, Section 4, Letter B, of the Uniform Tax Code[4]* | | | *(28,507)* | | |
| **REMAINING NON-TAXABLE AMOUNT** | | | **643,586** | | |

*A: for capital increase*
*B: to cover losses*
*C: for distribution to shareholders (for Parmalat applicable consistent with the requirements of Article 26, Paragraph 3, of the Bylaws, which is reproduced in Note 3 below).*

*(1) 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."*
*(2) 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.*
*(3) Article 26, Paragraph 3, of the Bylaws of Parmalat S.p.A.: "Any income generated for the Company by actions to void in bankruptcy and actions for damages (and settlements of such actions), net of any related costs, must be distributed by the Company to the shareholders in an amount equal to 50% of the distributable earnings shown in each of its first 15 annual financial statements. If the distributable earnings for a given fiscal year are equal to less than 1% of the share capital, no earnings will be distributed and the earnings will be brought forward and retained for distribution, together with earnings of subsequent years, until the percentage listed above is reached."*
*(4) 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, 2009, net of deferred taxes (Article 109, Section 4, Letter B, of Presidential Decree No. 917/86).*

## (17) Profit for the Year

In 2010, the Company earned a profit of 128.3 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 1.9 million euros, is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Obligations under finance leases - amount due after one year | 1.9 | 4.5 |
| **Total** | **1.9** | **4.5** |

Obligations under finance leases, recognized in accordance with IAS accounting principles, represent the remaining indebtedness due after one year owed under outstanding finance leases. The change, compared with 2009, is the net result of the lease payments made and new contracts signed in 2010.

### (19) Deferred-tax Liabilities

Deferred-tax liabilities amounted to 30.0 million euros. The table below provides a breakdown of this item:

(€ m)

| DEFERRED-TAX LIABILITIES | TAX RATE | TEMPORARY DIFFERENCES AT 12.31.2010 | BALANCE AT 12.31.2010 | ADDITIONAL LIABILITIES RECOGNIZED | UTILIZATIONS | BALANCE AT 12/31/09 |
|---|---|---|---|---|---|---|
| Amortization of goodwill recognized for tax purposes | 31.40% | 28.1 | 8.9 | 4.1 | | 4.8 |
| Amortization of trademarks recognized for tax purposes | 31.40% | 67.5 | 19.7 | 2.6 | | 17.1 |
| Measurement of employee severance benefits in accordance with IAS 19 | 27.50% | 3.8 | 1.0 | | | 1.0 |
| Other deferred-tax liabilities | 27.50% | 1.6 | 0.4 | 0.4 | | 0.0 |
| **Total** | | **101.0** | **30.0** | **7.1** | | **22.9** |

Deferred taxes recognized in 2010 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.

### (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 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 2010.

The addition to the Provision for employee severance benefits includes 1.3 million euros classified as borrowing costs 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)** | **26.8** |
| Financial expense | 1.3 |
| Benefits paid and/or transferred | (2.8) |
| **Defined-benefit plans (at 12.31.2010)** | **25.3** |

## (21) Provisions for Risks and Charges

A breakdown of provisions for risks and charges, which totaled 36.5 million euros, is provided below:

(€ m)

| | 12.31.2010 | UTILIZATIONS/ PAYMENTS AND OTHER CHANGES | REVERSALS IN EARNINGS | ADDITIONS | 12.31.2009 |
|---|---|---|---|---|---|
| Provision for taxes | 5.3 | | (1.0) | 0.8 | 5.5 |
| Allowance for risks on investee companies | 5.3 | | | 0.5 | 4.8 |
| Provision for adjust. to equity invest. in Venezuela | 0.0 | (14.3) | (41.2) | | 55.5 |
| Allowance for staff downsizing | 10.5 | (2.2) | (0.3) | 1.7 | 11.3 |
| Provision for disputes with former Group companies | 0.0 | | (0.2) | | 0.2 |
| Provision for supplemental sales agents benefits | 3.8 | | | | 3.8 |
| Miscellaneous provisions | 11.6 | (0.7) | (0.5) | 9.7 | 3.1 |
| **Total** | **36.5** | **(17.2)** | **(43.2)** | **12.7** | **84.2** |

Net of additions, these provisions decreased by 47.7 million euros in 2010.

The largest among the items that increase these provisions is an addition of 9.7 million euros estimated and recognized by Parmalat S.p.A., in its capacity as Assumptor in the Composition with Creditors, on the expectation that it will be served with payment notices for the registration tax on court decisions (Articles 37 and 8 of the rate - part one - of Presidential Decree No. 131/86), following the disposition by the lower courts of lawsuits related to the Extraordinary Administration proceedings.

This amount was estimated keeping in mind that a portion of the tax owed, which Parmalat S.p.A. will pay, will be recovered from the counterparties who are jointly liable for paying it. The abovementioned addition also includes an estimate of the legal expenses of counterparties that may be due in the event of a final negative outcome.

The largest decrease was caused by the reversal in earnings of the provision for adjustments to equity investments in Venezuela (41.2 million euros), made possible by the settlement reached with Parmalat Capital Finance and the subsequent recapitalization of Parmalat de Venezuela, to which a utilization of 14.3 million euros also applies.

A significant portion of the balance of the provision for (4.5 million euros) covers mainly risks that companies under Extraordinary Administration included in the Composition with Creditors incurred before the date when they qualified for Extraordinary Administration proceedings. The remaining amount of 0.7 million euros reflects an estimate of the risks related to the Tax Audit Report issued by the Bologna Revenue Agency on August 30, 2010 with regard to the 2007 tax year. The provision was estimated by reviewing the merit of the charges listed in the Audit Report, which appear to be easily resistible if contested.

In view of the arguments put forth both while reviewing the Audit Report and drafting a defense brief, the related risk was qualified as barely possible.

## (22) Provision for Preferential and Prededuction Claims

(€ ml

| | 12.31.2010 | DECREASES | 12.31.2009 |
|---|---|---|---|
| Provision for preferential and prededuction claims | 4.4 | (0.7) | 5.1 |

The decrease of 0.7 million euros reflects a reversal in earnings of the portion of the provision attributable to creditors with whom a settlement was reached in 2010 or whose lawsuits ended with a final decision favorable to the Company.

## CURRENT LIABILITIES

### (23) Short-term Borrowings

Short-term borrowings totaled 4.8 million euros. A breakdown is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| IRFIS – Mediocredito Regionale della Sicilia – amount due within one year | 0.0 | 2.2 |
| Obligations under leases – amount due within one year | 2.5 | 2.5 |
| Indebtedness owed to subsidiaries | 2.3 | 2.3 |
| **Total** | **4.8** | **7.0** |

As explained in the note on Property, plant and equipment, the indebtedness owed to IRFIS (repaid at the end of 2010) was secured by a voluntary mortgage on Company buildings in Collecchio. This mortgage is in the process of being deleted from the Property Register.

Obligations under leases represent the portion due within one year from the date of the financial statements under finance leases outstanding at the end of 2010. The corresponding amounts were determined in accordance with international accounting principles, as explained in the note to Non-current financial liabilities.

### (24) Trade Payables

A breakdown of trade payables, which totaled 184.5 million euros, is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Trade payables – Suppliers | 166.5 | 161.1 |
| Liability for prize contests | 1.3 | 1.8 |
| Trade payables – Subsidiaries | 16.7 | 16.2 |
| **Total** | **184.5** | **179.1** |

The increase in trade payables reflects the impact of higher milk purchases and packaging materials in the fourth quarter of the year, offset in part by a reduction in litigation related legal expenses, with substantially stable actual payment terms.

### (25) Other Current Liabilities

Other current liabilities of 45.6 million euros included the following:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Amounts owed to the tax authorities | 5.4 | 6.1 |
| Contributions to pension and social security institutions | 4.9 | 2.6 |
| Amounts payable to employees | 25.0 | 24.7 |
| Amounts payable to shareholders for uncollected dividends | 5.5 | 8.3 |
| Amounts payable to subsidiaries under the national consolidated tax return | 0.3 | 0.6 |
| Accrued expenses and deferred income | 2.3 | 2.4 |
| Accounts payable to others | 2.2 | 3.8 |
| **Total** | **45.6** | **48.5** |

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

Accrued expenses and deferred income refer mainly to deferred income that arises 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 is larger than the total liability for current taxes.

At the end of 2009, the liability for current taxes amounted to 38.6 million euros.

# Guarantees and Commitments

(€ m)

| | 12.31.2010 | | | 12.31.2009 | | |
|---|---|---|---|---|---|---|
| | SURETIES | COLLATERAL | TOTAL | SURETIES | COLLATERAL | TOTAL |
| Guarantees provided by outsiders on behalf of the Company | 373.6 | 0.0 | 373.6 | 335.1 | 2.2 | 337.3 |
| **Total guarantees** | **373.6** | **0.0** | **373.6** | **335.1** | **2.2** | **337.3** |

The Guarantees provided by outsiders on behalf of the Company (373.6 million euros) refer mainly to guarantees provided by banks and/or insurance companies to government agencies in connection with VAT refunds and with prize contests.

The collateral account has a zero balance because the collateral was originally provided to secure a loan owed to IRFIS - Mediocredito della Sicilia that was repaid in full on December 31, 2010. The corresponding mortgage is being deleted from the Property register.

# Legal Disputes and Contingent Liabilities at December 31, 2010

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.

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, 2010, 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 and the appellate proceeding ended in May 2010. 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.

With regard to the second segment of the stock manipulation proceedings, which is pending before a different section of the Criminal Court of Milan, the trial that began in 2008 is now in the final phase, with oral arguments currently underway. No Parmalat company has joined these proceedings as a plaintiff seeking damages.

### Criminal Court of Parma

One trial, in which former Directors, Statutory Auditors and employees of Parmalat Group companies are charged with the crime of fraudulent bankruptcy ended on December 9, 2010 with the conviction of all defendants (except for two) 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 former employees of companies in the so-called “tourism” operations and officers of some banks. Insofar as these bank officers are concerned, Parmalat has already withdrawn from the proceedings as a plaintiff seeking damages, whenever settlements were reached. This trial is currently in the discovery phase.

In other proceedings, 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.

Lastly, the remaining trials of officers and/or employees of other banks have also started. The companies of the Parmalat Group, having reached out-of-court settlements with the banks, withdrew the claims they put forth when they joined the proceedings as plaintiffs seeking damages.

As for preliminary hearings, the hearing scheduled before the Preliminary Hearings Judge in which officers and employees of Citigroup/Citibank are being charged with fraudulent bankruptcy has ended. Parmalat joined the proceedings as a plaintiff seeking damages, summoning the bank as a civilly liable defendant for the actions of its Milan, London and New York branches. Upon the conclusion of the hearing, the judge dismissed some marginal charges and indicted all the main defendants for the crimes with which they were being charged. The first trial hearing is scheduled for April 4, 2011.

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.

### Bologna Court of Appeals

In the appeal proceedings filed by Maurizio Bianchi, Luciano Del Soldato and Giampaolo Zini, the Court granted Parmalat a provisional award of 1 billion euros as compensation for financial damages.

### 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, 2010."

### Parmalat vs Citigroup, Inc. et al.

In the appellate proceedings filed against Citigroup, the judge has not yet set a date for oral arguments.

## CIVIL PROCEEDINGS FILED AGAINST THE GROUP

### Insurance Companies vs. Parmalat Finanziaria S.p.A. in A.S.

An appeal filed by some insurance companies against a decision handed down by the Court of Milan on September 25, 2007, by which the Court 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, is currently pending before the Milan Court of Appeals.

### 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 (equal to about 14.7 million euros).

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.

### Liability Actions

Acting within the statutory deadlines, Parmalat S.p.A. reinstated its civil liability lawsuits against those defendants in the criminal proceedings that agreed to a plea bargaining arrangement. At a hearing held on June 4, 2008, 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 lawsuits against the parties included in the reinstatement decision. In the reinstated proceedings, the Court Appointed Technical Consultant filed his technical report. At a hearing held on January 19, 2011, the judge set deadlines 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. At a hearing held on January 19, 2011, the

judge set deadlines 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.

### Actions to Void in Bankruptcy

Five actions to void in bankruptcy are still pending in the discovery phase.

### 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 that the former Directors and Statutory Auditors of Boschi Luigi & Figli S.p.A. were 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. At a hearing held on January 12, 2011, the Court, upon being informed that a judge recused himself due to incompatibility, turned the case over to the Chief Judge asking him to appoint a new Reporting Judge.

## ADMINISTRATIVE PROCEEDINGS FILED AGAINST THE GROUP

### Centrale del Latte di Roma S.p.A.

See the information provided in the section of the Report on Operation entitled "Key Events of 2010."

## 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 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 is now pending.

## DISPUTES INVOLVING CHALLENGES TO THE COMPOSITION OF THE LISTS OF LIABILITIES

### Challenges and Oppositions

At December 31, 2010, 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 60 lawsuits filed before the Court of Parma and 145 lawsuits pending before the Bologna Court of Appeals. A significant portion of these disputes (over 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 820.5 million euros in 2010, virtually the same as in 2009, when the revenue amount was 820.0 million euros. However, net sales to Group companies were up sharply, due mainly to the production support provided to the Centrale del Latte di Roma subsidiary.

A breakdown of sales revenues is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Gross sales and service revenues | 1,441.0 | 1,593.7 |
| Returns, discounts and trade promotions | (662.7) | (804.9) |
| Net sales to Group companies | 42.2 | 31.2 |
| **Total** | **820.5** | **820.0** |

A breakdown of revenues by product category is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Milk | 633.6 | 616.6 |
| Fruit beverages | 88.1 | 94.9 |
| Dairy products | 73.5 | 80.9 |
| Other products | 25.3 | 27.6 |
| **Total** | **820.5** | **820.0** |

A breakdown of revenues by geographic region is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Italy | 809.9 | 807.6 |
| Other EU countries | 5.7 | 7.7 |
| Other countries | 4.9 | 4.7 |
| **Total** | **820.5** | **820.0** |

## (28) Other revenues

A breakdown of other revenues, which amounted to 38.8 million euros, is provided below:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Rebilling of advertising expenses | 5.4 | 5.0 |
| Rebilling and recovery of costs | 12.6 | 12.6 |
| Royalties | 15.2 | 3.9 |
| Rent | 0.5 | 0.4 |
| Gains on asset disposals | 0.8 | 0.2 |
| Miscellaneous revenues | 4.3 | 2.7 |
| **Total** | **38.8** | **24.8** |

The royalties accrued during the year and the successful settlement of a dispute with the Brazilian licensee account for the increase in Other revenues. In addition, Parmalat S.p.A. entered into licensing agreements authorizing some Group companies to use its trademarks.

# EXPENSES

## (29) Cost of Sales

Cost of sales of 555.5 million euros included the following:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Raw materials and finished goods used | 442.6 | 423.9 |
| Services and maintenance | 23.0 | 22.5 |
| Personnel | 51.5 | 50.3 |
| Depreciation, amortization and writedowns | 18.7 | 21.9 |
| Energy, natural gas and water | 16.5 | 18.8 |
| Miscellaneous | 3.2 | 3.3 |
| **Total** | **555.5** | **540.7** |

The cost of sales was significantly affected by the emergency resulting from a fire that occurred in August at the Rome plant (Centrale del Latte), which forced Parmalat S.p.A. to modify its manufacturing/distribution organization in order to replace the missing output of the Rome plant with production from other Parmalat facilities.

Also in the second half of 2010, the purchasing cost of raw milk increased compared with 2009. The decrease in the cost of utilities reflects a reduction in natural gas prices.

## (30) Distribution Costs

Distribution costs amounted to 195.9 million euros, broken down as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Advertising and promotions | 36.3 | 42.3 |
| Sales commissions and royalties paid | 50.9 | 54.0 |
| Distribution freight | 35.4 | 29.4 |
| Fees to franchisees | 12.7 | 17.3 |
| Personnel | 22.8 | 22.0 |
| Depreciation, amortization and writedowns | 26.2 | 28.4 |
| Commercial services | 8.0 | 5.7 |
| Other costs | 3.6 | 3.1 |
| **Total** | **195.9** | **202.2** |

The increase in distribution costs recorded in 2010 is due to an increased use of promotional discounts, on occasions directly on the invoice for such products as pasteurized milk as a partial replacement for conventional media-based advertising and promotional programs.

These programs were used to deliver directly at the "consumption" level sales offers at a more affordable price and meet the needs of end users who, during periods of economic crisis, tend to follow shopping patterns based on seeking lower prices.

The increase in other sales variables, such as distribution freight, reflects a decision to shift to Parmalat S.p.A. the activities previously carried out by Parmalat Distribuzione Alimenti.

## (31) Administrative Expenses

A breakdown of Administrative expenses, which totaled 82.2 million euros in 2010, is provided below:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Personnel | 33.1 | 32.5 |
| Auditing and certification fees | 1.5 | 1.6 |
| Depreciation and amortization | 7.8 | 5.7 |
| Purchases of materials | 23.5 | 20.1 |
| Outside services | 12.0 | 10.6 |
| Fees paid to Directors | 1.5 | 1.5 |
| Fees paid to the Board of Statutory Auditors | 0.2 | 0.2 |
| Other expenses | 2.6 | 4.5 |
| **Total** | **82.2** | **76.7** |

Higher depreciation and amortization and the larger amounts shown for purchases of materials and outside services account for most of the increase in administrative expenses.

Information about the compensation of the Company's Chairman, Directors and Statutory Auditors is provided in Annex A to the Corporate Governance chapter of the Report on Operations.

## (32) Other income and expense

Net other income amounted to 80.1 million euros. A breakdown is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Proceeds from settlements and actions to void | 46.1 | 303.9 |
| Reversal in earnings of the provision for Venezuela | 41.2 | 78.9 |
| Reversal in earnings of the provision for preferential/prededuction claims | 0.7 | 2.5 |
| Reversal in earnings of other provisions for risks | 2.0 | 17.4 |
| Addition to provisions for the restructuring of production facilities | 0.0 | (6.5) |
| Miscellaneous (income)/expense | (9.9) | (2.5) |
| **Total** | **80.1** | **393.7** |

The proceeds from settlements and actions to void include settlements with the following banks (amounts in millions of euros):

| | |
|---|---|
| ■ Ugf Banca | 7.4 |
| ■ Ge Capital | 7.3 |
| ■ Commerzbank | 1.8 |
| ■ Rabobank | 0.9 |
| ■ Banca Popolare di Bari | 0.5 |
| ■ Banca Cividale | 0.2 |
| ■ Credito Artigiano | 0.2 |
| ■ Credito Siciliano | 0.2 |
| ■ Sundry amounts | 0.3 |

This account also includes:

- 16.0 million euros paid by Parmatour under Extraordinary Administration as the second distribution for verified claims included among the liabilities in the bankruptcy proceedings;
- 7.2 million euros (6.5 million euros already collected) from the Licensees under Extraordinary Administration as the final distribution for verified claims included among the liabilities in the bankruptcy proceedings;
- 4.1 million euros (3.7 million euros already collected) from the companies under Extraordinary Administration Streglio, Eliair and Deutsche Parmalat as the final distribution for eligible claims included among the liabilities in the bankruptcy proceedings.

The main expense item is an addition of 9.7 million euros to the provisions for risks to cover potential costs related to disputes concerning verified liabilities, as explained more in detail in the note to the provisions for risks.

## (33) Litigation-related Legal Expenses

The balance in this account reflects the fees paid to law firms (9.2 million euros, compared with 14.7 million euros in 2009) 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.

Even though there is no direct timing relationship, the fees paid should be viewed as related to the amounts collected as a result of the actions to void and the actions for damages filed by the Company.

## (34) Additions to/Reversals of Provisions for Losses of Associates

The net adjustment to the carrying amount of investments in associates (positive by 1.3 million euros) reflects the results of the annual impairment test of investments in subsidiaries, which made it possible to reinstate in part the value of the investment in Parmalat Africa consistent with the higher economic value of the corresponding Strategic Business Unit (33.9 million euros), net of writedowns of 20.2 million euros for Latte Sole, 11.1 million euros for Parmalat Portugal, 0.5 million euros for Parmalat Distribuzione Alimenti and 0.8 million euros for Airetcal.

## (35) Financial Income and Financial Expense

The tables below provide breakdowns of the financial income and expense amounts attributable to 2010.

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Income from readily available financial assets | 4.4 | 7.2 |
| Interest and other income from subsidiaries | 2.2 | 1.1 |
| Interest earned on bank accounts | 5.7 | 13.9 |
| Gain on translation of receivables/payables in foreign currencies | 1.4 | 1.4 |
| Interest earned on receivables from the tax authorities | 1.6 | 1.9 |
| Other financial income | 0.0 | 2.7 |
| **Total financial income** | **15.3** | **28.2** |

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Bank interest and fees paid | 0.5 | 0.6 |
| Interest paid on finance leases | 0.2 | 0.5 |
| Loss on translation of receivables/payable in foreign currencies | 1.2 | 1.3 |
| Other financial expense | 0.1 | 0.0 |
| **Total financial expense** | **2.0** | **2.4** |

Lower money market interest rates produced a substantial reduction in interest earned on bank accounts and from readily available financial assets, replaced only in part with income from increased loans to subsidiaries.

## (36) Other Income from (Expenses for) Equity Investments

The table below provides a breakdown of income from and expense for equity investments:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Dividends from subsidiaries | 41.9 | 36.1 |
| Dividends from other companies | 0.6 | 1.3 |
| Losses on the sale of equity investments | (0.1) | (0.2) |
| **Total** | **42.4** | **37.2** |

Dividends received from subsidiaries include the amounts paid by Parmalat Canada (17.6 million euros), Parmalat Australia (13.6 million euros), Centrale Latte Roma S.p.A. (3.8 million euros), OAO Belgorodskij Moloknij Kombinat (Russia) (2.5 million euros), Parmalat Portugal Lda (1.8 million euros), OOO Parmalat MK (Russia) (1.0 million euros), Procesadora de Leches SA (Colombia) (0.9 million euros), Boschi Luigi & Figli S.p.A. (0.6 million euros) and sundry companies (0.1 million euros).

## (37) Income Taxes

**Reconciliation of the Theoretical Tax Liability to the Actual Tax Liability Shown in the Income Statement**

(€ K)

| | IRES | IRAP | TOTAL |
|---|---|---|---|
| Profit before taxes | 153,730 | 153,730 | |
| *Difference in taxable income for IRES and IRAP purposes:* | | | |
| Non-taxable extraordinary income (incl. proceeds from settlements) | (18,714) | (80,436) | |
| Financial income | - | (55,821) | |
| Personnel expense | - | 107,391 | |
| Non-deductible additions to provisions and writedowns | | 9,228 | |
| | **135,016** | **134,092** | |
| *Applicable tax rate (%)* | *27.50%* | *3.90%* | *31.40%* |
| Theoretical tax liability | 37,129 | 5,230 | 42,359 |
| Tax savings on dividends and capital gains (taxed at 5%) | (19,986) | - | (19,986) |
| Effect of filing a consolidated tax return and Tremonti Decree | (3,824) | - | (3,824) |
| Additional taxes for non-deductible writedowns of investments in associates | 8,956 | (52) | 8,904 |
| IRAP reduction for payroll tax relief | 0,0 | (1,322) | (1,322) |
| Higher/Lower taxes for deductions not recognized for accounting purposes and other permanent differences | (304) | (379) | (683) |
| **Actual income tax liability shown on the income statement at December 31, 2010** | **21,971** | **3,477** | **25,448** |
| *Actual tax rate (%)* | *14.29%* | *2.26%* | *16.55%* |

# Other Information

## MATERIAL NONRECURRING TRANSACTIONS

The Company did not execute material nonrecurring transactions or atypical or unusual transactions.

## 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, 2010 is provided below:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| A) Cash on hand | 0.5 | 0.5 |
| B) Cash equivalents and readily available financial assets: | | |
| - Bank and postal accounts | 133.9 | 281.7 |
| - Treasury securities (Italian and foreign) | 710.3 | 649.0 |
| - Accrued interest receivable | 5.4 | 1.3 |
| - Time deposits | 418.8 | 538.0 |
| C) Negotiable securities | 0.0 | 0.0 |
| **D) Liquid assets (A+B+C)** | **1,268.9** | **1,470.5** |
| E) Current loans receivable | 82.8 | 27.7 |
| F) Current bank debt | 0.0 | 0.0 |
| G) Current portion of non-current indebtedness | 2.5 | 4.7 |
| H) Other current borrowings | 2.3 | 2.3 |
| **I) Current indebtedness (F+G+H)** | **4.8** | **7.0** |
| **J) Current net financial position (I-E-D)** | **(1,346.9)** | **(1,491.2)** |
| K) Non-current bank debt | 0.0 | 0.0 |
| L) Debt securities outstanding | | |
| M) Other non-current borrowings (finance leases) | 1.9 | 4.4 |
| **N) Non-current indebtedness (K+L+M)** | **1.9** | **4.4** |
| **O) Net financial position (J+N)** | **(1,345.0)** | **(1,486.8)** |

## Breakdown of Labor Costs by Type

A breakdown is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Cost of sales | 51.5 | 50.3 |
| Distribution costs | 22.8 | 22.0 |
| Administrative expenses | 33.1 | 32.5 |
| **Total** | **107.4** | **104.8** |

## Number of Employees

The table below provides a breakdown by category of the Company's staff at December 31, 2010:

| | AT 12.31.2010 | AVERAGE FOR 2010 | AT 12.31.2009 |
|---|---|---|---|
| Executives | 62 | 58.7 | 63 |
| Middle managers and office staff | 860 | 860.7 | 868 |
| Production staff | 748 | 748.2 | 780 |
| **Total** | **1,670** | **1,667.6** | **1,711** |

## Depreciation, Amortization and Writedowns of Non-current Assets

A breakdown is as follows:

(€ 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** |

| DESTINATION | 2009 | | |
|---|---|---|---|
| | AMORTIZATION OF INTANGIBLES | DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT | TOTAL |
| Cost of sales | 0.1 | 15.4 | 15.5 |
| Distribution costs | 16.2 | 4.2 | 20.4 |
| Administrative expenses | 4.1 | 1.6 | 5.7 |
| **Total** | **20.4** | **21.2** | **41.6** |

## 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 2010 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.

| TYPE OF SERVICES | 2010 | 2009 |
|---|---|---|
| A) Auditing assignments | 1.2 | 1.2 |
| B) Assignments involving the issuance of a certification | | |
| C) Other services | | |
| *- Tax services* | | |
| *- Due Diligence* | | |
| *- Other services to support lawsuit settlements* | *0.2* | *0.3* |
| **Total** | **1.4** | **1.5** |

The amounts listed above represent payments for contractual fees. Additional charges include 0.2 million euros for out-of-pocket costs incurred in connection with auditing assignments.

## DISCLOSURES REQUIRED BY IFRS 7

The disclosures about financial instruments provided below are 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 |
|---|---|---|---|---|---|---|
| **12.31.2010** | | | | | | |
| 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 financial 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** |

(€ 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 |
|---|---|---|---|---|---|---|
| **12.31.2009** | | | | | | |
| Other financial assets | 3.2 | | | | | 3.2 |
| Trade receivables | 164.1 | | | | | 164.1 |
| Other current assets | 13.8 | | | | | 13.8 |
| Cash and cash equivalents | 206.4 | | | 76.0 | | 282.4 |
| Current financial assets | | | | 1,188.1 | | 1,188.1 |
| **Total financial assets** | **387.5** | **0.0** | **0.0** | **1,264.1** | **0.0** | **1,651.6** |

(€ m)

| | FINANCIAL LIABILITIES AT AMORTIZED COST | FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | HEDGING DERIVATIVES | TOTAL |
|---|---|---|---|---|
| **12.31.2009** | | | | |
| Financial liabilities | 9.2 | | | 9.2 |
| Trade payables | 162.9 | | | 162.9 |
| **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.

Financial assets denominated in currencies other than the euro do not represent a material amount.

## Contractual Due Dates of Financial Liabilities (Excluding Intra-Group Positions)

The contractual due dates 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 | 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 12.31.10** | **172.1** | **172.1** | **151.8** | **15.3** | **3.1** | **1.9** | **0.0** | **0.0** |

| | 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 | 9.2 | 9.2 | 0.6 | 1.7 | 2.4 | 4.0 | 0.5 | |
| Trade payables | 162.9 | 162.9 | 137.1 | 17.8 | 8.0 | | | |
| **Balance at 12.31.09** | **172.1** | **172.1** | **137.7** | **19.5** | **10.4** | **4.0** | **0.5** | **0.0** |

## 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.

# EQUITY INVESTMENTS HELD BY PARMALAT AT DECEMBER 31, 2010

| COMPANY | TYPE | SHARE CAPITAL | | EQUITY INVESTMENT | | | COMPANY'S SHARE-HOLDERS' 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** | | | | | | | | |
| BOSCHI LUIGI & FIGLI S.P.A. Collecchio | CORP | EUR | 10,140,000 | 10,140,000 | 10,140,000 | 100.00 | 13,048,780 | 13,048,780 |
| CARNINI S.P.A. Villa Guardia (CO) | CORP | EUR | 3,300,000 | 600 | 600 | 100.000 | 8,350,344 | 8,350,344 |
| CENTRALE DEL LATTE DI ROMA S.P.A. Rome | CORP | EUR | 37,736,000 | 5,661,400 | 5,661,400 | 75.013 | 62,851,219 | 47,144,700 |
| DALMATA S.P.A. Collecchio | CORP | EUR | 120,000 | 120,000 | 120,000 | 100.000 | 9,149,039 | 9,149,039 |
| LATTE SOLE S.P.A. Collecchio | CORP | EUR | 6,000,000 | 6,000,000 | 6,000,000 | 100.000 | 0 | 0 |
| PARMALAT AFRICA S.P.A. Collecchio | CORP | EUR | 38,860,408 | 38,860,408 | 38,860,408 | 100.000 | 57,326,038 | 57,326,038 |
| PARMALAT DISTRIBUZIONE ALIMENTI SRL Collecchio | LLP | EUR | 1,000,000 | 1 | 1 | 100.000 | 1,135,869 | 1,135,869 |
| SATA SRL Collecchio | LLP | EUR | 500,000 | 500,000 | 500,000 | 100.000 | 20,219,250 | 20,219,250 |
| **OTHER ITALIAN COMPANIES** | | | | | | | | |
| BONATTI S.P.A. Parma | CORP | EUR | 28,813,404 | 572,674 | 572,674 | 10.256 | ND | |
| CE.PI.M S.P.A. Parma | CORP | EUR | 6,642,928 | 464,193 | 464,193 | 0.840 | ND | |
| SO.GE.AP S.p.A. Parma | CORP | EUR | 3,631,561,64 | 1,975 | 1,975 | 0.725 | ND | |
| TECNOALIMENTI SCPA Milan | CORP | EUR | 780,000 | | | 4.330 | ND | |
| COOPERFACTOR S.P.A. Bologna | CORP | EUR | 11,000,000 | 10,329 | 10,329 | 0.094 | ND | |
| **BELGIUM** | | | | | | | | |
| PARMALAT BELGIUM SA Brussels | F | EUR | 1,000,000 | 40,000 | 40,000 | 100.00 | 11,333,391 | 11,333,391 |
| **PORTUGAL** | | | | | | | | |
| PARMALAT PORTUGAL PROD. ALIMENT. LDA Sintra | F | EUR | 11,651,450.04 | 11,646,450 | 11,646,450 | 99.957 | 5,684,551 | 5,684,551 |
| **ROMANIA** | | | | | | | | |
| LA SANTAMARA SRL Baia Mare | F | RON | 6,667,50 | 535 | 535 | 84.252 | 46,896 | 39,510 |

| COMPANY | TYPE | SHARE CAPITAL | | EQUITY INVESTMENT | | | COMPANY'S SHARE-HOLDERS' EQUITY | GROUP INTEREST IN SHAREHOLD. EQUITY |
|---|---|---|---|---|---|---|---|---|
| NAME<br>REGISTERED OFFICE | | CURR | AMOUNT | VOTING SHARES/ INTERESTS HELD | NO. OF SHARES/ INTERESTS HELD | % OF TOT. NO. OF SHARES/ INTERESTS | | |
| PARMALAT ROMANIA SA<br>Comuna Tunari | F | RON | 26,089,760 | 2,608,975 | 2,608,975 | 99.999 | 9,384,419 | 9,384,325 |
| **RUSSIA** | | | | | | | | |
| OAO BELGORODSKIJ MOLOCNIJ KOMBINAT<br>Belgorod | F | RUB | 67,123,000 | 66,958,000 | 66,958,000 | 99.754 | 24,846,931 | 24,785,852 |
| OOO PARMALAT MK<br>Moscow | F | RUB | 81,015,950 | 1 | 1 | 100.000 | 7,110,218 | 7,110,218 |
| OOO URALLAT<br>Berezovsky | F | RUB | 129,618,210 | 1 | 1 | 100.000 | 756,643 | 756,643 |
| **NORTH AMERICA** | | | | | | | | |
| **CANADA** | | | | | | | | |
| PARMALAT CANADA INC.<br>Toronto | F | CAD | 982,479,550 | 848,019 Class A<br>134,460 Class B | 848,019<br>134,460 | 86.314<br>13.685 | 550,697,965 | 550,967,965 |
| **MEXICO** | | | | | | | | |
| PARMALAT DE MEXICO S.A. de C.V. in liquidation<br>Jalisco | F | MXN | 390,261,812 | 390,261,812 | 390,261,812 | 100.000 | 20,614 | 20,613 |
| **CENTRAL AMERICA** | | | | | | | | |
| **CUBA** | | | | | | | | |
| Citrus International Corporation SA<br>Pinar del Rio | F | USD | 11,400,000 | 627 | 627 | 55.000 | 6,104,397 | 3,357,418 |
| **NICARAGUA** | | | | | | | | |
| PARMALAT NICARAGUA SA in liquidation<br>Managua | F | NIO | 2,000,000 | 57 | 57 | 2.850 | -5,372,392 | -153,113 |
| **SOUTH AMERICA** | | | | | | | | |
| **BRASILE** | | | | | | | | |
| PRM ADMIN E PART DO BRASIL LTDA in liquidation<br>São Paulo | F | BRL | 1,000,000 | 810,348 | 810,348 | 81.035 | ND | |
| **CHILE** | | | | | | | | |
| PARMALAT CHILE SA<br>Santiago | F | CLP | 13,267,315.372 | 2,096,083 | 2,096,083 | 99.999 | ND | |
| **COLOMBIA** | | | | | | | | |
| PARMALAT COLOMBIA LTDA<br>Bogotá | F | COP | 20,466,360.000 | 18,621,581 | 18,621,581 | 90.986 | 20,848,450 | 18,970,005 |
| PROCESADORA DE LECHES SA (Proleche sa)<br>Bogotá | F | COP | 173,062,136 | 131,212,931 | 131,212,931 | 94.773 | 34,947,983 | 33,121,252 |

| COMPANY | TYPE | SHARE CAPITAL | | EQUITY INVESTMENT | | | COMPANY'S SHARE-HOLDERS' 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 | -3,017,725 | -3,017,725 |
| PARMALAT DEL ECUADOR (former Lechecotopaxi Lecocem) Quito | F | USD | 6,167,720 | 100,067,937 | 100,067,937 | 64.897 | 538,432 | 349,765 |
| **PARAGUAY** | | | | | | | | |
| PARMALAT PARAGUAY SA Asuncion | F | PYG | 9,730,000,000 | 9,632 | 9,632 | 98.993 | 94,247 | 93,266 |
| **URUGUAY** | | | | | | | | |
| AIRETCAL SA in liquidation Montevideo | F | UYU | 2,767,156 | 2,767,156 | 2,767,156 | 100.000 | ND | |
| WISHAW TRADING SA Montevideo | F | USD | 30,000 | 50 | 50 | 16.667 | ND | |
| **VENEZUELA** | | | | | | | | |
| INDUSTRIA LACTEA VENEZOLANA CA (INDULAC) Caracas | F | VEB | 34.720.471,6 | 343,108,495 | 343,108,495 | 98.820 | 91,792,625 | 90,709,472 |
| **AFRICA** | | | | | | | | |
| **SOUTH AFRICA** | | | | | | | | |
| PARMALAT SOUTH AFRICA PTY Stellenbosch | F | ZAR | 1,368,288.73 | 14,818,873 | 14,818,873 | 10.83 | 162,630,729 | 17,613,233 |
| **ASIA** | | | | | | | | |
| **CHINA** | | | | | | | | |
| PARMALAT (ZHAODONG) DAIRY CORP. LTD Zhaodong | F | CNY | 56,517,260 | 53,301,760 | 53,301,760 | 94.311 | ND | |
| **INDIA** | | | | | | | | |
| SWOJAS ENERGY FOODS LIMITED in liquidation Shivajinagar | F | INR | 309,626,500 | 21,624,311 | 21,624,311 | 69.840 | ND | |
| **ASIA/PACIFIC** | | | | | | | | |
| **AUSTRALIA** | | | | | | | | |
| PARMALAT AUSTRALIA LTD. South Brisbane | F | AUD | 222,627,759 | 200,313,371 pr. | 200,313,371 | 89.97 pr. | 310,190,527 | 279,078,417 |
| PARMALAT INVESTMENT PTY LTD. Queensland | F | AUD | 27,000,000 | 27,000,000 | 27,000,000 | 100.00 | 20,539,803 | 20,539,803 |

# 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

We the undersigned, Enrico Bondi, in my capacity as Chief Executive Officer, and Pier Luigi De Angelis, 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,

**CERTIFY**

1. that the administrative and accounting procedures for the preparation of the statutory financial statements for the year ended December 31, 2010 are 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, 2010 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 issuer company'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 balance sheet, income statement and financial position of the issuer company.

   c) The Report on Operations provides a reliable analysis of the results from operations and of the position of the issuer company; it also includes a description of the main risks and uncertainties to which the abovementioned companies are exposed.

Date: March 2, 2011

Signed:
The Chief Executive Officer

Signed:
The Corporate Accounting Documents Officer

# Report of the Independent Auditors

## Parmalat S.p.A.


Santal
Нектар
с мякотью
Манго
Без консервантов
Тропические
Грезы
parmalat

pwc

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LAW DECREE NO. 39 DATED 27 JANUARY 2010**

To the shareholders of
Parmalat SpA

1. We have audited the financial statements of Parmalat SpA as of 31 December 2010, which comprise the statement of the financial position, the income statement, the statement of cash flows, the statement of changes in shareholders'equity and explanatory 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. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are fairly presented. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our audit opinion.

   For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 8 March 2010.

3. In our opinion, the financial statements of Parmalat SpA as of 31 December 2010 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 give a true and fair view of the financial position, results of operations and the cash flows of Parmalat SpA for the year then ended.

4. The directors of Parmalat SpA are responsible for the preparation of the Report on Operations in accordance 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 matters, limited to the information as required by comma 1, letters c), d), f), l), m) and by comma 2, letter b) of the article 123-bis of the Legislative Decree 58/98, with the financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations and the information as required by comma 1, letters c), d), f), l), m) and by comma 2, letter b) of the article 123-bis of the Legislative Decree 58/98 presented in the

***PricewaterhouseCoopers SpA***

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561

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specific section of the above mentioned Report on Operations are consistent with the financial statements of Parmalat SpA as of 31 December 2010.

Milan, 2 March 2011

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 and Notes to the Consolidated Financial Statements at December 31, 2010


DOLCE DI NATURA.
UOVO SANTÀL 100% ARANCIA A BASSA ACIDITÀ.
IL PRIMO E L'UNICO.
NUOVO
Santal
100% ARANCIA
BASSA ACIDITÀ
PREMIUM
SENZA ZUCCHERO AGGIUNTO
Santal
POTERE ALLA FRUTTA.
WWW.SANTAL.IT
LO TROVI NEL BANCO FRIGO.

# Consolidated Statement of Financial Position

## ASSETS

| NOTE | (€ m) | 12.31.2010 | 12.31.2009 |
|---|---|---|---|
| | **NON-CURRENT ASSETS** | **2,073.6** | **1,900.1** |
| (1) | Goodwill | 461.7 | 452.8 |
| (2) | Trademarks with an indefinite useful life | 613.0 | 561.3 |
| (3) | Other intangibles | 41.7 | 49.4 |
| (4) | Property, plant and equipment | 864.3 | 774.0 |
| (5) | Investments in associates and other companies | 3.3 | 3.5 |
| (6) | Other non-current financial assets | 7.6 | 7.9 |
| (7) | Deferred-tax assets | 82.0 | 51.2 |
| | **CURRENT ASSETS** | **2,570.1** | **2,692.8** |
| (8) | Inventories | 390.5 | 376.1 |
| (9) | Trade receivables | 484.0 | 459.9 |
| (10) | Other current assets | 222.3 | 211.8 |
| (11) | Cash and cash equivalents | 318.0 | 428.2 |
| (12) | Current financial assets | 1,155.3 | 1,216.8 |
| | **Held-for-sale assets** | **0.5** | **1.0** |
| **TOTAL ASSETS** | | **4,644.2** | **4,593.9** |

# LIABILITIES

| (€ m) | | 12.31.2010 | 12.31.2009 |
|---|---|---|---|
| | **SHAREHOLDERS' EQUITY** | **3,531.8** | **3,256.8** |
| (13) | Share capital | 1,732.9 | 1,712.6 |
| (14) | Reserve for creditor challenges and claims of late-filing creditors convertible exclusively into share capital | 153.7 | 168.8 |
| | Other reserves and retained earnings: | | |
| (15) | *- Reserve for currency translation differences* | *51.6* | *(42.7)* |
| (16) | *- Cash-flow hedge reserve* | *(0.2)* | *(1.3)* |
| (17) | *- Miscellaneous reserves* | *1,285.3* | *945.7* |
| | Interim dividend | 0.0 | (69.8) |
| (18) | Profit for the year | 282.0 | 519.0 |
| | **Group interest in shareholders' equity** | **3,505.3** | **3,232.3** |
| **(19)** | **Minority interest in shareholders' equity** | **26.5** | **24.5** |
| | | | |
| | **NON-CURRENT LIABILITIES** | **384.4** | **571.8** |
| (20) | Long-term borrowings | 13.7 | 190.0 |
| | *amount from transactions with related parties* | *1.2* | *1.1* |
| (21) | Deferred-tax liabilities | 189.0 | 181.2 |
| (22) | Provisions for employee benefits | 97.2 | 92.6 |
| (23) | Provisions for risks and charges | 79.7 | 101.4 |
| (24) | Provision for contested preferential and prededuction claims | 4.8 | 6.6 |
| | **CURRENT LIABILITIES** | **728.0** | **765.3** |
| (20) | Short-term borrowings | 24.4 | 70.4 |
| | *amount from transactions with related parties* | *3.3* | *4.9* |
| (25) | Trade payables | 545.9 | 492.9 |
| (26) | Other current liabilities | 142.2 | 135.9 |
| (27) | Income taxes payable | 15.5 | 66.1 |
| | **Liabilities directly attributable to held-for-sale assets** | **0.0** | **0.0** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **4,644.2** | **4,593.9** |

# Consolidated Income Statement

| NOTE | (€ m) | 2010 | 2009 |
|---|---|---|---|
| **(28)** | **REVENUES** | **4,360.6** | **3,992.1** |
| | Net revenues | 4,301.0 | 3,964.8 |
| | Other revenues | 59.6 | 27.3 |
| (29) | Cost of sales | (3,400.9) | (3,069.8) |
| (29) | Distribution costs | (436.1) | (430.2) |
| (29) | Administrative expenses | (294.7) | (241.6) |
| | Other (income) expense: | | |
| (30) | - Litigation-related legal expenses | (9.2) | (14.7) |
| (31) | - Miscellaneous income and expense | 114.5 | 431.0 |
| **EBIT** | | **334.2** | **666.8** |
| (32) | Financial income | 49.8 | 60.9 |
| (32) | Financial expense | (42.6) | (66.9) |
| | Interest in the result of companies valued by the equity method | (0.8) | 0.0 |
| (33) | Other income from (Expense for) equity investments | 0.6 | 5.6 |
| **PROFIT BEFORE TAXES** | | **341.2** | **666.4** |
| (34) | Income taxes | (56.1) | (144.9) |
| **PROFIT FROM CONTINUING OPERATIONS** | | **285.1** | **521.5** |
| **PROFIT FOR THE YEAR** | | **285.1** | **521.5** |
| Minority interest in (profit) loss | | (3.1) | (2.5) |
| Group interest in profit (loss) | | 282.0 | 519.0 |
| **Continuing Operations:** | | | |
| **Basic earnings per share** | | **0.1632** | **0.3055** |
| **Diluted earnings per share** | | **0.1599** | **0.3005** |

# Consolidated Statement of Comprehensive Income

| (€ m) | 2010 | 2009 |
|---|---|---|
| **Net profit for the year (A)** | **285.1** | **521.5** |
| **Other components of the comprehensive income statement** | | |
| Monetary adjustment for hyperinflation | - | 21.9 |
| Change in fair value of derivatives, net of tax effect | (0.2) | 0.9 |
| Change in fair value of held-for-sale securities, net of tax effect | 0.1 | 0.7 |
| Difference on translation of financial statements in foreign currencies | 94.2 | 107.8 |
| Reversal into earnings of the cash-flow hedge reserve | 1.5 | - |
| Reversal into earnings of the reserve for fair value measurement of held-for-sale securities upon their sale | (0.8) | - |
| Reversal into earnings of the reserve for currency translations upon the sale of equity investments | 0.3 | (2.3) |
| **Total other components of the comprehensive income statement, net of tax effect (B)** | **95.1** | **129.0** |
| **Total comprehensive net profit (loss) for the period (A) + (B)** | **380.2** | **650.5** |
| **Total comprehensive net profit (loss) for the period attributable to:** | | |
| - Minority shareholders | (3.5) | (3.0) |
| - Group shareholders | 376.7 | 647.5 |

# Consolidated Statement of Cash Flows

| (€ m) | 2010 | 2009 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit from operating activities | 285.1 | 521.5 |
| Depreciation, amortization and writedowns of non-current assets | 148.4 | 117.3 |
| Additions to provisions | 116.9 | 202.4 |
| Interest and other financial expense | 25.9 | 43.4 |
| Non-cash (income) expense items | (102.5) | (173.1) |
| (Gains) Losses on divestments | (0.5) | (0.5) |
| Dividends received | (0.9) | (1.6) |
| Proceeds from actions to void and actions for damages | (52.2) | (304.2) |
| Litigation-related legal expenses | 9.2 | 14.7 |
| **Cash flow from operating activities before change in working capital** | **429.4** | **419.9** |
| | | |
| *Changes in net working capital and provisions:* | | |
| Operating working capital | 15.6 | 11.5 |
| Payments of income taxes on operating result | (73.4) | (53.8) |
| Other assets/Other liabilities and provisions | (47.2) | (61.6) |
| **Total change in net working capital and provisions** | **(105.0)** | **(103.9)** |
| | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **324.4** | **316.0** |
| | | |
| **INVESTING ACTIVITIES** | | |
| Investments: | | |
| *- Intangibles* | *(13.6)* | *(9.2)* |
| *- Property, plant and equipment* | *(142.3)* | *(96.2)* |
| *- Non-current financial assets* | *(0.1)* | *(0.3)* |
| *- Investments in associates and other companies* | *(0.8)* | - |
| Acquisition of subsidiaries and business operations, net of acquired liquid assets | - | (33.0) |
| Proceeds from divestments and sundry items | 5.8 | 4.8 |
| Dividends received | 0.9 | 1.6 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **(150.1)** | **(132.3)** |

*CONTINUED*

| (€ m) | 2010 | 2009 |
|---|---|---|
| **PROCEEDS FROM SETTLEMENTS** | **54.6** | **286.9** |
| | | |
| **LITIGATION-RELATED LEGAL EXPENSES** | **(13.4)** | **(27.4)** |
| | | |
| **INCOME TAXES PAID ON PROCEEDS FROM SETTLEMENTS** | **(60.9)** | **(31.0)** |
| | | |
| **FINANCING ACTIVITIES** | | |
| New loans and finance leases | 9.9 | 9.6 |
| Repayment of principal and accrued interest due on loans and finance leases | (225.4) | (156.6) |
| Investments in other current assets that mature later than three months after the date of purchase | 54.6 | (514.8) |
| Dividends paid | (113.3) | (234.7) |
| Exercise of warrants | 5.2 | 0.8 |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **(269.0)** | **(895.7)** |
| | | |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM JANUARY 1 TO DECEMBER 31** | **(114.4)** | **(483.5)** |
| | | |
| **CASH AND CASH EQUIVALENTS AT JANUARY 1** | **428.2** | **901.2** |
| | | |
| Increase (decrease) in cash and cash equivalents from January 1 to December 31 | (114.4) | (483.5) |
| Net impact of the translation of cash and cash equivalents denominated in foreign currencies | 4.2 | 10.5 |
| | | |
| **CASH AND CASH EQUIVALENTS AT DECEMBER 31** | **318.0** | **428.2** |

*Loan interest income amounted to 12.0 million euros.*

# Statement of Changes in Consolidated Shareholders' Equity

| | | | OTHER RESERVES | | |
|---|---|---|---|---|---|
| | SHARE CAPITAL | RESERVE CONVERTIBLE INTO SHARE CAPITAL[1] | STATU-TORY RESERVE | RES. FOR DIVIDENDS TO CHALLENGES AND CONDIT. CLAIMS | RESERVE FOR TRANSLATION DIFFERENCES |
| **Balance at 1.1.2009** | **1,687.4** | **193.2** | **31.9** | **21.7** | **(148.1)** |
| Monetary adjustment for hyperinflation | | | | | |
| Profit for the year | | | | | |
| Difference from the translation of financial statements in foreign currencies | | | | | 107.7 |
| Change in fair value of derivatives | | | | | |
| Change in fair value of held-for-sale securities | | | | | |
| Reversal into earnings of the translation reserve upon the sale of equity investments | | | | | (2.3) |
| **Comprehensive profit for the year** | **-** | **-** | **-** | **-** | **105.4** |
| Share capital incr. from convertible reserve | 24.4 | (24.4) | | | |
| Exercise of warrants | 0.8 | | | | |
| Appropriation of 2008 profit | | | 30.8 | 4.8 | |
| 2008 Dividend | | | | | |
| Dividends to shareholders challenging share allocation | | | | (0.6) | |
| 2009 interim dividend | | | | | |
| Removal of companies from scope of consolid. | | | | | |
| Purchase of minority interest | | | | | |
| Business combinations | | | | | |
| **Balance at 12.31.2009** | **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 held-for-sale securities | | | | | |
| Reversal into earnings of the cash-flow hedge reserve | | | | | |
| Reversal into earnings of the reserve for fair value measurement of held-for-sale securities upon their sale | | | | | |
| Reversal into earnings 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 2009 profit | | | 18.7 | | |
| 2009 Dividend | | | | | |
| **Balance at 12.31.2010** | **1,732.9** | **153.7** | **81.4** | **25.9** | **51.6** |

*(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)

| AND RETAINED EARNINGS | | | | | | | |
|---|---|---|---|---|---|---|---|
| SHARES SUBSCRIBED THROUGH EXERCISE OF WARRANTS | CASH-FLOW HEDGE RESERVE | SUNDRY RESERVES[2] | INTERIM DIVIDEND | PROFIT (LOSS) FOR THE YEAR | GROUP INTEREST IN SHAREHOLD. EQUITY | TOTAL SHAREHOLD. EQUITY | TOTAL SHAREHOLD. EQUITY |
| **-** | **(2.2)** | **490.2** | **(130.0)** | **673.1** | **2,817.2** | **24.9** | **2,842.1** |
| | | 21.5 | | | 21.5 | 0.4 | 21.9 |
| | | | | 519.0 | 519.0 | 2.5 | 521.5 |
| | | | | | 107.7 | 0.1 | 107.8 |
| | 0.9 | | | | 0.9 | - | 0.9 |
| | | 0.7 | | | 0.7 | - | 0.7 |
| | | | | | (2.3) | - | (2.3) |
| **-** | **0.9** | **22.2** | **-** | **519.0** | **647.5** | **3.0** | **650.5** |
| | | | | | - | - | - |
| | | | | | 0.8 | - | 0.8 |
| | | 344.7 | | (380.3) | - | - | - |
| | | | 130.3 | (292.8) | (162.5) | (2.5) | (165.0) |
| | | | (0.3) | | (0.9) | - | (0.9) |
| | | | (69.8) | | (69.8) | - | (69.8) |
| | | | | | - | (1.9) | (1.9) |
| | | | | | - | 0.6 | 0.6 |
| | | | | | - | 0.4 | 0.4 |
| **-** | **(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** |

# 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. 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, South 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 (yoghurt, 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, 2010 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 authorized the publication of these consolidated financial statements on March 2, 2011.

## Presentation Formats 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 "Held-for-sale assets" and "Liabilities directly attributable to held-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.

As a general rule, the consolidated 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, 2010:

- *Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards*
- *Amendments to IFRS 2 - Share-based Payments*
- *Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations*
- *Amendments to IAS 39 - Financial Instruments: Recognition and Measurement*
- *Amendments to IFRIC 9 - Reassessment of Embedded Derivatives*
- *Minor revisions to IFRSs ("IFRS improvements" – issued in 2009)*
- *IFRIC 17 – Distributions of Non-cash Assets to Owners*
- *IFRIC 18 –Transfers of Assets from Customers*

However, these principles, amendments and interpretations apply to situations and issues that did not exist within the Group at the end of the reporting period.

Please note that, in connection with the preparation of the 2009 financial statements, the Group opted for the early adoption of the revised versions of IFRS 3 – Business Combinations and IAS 27 – Consolidated and Separate Financial Statements.

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

In 2009 and 2010, 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 IAS 32* - Classification of Rights Issues (applicable as of January 1, 2011). The amended version of this principle applies to situations and issues that did not exist within the Group at the end of the reporting period.

*Amendments to IAS 24* - Related-party Disclosures (applicable as of January 1, 2011). The adoption of this amended version will have no impact on the valuation of the items listed in the financial statements

*Amendments to IFRIC 14* - Prepayments of a Minimum Funding Requirement (applicable as of January 1, 2011). The adoption of this amended version will have no material impact on the Group's financial statements.

*Amendments to IFRIC 19* - Extinguishing Financial Liabilities with Equity Instruments (applicable as of January 1, 2011). The adoption of this amended version will have no material impact on the Group's financial statements.

*Minor Amendments to IFRS ("Improvements to IFRS" - issued in 2010; applicable as of January 1, 2011).* The adoption of this amended version will have no material impact on the Group's 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.

As a result of the adoption of *IAS 27R (Consolidated and Separate Financial Statements)* by the prospective method, starting in the 2009 reporting year, 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.

As a result of the adoption of *IAS 27R (Consolidated and Separate Financial Statements)* by the prospective method, starting in the 2009 reporting year, the effects resulting from the acquisitions (disposals) of ownership interests subsequent to the acquisition of control, when such transactions do not result on a loss of control, are recognized in equity.

# 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, 2010 includes 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: Parmalat Mölkerei GmbH in A.S. (Germany), 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 nearing completion, pursuant to law.

  These companies have been included in the list of the Group's equity investments because the Group owns their capital stock.

  In 2010, Parmalat Mölkerei GmbH in A.S. and Deutsche Parmalat GmbH in A.S. paid 7.0 million euros to Group companies as the final distribution for verified claims included among the liabilities in the bankruptcy proceedings. These two companies will be dissolved in 2011.

  As for other companies in composition with creditor proceedings in accordance with local laws, 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

In the first quarter of 2010, after reaching a settlement with Parmalat Capital Finance Limited in liquidation, the Group acquired ownership of loans owed to third-party financial entities by the Group's Venezuelan companies.

The resolution of these disputed prior-period debt positions was followed by a financial and corporate restructuring of the Venezuelan operations that was completed by the end of 2010.

The income statement and statement of financial position data of the Venezuelan subsidiaries, when stated in the local currency, are affected by a rate of inflation that, over the past three years, exceeded the cumulative threshold of 100%, which triggered the adoption of the adjustments required by IAS 29 - *Financial Reporting in Hyperinflationary Economies*, starting in 2009. According to this principle, the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current on the date of the financial statements. All statement of financial position amounts that are not stated in terms of the measuring unit current on the date of the financial statements must be restated by applying a general price index. All income statement components must be stated in terms of the measuring unit current on the date of the financial statements, applying the change in the general price index that occurred since the date when revenues and expenses were originally recognized in the financial statements. The restatement of the financial statement amounts was carried out using Venezuela's consumer price index (INPC). At the reference date of the financial statements the index was 208.2 (163.7 in 2009); the change in the index compared with the previous year was 27.18%.

On January 8, 2010, the bolivar fuerte was devalued: the previous exchange rate of 2.15 bolivars for 1 U.S. dollar (2.15 VEF/USD), which was in effect since 2005, was replaced with a mixed system of exchange rates, pursuant to which the Venezuelan monetary authorities (Comisión de Administración de Divisas - CADIVI) allowed an exchange rate of 2.60 VEF/USD for imports of a limited number of merchandise categories (e.g., food and medicine). The exchange rate for all other transactions would be 4.30 VEF/USD. A new system for transaction in securities denominated in foreign currencies was introduced on June 4, 2010. Under this system, the Venezuelan Central Bank has sole jurisdiction over regulating transactions involving securities of any issuer denominated in foreign currencies. Transactions in these securities provide residents with a source of foreign currency in addition the amount available from the monetary authorities (Comisión de Administración de Divisas).

Lastly, on December 30, 2010, the Venezuelan government announced that, effective January 1, 2011, the preferential exchange rate of 2.60 VEF/USD would be eliminated and that, consequently, only one exchange rate, set at 4.30 VEF/USD, would be in effect.

# Valuation Criteria

The main valuation criteria adopted in the preparation of the consolidated financial statements at December 31, 2010 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.

## 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 that are primarily related to trade receivables (which 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.

- **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. 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.

## 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.

## HELD-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. Held-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 held-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; 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.

## BUSINESS COMBINATIONS

No transactions that qualified as a business combination, as defined in the amended version of *IFRS 3 (Business Combinations)* were executed in 2010.

In 2009, the Group acquired from National Foods some fresh milk production and processing assets. The purchase price was allocated on a provisional basis and this allocation was confirmed 12 months later.

# 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 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 this Report.

A breakdown of receivables and payables by type is provided below:

(€ 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** | **-** |

(€ m)

| COMPANY | 12.31.2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | COUNTRY | TRADE RECEIVABLES | FINANCIAL RECEIVABLES | OTHER RECEIVABLES | TRADE PAYABLES | FINANCIAL PAYABLES | OTHER PAYABLES |
| PPL Participações Ltda | Brazil | | | | | 3.7 | |
| Wishaw Trading sa | Uruguay | | | | | 2.3 | |
| **Total** | | **-** | **-** | **-** | **-** | **6.0** | **-** |

Revenues and expenses and any writedowns of receivables recognized in 2010 or 2009 were not material.

The Group also has debit and credit balances outstanding with companies under Extraordinary Administration that predate the Composition with Creditors or represent distributions payable. Even though these positions do not constitute balances with related parties, they are nevertheless disclosed for the sake of information clarity.

A breakdown of these receivables and payables by type is provided below:

(€ m)

| COMPANY | 12.31.2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| | COUNTRY | TRADE RECEIVABLES | FINANCIAL RECEIVABLES | OTHER RECEIVABLES | TRADE PAYABLES | FINANCIAL PAYABLES | OTHER PAYABLES |
| Bonlat Financing Corporation[1] | Cayman | | | | | 1.9 | |
| Parmalat S.p.A. in A.S. | Italy | | | 0.7 | | | |
| Licensees in A.S. | Italy | | | 0.7 | | | |
| Streglio S.p.A. in A.S. | Italy | | | 0.3 | | | |
| Sundry items (less than €1 million) | | | | | 0.1 | | |
| **Total** | | **-** | **-** | **1.7** | **0.1** | **1.9** | **-** |

*(1) Held by a company under Extraordinary Administration.*

(€ m)

| COMPANY | 12.31.2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | COUNTRY | TRADE RECEIVABLES | FINANCIAL RECEIVABLES | OTHER RECEIVABLES | TRADE PAYABLES | FINANCIAL PAYABLES | OTHER PAYABLES |
| Parmalat Capital Finance Ltd[1] | Cayman | | | | | 1.8 | |
| Bonlat Financing Corporation[1] | Cayman | | | | | 1.7 | |
| Parmalat S.p.A. in A.S. | Italy | | | 0.7 | | | |
| Sundry items (less than €1 million) | | | | | 0.1 | | |
| **Total** | | **-** | **-** | **0.7** | **0.1** | **3.5** | **-** |

*(1) Held by a company under Extraordinary Administration.*

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 | 2010 NET SALES REVENUES AND OTHER REVENUES | OTHER INCOME AND EXPENSE | FINANCIAL INCOME | COST OF MATERIALS AND SERVICES USED | WRITE-DOWNS OF RECEIVABLES |
|---|---|---|---|---|---|---|
| Parmatour S.p.A. in A.S. | Italy | | 16.1 | | | |
| Licensees in A.S. | Italy | | 7.3 | | | |
| Deutsche Parmalat GMBH in A.S. e Parmalat Molkerei GMBH in A.S. | Germany | | 7.2 | | | |
| Parma Food B.V. in A.S. | Netherlands | | 1.4 | | | |
| Streglio S.p.A. in A.S. | Italy | | 1.0 | | | |
| Eliair Srl in A.S. | Italy | | 0.4 | | | |
| **Total** | | **-** | **33.4** | **-** | **-** | **-** |

(€ m)

| COMPANY | COUNTRY | 2009 NET SALES REVENUES AND OTHER REVENUES | OTHER INCOME AND EXPENSE | FINANCIAL INCOME | COST OF MATERIALS AND SERVICES USED | WRITE-DOWNS OF RECEIVABLES |
|---|---|---|---|---|---|---|
| Parmatour S.p.A. in A.S. | Italy | | 50.2 | | | |
| **Total** | | **-** | **50.2** | **-** | **-** | **-** |

Other income and expense refers to the amounts paid by companies under Extraordinary Administration as partial or final distribution for verified claims included among the liabilities in the bankruptcy proceedings.

## Percentage of Total Amounts Attributable to Transactions with Related Parties

(€ m)

| | CONSOLIDATED ASSETS | CONSOLIDATED LIABILITIES | NET FINANCIAL ASSETS |
|---|---|---|---|
| **Total consolidated amount** | **4,644.2** | **1,112.4** | **1,435.2** |
| Amount with related parties | - | 4.5 | (4.5) |
| *Percentage of the total* | *n.s.* | *0.4%* | *n.s.* |

# Notes to the Statement of Financial Position - Assets

## (1) GOODWILL

Goodwill amounted to 461.7 million euros. The changes that occurred in 2010 and 2009 are listed below:

(€ m)

| | GOODWILL |
|---|---|
| **Balance at 12.31.2008** | **425.1** |
| - Business combinations | 1.7 |
| - Currency translation differences | 26.0 |
| **Balance at 12.31.2009** | **452.8** |
| - Writedowns (-) | (21.6) |
| - Currency translation differences | 30.5 |
| **Balance at 12.31.2010** | **461.7** |

As explained in the "Valuation Criteria" section of these notes, goodwill was allocated to the cash generating units, which correspond to the Group's geographic regions.

Goodwill was allocated to the following cash generating units:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| **Italy** | | |
| - Parmalat S.p.A. | 184.0 | 184.0 |
| - Centrale del Latte di Roma S.p.A. | 41.7 | 41.7 |
| - Carnini S.p.A. | 4.0 | 4.0 |
| **Other countries in Europe** | | |
| - Portugal | 12.6 | 34.2 |
| - Russia | 5.8 | 5.5 |
| - Romania | 0.1 | 0.1 |
| Canada | 135.8 | 119.5 |
| Australia | 77.7 | 63.8 |
| **Total** | **461.7** | **452.8** |

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 8% and 11%.

The table below lists the main assumptions used to determine value in use:

| | 12.31.2010 | | 12.31.2009 | |
|---|---|---|---|---|
| | GROWTH RATE OF TERMINAL VALUES | DISCOUNT RATE BEFORE TAXES | GROWTH RATE OF TERMINAL VALUES | DISCOUNT RATE BEFORE TAXES |
| Italy | 1.0% | 9.6% - 10.7% | 1.0% | 10.0% - 11.7% |
| Other countries in Europe | 1.0% | 9.4% - 10.2% | 1.0% | 9.0% - 10.3% |
| Canada | 1.0% | 8.3% | 1.0% | 8.4% |
| Australia | 1.0% | 11.0% | 1.0% | 10.5% |

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 cash generating unit, the carrying amount of which had to be written down by 21.6 million euros. The main reason for this writedown is 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 price items.

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 rate, the sensitivity analysis of the recoverability of carrying amounts was performed using actual discount rates.

The changes in the basic assumptions that would make the recoverable value of each cash generating unit equal to its carrying amount are listed below:

(€ m)

| | CHANGES IN BASIC ASSUMPTIONS THAT WOULD 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. | 139.0 | Negative | 12.5% |
| - Centrale del Latte di Roma S.p.A. | 16.7 | 0.0% | 10.8% |
| - Carnini S.p.A. | 3.6 | Negative | 13.1% |
| **Other countries in Europe** | | | |
| - Portugal | n.s | n.m. | n.s |
| - Russia | 4.2 | 0.4% | 10.0% |
| - Romania | n.s | n.m. | n.s. |
| Canada | 621.9 | Negative | 15.6% |
| Australia | 137.5 | Negative | 15.4% |

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 613.0 million euros. The following changes occurred in 2009 and 2010:

(€ m)

| | TRADEMARKS WITH AN INDEFINITE USEFUL LIFE |
|---|---|
| **Balance at 12.31.2008** | **518.2** |
| - Writedowns (-) | (0.8) |
| - Other changes | (2.1) |
| - Currency translation differences | 46.0 |
| **Balance at 12.31.2009** | **561.3** |
| - Writedowns (-) | (2.9) |
| - Currency translation differences | 54.6 |
| **Balance at 12.31.2010** | **613.0** |

Trademarks with an indefinite useful life, valued at 613.0 million euros, included the following trademarks:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| **Italy** | | |
| - Parmalat | 121.9 | 121.9 |
| - Santàl | 32.6 | 32.6 |
| - Centrale del Latte di Roma | 26.1 | 26.1 |
| - Chef | 16.2 | 16.2 |
| - Sundry trademarks | 7.3 | 7.3 |
| **Other countries in Europe** | | |
| - Parmalat | 5.3 | 8.0 |
| - Santàl | 7.0 | 6.8 |
| - Sundry trademarks | 8.3 | 8.3 |
| **Canada** | | |
| - Beatrice | 88.6 | 78.0 |
| - Lactantia | 73.1 | 64.3 |
| - Black Diamond | 33.1 | 29.2 |
| - Astro | 24.5 | 21.6 |
| - Sundry trademarks | 15.0 | 13.2 |
| **Central and South America** | | |
| - Parmalat | 17.3 | 15.1 |
| **Australia** | | |
| - Pauls | 54.7 | 44.9 |
| - Rev, Skinny e Farmhouse | 29.1 | 23.9 |
| - Parmalat | 0.4 | 0.3 |
| - Sundry trademarks | 9.3 | 7.6 |
| **Africa** | | |
| - Parmalat | 19.7 | 16.4 |
| - Bonnita | 15.9 | 13.2 |
| - Sundry trademarks | 7.6 | 6.4 |
| **Total** | **613.0** | **561.3** |

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 motivate 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 strategic 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 8% and 11%.

The table below lists the min assumptions used to determine value in use, broken down by geographic region:

| | 12.31.2010 | | 12.31.2009 | |
|---|---|---|---|---|
| | GROWTH RATE OF TERMINAL VALUES | DISCOUNT RATE BEFORE TAXES | GROWTH RATE OF TERMINAL VALUES | DISCOUNT RATE BEFORE TAXES |
| Italy | | 9.6 % -10.2% | 2.0% | 10.0% - 10.8% |
| Other countries in Europe | 1.0% | 9.4% - 10.2% | 1.0% - 1.5% | 9.0% - 10.3% |
| Canada | 1.0% | 8.3% | 2.0% | 8.4% |
| Central and South America | 1.0% | 11.2% | 1.5% | 12.1% |
| Australia | 1.0% | 11.0% | 2.0% | 10.5% |
| Africa | 1.0% | 9.3% | 1.5% | 10.5% |

Based on the impairment tests performed, there were no indications that the goodwill values of the trademarks with an indefinite useful life had been impaired, with the exception of the Parmalat Portugal trademark, for which a writedown of 2.9 million euros was required. This writedown was recognized mainly as a result of the challenges that the milk operations are facing in the Portuguese market due the limited purchasing power of consumers, who are increasingly choosing lower priced products, and to the strong growth of private labels.

Consistent with past practice, the abovementioned tests were performed with the support of an independent advisor.

## (3) OTHER INTANGIBLES

Other intangibles of 41.7 million euros include capitalized costs incurred 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 2009 and 2010:

(€ m)

| | TRADEMARKS WITH A FINITE LIFE | CONCESSIONS, LICENSES AND SIMILAR RIGHTS | MISCELLANEOUS INTANGIBLES | WORK IN PROGRESS | TOTAL |
|---|---|---|---|---|---|
| **Balance at 12.31.2008** | **41.5** | **11.0** | **3.4** | **-** | **55.9** |
| - Monetary adjustment for hyperinflation | 4.3 | - | - | - | 4.3 |
| - Additions | - | 8.2 | 0.2 | 0.8 | 9.2 |
| - Amortization (-) | (17.2) | (4.8) | (0.5) | - | (22.5) |
| - Writedowns (-) | - | (1.3) | (1.3) | - | (2.6) |
| - Other changes | 1.5 | 1.0 | - | 0.1 | 2.6 |
| - Currency translation differences | 1.4 | 0.7 | 0.3 | 0.1 | 2.5 |
| **Balance at 12.31.2009** | **31.5** | **14.8** | **2.1** | **1.0** | **49.4** |
| - Monetary adjustment for hyperinflation | 0.8 | - | 0.1 | - | 0.9 |
| - 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 |
| - 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 of 13.6 million euros refer mainly to purchases of SAP usage licenses and software implementation.

The table that follows provides a breakdown of gross carrying value, accumulated writedowns and accumulated amortization at December 31, 2009 and 2010:

(€ m)

| | TRADEMARKS WITH A FINITE LIFE | CONCESSIONS, LICENSES AND SIMILAR RIGHTS | MISCELLANEOUS INTANGIBLES | WORK IN PROGRESS | TOTAL |
|---|---|---|---|---|---|
| Gross carrying value | 99.1 | 50.3 | 10.8 | 1.0 | 161.2 |
| Accumulated writedowns | - | (1.5) | (2.2) | - | (3.7) |
| Accumulated amortization | (67.6) | (34.0) | (6.5) | - | (108.1) |
| **Balance at 12.31.2009** | **31.5** | **14.8** | **2.1** | **1.0** | **49.4** |
| 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** |

"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 864.3 million euros. The table below provides a breakdown of this item and shows the changes that occurred in 2009 and 2010:

(€ m)

| | LAND | BUILDINGS | PLANT AND MACHINERY | INDUSTRIAL EQUIPMENT | OTHER ASSETS | CONSTRUCTION IN PROGRESS AND ADVANCES | TOTAL |
|---|---|---|---|---|---|---|---|
| **Balance at 12.31.2008** | **100.7** | **206.5** | **242.0** | **9.9** | **33.5** | **53.7** | **646.3** |
| - Monetary adjustment for hyperinflation | 7.5 | 19.6 | 11.0 | - | 0.9 | 0.1 | 39.1 |
| - Additions | 0.1 | 5.2 | 23.6 | 0.8 | 9.6 | 56.9 | 96.2 |
| - Business combinations | 13.9 | 11.1 | 10.0 | - | 0.2 | - | 35.2 |
| - Disposals (-) | (0.5) | (1.2) | (0.9) | (0.1) | (0.9) | - | (3.6) |
| - Companies removed from the scope of consolidation (-) | (0.4) | (0.4) | (1.1) | (0.1) | (0.7) | - | (2.7) |
| - Writedowns (-) | - | (1.3) | (5.9) | (0.5) | (0.4) | - | (8.1) |
| - Depreciation (-) | - | (14.4) | (49.8) | (3.8) | (15.3) | - | (83.3) |
| - Other changes | 11.3 | 4.0 | 39.1 | 3.2 | 4.2 | (62.0) | (0.2) |
| - Reclassifications from held-for-sale assets | 3.6 | 0.4 | - | - | - | - | 4.0 |
| - Currency translation differences | 7.0 | 12.4 | 21.8 | 1.2 | 3.7 | 5.0 | 51.1 |
| **Balance at 12.31.2009** | **143.2** | **241.9** | **289.8** | **10.6** | **34.8** | **53.7** | **774.0** |
| - Monetary adjustment for hyperinflation | 1.6 | 2.6 | 5.1 | - | 0.3 | 0.3 | 9.9 |
| - 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) |
| - 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** |

Information about the Group's investments in property, plant and equipment is provided in the Report on Operations.

Writedowns of 9.4 million euros reflect primarily the impairment of property, plant and equipment held by a production facility in Italy.

The partial reinstatement of the carrying amount of a plot of land belonging to an Italian production facility, previously written down by 3.3 million euros, is the main component of reversals of writedowns totaling 1.9 million euros.

The table that follows shows the gross carrying values, accumulated writedowns and accumulated depreciation at December 31, 2009 and 2010:

(€ m)

| | LAND | BUILDINGS | PLANT AND MACHINERY | INDUSTRIAL EQUIPMENT | OTHER ASSETS | CONSTRUCTION IN PROGRESS AND ADVANCES | TOTAL |
|---|---|---|---|---|---|---|---|
| Gross carrying value | 146.5 | 399.7 | 858.9 | 33.0 | 143.8 | 53.7 | 1,635.6 |
| Accumulated writedowns | (3.3) | (1.5) | (5.0) | (0.4) | (0.4) | - | (10.6) |
| Accumulated depreciation | - | (156.3) | (564.1) | (22.0) | (108.6) | - | (851.0) |
| **Balance at 12.31.2009** | **143.2** | **241.9** | **289.8** | **10.6** | **34.8** | **53.7** | **774.0** |
| 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** |

A breakdown of property, plant and equipment acquired under finance leases totaling 9.2 million euros is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Buildings | 1.1 | 1.0 |
| Plant and machinery | 2.2 | 4.8 |
| Other assets | 5.9 | 6.9 |
| **Total property, plant and equipment acquired under finance leases** | **9.2** | **12.7** |

## (5) INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

The net carrying amount of the Group's investments in associates and other companies totaled 3.3 million euros. The table below shows the changes that occurred in 2010:

(€ m)

| | INVESTMENTS VALUED | | TOTAL |
|---|---|---|---|
| | BY THE EQUITY METHOD (AFFILIATED COMPANIES) | AT COST | |
| **Balance at 12.31.2009 (A)** | **-** | **3.5** | **3.5** |
| Changes in 2010: | | | |
| - Divestment of Jonicalatte S.p.A. | - | (0.2) | (0.2) |
| **Total changes (B)** | **-** | **(0.2)** | **(0.2)** |
| **Balance at 12.31.2010 (A+B)** | **-** | **3.3** | **3.3** |

A breakdown of Investments valued at cost is as follows:

(€ m)

| | 12.31.2010 | | 12.31.2009 | |
|---|---|---|---|---|
| | NET VALUE | % INTEREST HELD | NET VALUE | % INTEREST HELD |
| Bonatti S.p.A. | 3.1 | 10.26% | 3.1 | 10.26% |
| Jonicalatte S.p.A. | - | - | 0.2 | 18.25% |
| Sundry investments | 0.2 | - | 0.2 | - |
| **Total** | **3.3** | | **3.5** | |

## (6) OTHER NON-CURRENT FINANCIAL ASSETS

The net carrying amount of Other non-current financial assets was 7.6 million euros. The table below shows the changes that occurred in 2010:

(€ m)

| | RECEIVABLES OWED BY OTHERS | OTHER SECURITIES | TOTAL |
|---|---|---|---|
| **Balance at 12.31.2009 (A)** | **6.2** | **1.7** | **7.9** |
| Changes in 2010: | | | |
| - Increases | 1.2 | - | 1.2 |
| - Measurement at fair value | - | 0.1 | 0.1 |
| - Decreases (-) | (0.8) | (1.1) | (1.9) |
| - Currency translation differences | 0.1 | 0.2 | 0.3 |
| **Total changes (B)** | **0.5** | **(0.8)** | **(0.3)** |
| **Balance at 12.31.2010 (A+B)** | **6.7** | **0.9** | **7.6** |

Receivables owed by others of 6.7 million euros includes the following:

- Advances provided to outsiders (3.1 million euros);
- Escrow deposits (1.8 million euros);
- Guarantee deposits (1.3 million euros);
- Security deposits (0.5 million euros).

Other securities of 0.9 million euros refers mainly to restricted securities that benefit milk research programs.

## (7) DEFERRED-TAX ASSETS

Deferred-tax assets of 82.0 million euros are shown net of offsettable deferred-tax liabilities. The changes that occurred in 2010 are shown below:

(€ m)

| | |
|---|---|
| **Balance at 12.31.2009 (A)** | **51.2** |
| Changes in 2010: | |
| - Monetary adjustment for hyperinflation | (0.8) |
| - Increases | 40.8 |
| - Utilizations (-) | (8.4) |
| - Offsets against deferred-tax liabilities (-) | (3.5) |
| - Other changes | (0.4) |
| - Currency translation differences | 3.1 |
| **Total changes (B)** | **30.8** |
| **Balance at 12.31.2010 (A+B)** | **82.0** |

Increases of 40.8 million euros reflect primarily recognition of recoverable tax losses (20.6 million euros), tax-deductible amortization of trademarks (3.1 million euros), maintenance expense (3.1 million euros), additions to the provisions for risks and charges (2.7 million euros) and writedowns of trade receivables (2.2 million euros).

Utilizations of 8.4 million euros refer mainly to the cancellation of temporary differences originating in previous years from maintenance expense (1.7 million euros), tax-deductible amortization of trademarks (1.2 million euros), provisions for staff restructuring (1.0 million euros), mark-to-market valuation of derivatives (0.6 million euros) and provision for prize contests (0.6 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)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Recoverable tax losses | 20.6 | 0.5 |
| Amortization of trademarks with a finite useful life | 15.2 | 13.3 |
| Personnel related provisions | 11.7 | 9.2 |
| Writedown of doubtful accounts | 8.5 | 5.8 |
| Maintenance expense | 5.6 | 4.2 |
| Depreciation of plant and equipment | 4.6 | 3.0 |
| Provisions for risks and charges | 4.2 | 1.5 |
| Provision for inventory writedowns | 2.6 | 2.4 |
| Provisions for staff restructuring | 1.4 | 0.7 |
| Provision for prize contests | 0.6 | 0.8 |
| Sundry items | 7.0 | 9.8 |
| **Total** | **82.0** | **51.2** |

At December 31, 2010, the Group also had a tax loss carryforward of 189.6 million euros attributable mainly to operations in Italy, Mexico, Venezuela and Australia, which did not result in the recognition of deferred-tax assets, as the recoverability of the corresponding amounts was viewed as being unlikely.

Moreover, most of these losses were incurred by financial companies. In addition, the tax loss carryforward of Parmalat Austria Ltd. can be used exclusively to offset taxable income derived from a capital gain, provided that the "same business test" can be met.

A breakdown by year of expiration is as follows:

(€ m)

| | 12.31.2010 |
|---|---|
| **Year of expiration** | |
| 2011 | 23.4 |
| 2012 | 12.7 |
| 2013 | 23.8 |
| 2014 | 0.2 |
| 2015 | - |
| Amount expiring after 2015 | - |
| Amount without expiration | 129.5 |
| **Total tax loss carryforward** | **189.6** |

## (8) INVENTORIES

Inventories totaled 390.5 million euros, or 14.4 million euros more than at December 31, 2009.

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Raw materials, auxiliaries and supplies | 125.7 | 127.5 |
| Work in progress and semifinished goods | 18.6 | 21.1 |
| Finished goods and merchandise | 246.8 | 219.5 |
| Advances | 3.9 | 12.5 |
| Provision for inventory writedowns | (4.5) | (4.5) |
| **Total inventories** | **390.5** | **376.1** |

The main items that account for the year-over-year changes include:

- 17.7 million euros for increased inventories of fresh cheese and powdered milk held by the Canadian subsidiary in anticipation of higher sales in the first quarter of 2011;
- 4.8 million euros for the loss of value of the euro versus the currencies of the main countries where the Group operates.

A portion of these increases (11.1 million euros) was offset thanks to the introduction of a more efficient inventory management system by the South African subsidiary, which improved its inventory turnover rate and helped it focus on products with a higher profit margin.

## (9) TRADE RECEIVABLES

Trade receivables totaled 484.0 million euros, or 24.1 million euros more than at December 31, 2009.

The loss of value of the euro versus the currencies of the main countries where the Group operates is the main reason for this increase.

The amount of 484.0 million euros shown for Trade receivables owed by customers is net of an Allowance for doubtful accounts of 160.2 million euros. The table that follows shows the changes that occurred in this allowance in 2010:

(€ m)

| | |
|---|---|
| **Balance at 12.31.2009 (A)** | **176.0** |
| Changes in 2010: | |
| - Additions | 11.7 |
| - Utilizations (-) | (27.1) |
| - Currency translation differences | (0.4) |
| **Total changes (B)** | **(15.8)** |
| **Balance at 12.31.2010 (A+B)** | **160.2** |

An analysis of the status of Trade receivables owed by customers is provided below:

(€ m)

| | 12.31.2010 | 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 | 644.2 | 169.4 | 160.2 | 314.6 |
| Allowance for doubtful accounts | (160.2) | - | (160.2) | - |
| **Net receivables owed by customers** | **484.0** | **169.4** | **-** | **314.6** |

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 at-risk exposure amounts to 169.4 million euros, because most of the past due but not written down trade receivables (about 85% of the total) are less than 60 days past due.

A breakdown by maturity of trade receivables owed by outsiders the value of which has been impaired is provided below:

(€ m)

| | 12.31.2010 | % OF THE TOTAL | 12.31.2009 | % OF THE TOTAL |
|---|---|---|---|---|
| Current | 314.6 | 65% | 284.0 | 61% |
| up to 30 days past due | 117.1 | 24% | 112.3 | 24% |
| 31 days to 60 days past due | 27.7 | 6% | 34.5 | 8% |
| 61 days to 120 days past due | 12.0 | 2% | 16.6 | 4% |
| over 120 days past due | 12.6 | 3% | 12.5 | 3% |
| **Total** | **484.0** | **100%** | **459.9** | **100%** |

Trade receivables are denominated mainly in the following currencies:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| EUR | 203.6 | 209.1 |
| AUD | 103.7 | 80.1 |
| CAD | 75.2 | 76.6 |
| ZAR | 47.2 | 41.6 |
| VEF | 19.0 | 18.9 |
| Other currencies | 35.3 | 33.6 |
| **Total** | **484.0** | **459.9** |

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)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Modern Trade | 299.3 | 285.9 |
| Normal Trade | 43.9 | 37.4 |
| Dealers | 46.2 | 49.7 |
| HO.RE.CA. | 34.5 | 34.4 |
| Contract production | 5.6 | 8.7 |
| Other | 54.5 | 43.8 |
| **Total** | **484.0** | **459.9** |

*Modern Trade: sales to supermarket chains 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 61.8% 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 222.3 million euros, or 10.5 million euros more than at December 31, 2009:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Amount receivable from the tax authorities for VAT | 92.7 | 92.5 |
| Estimated tax payments | 34.7 | 35.4 |
| Dividend tax credits | 38.2 | 38.2 |
| Other amounts receivable from the tax authorities | 5.5 | 6.6 |
| Sundry receivables | 34.9 | 22.2 |
| Receivables for litigation-related settlements | 2.2 | 4.4 |
| Accrued income and prepaid expenses | 14.1 | 12.5 |
| **Total** | **222.3** | **211.8** |

The amounts receivable from insurance companies in settlement of claims for damage-causing accidents for which the Group secured insurance coverage the collection of which is certain are the main reason for the increase in Other current assets.
Dividend tax credits of 38.2 million euros refers to dividends collected prior to the start of the extraordinary administration proceedings.

Sundry receivables of 34.9 million euros includes receivable totaling 11.3 million euros owed by insurance companies, 11.3 million euros for a receivable owed by the Ministry of Farming and Forestry Policies for grants for new facilities awarded in accordance with Legislative Decree No. 173 of April 30, 1998 that have been approved but not disbursed, 1.6 million euros for advances to suppliers, and 0.7 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 14.1 million euros, is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| **Accrued income:** | | |
| - Insurance premiums | 0.3 | - |
| - Other accrued income | 0.9 | 0.4 |
| **Prepaid expenses:** | | |
| - Rent and rentals | 0.8 | 1.1 |
| - Insurance premiums | 1.7 | 1.3 |
| - Sundry prepaid expenses | 10.4 | 9.7 |
| **Total accrued income and prepaid expenses** | **14.1** | **12.5** |

Sundry prepaid expenses of 10.4 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 318.0 million euros, for a decrease of 110.2 million euros compared with December 31, 2009:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| - Bank and postal accounts | 315.3 | 423.4 |
| - Cash and securities on hand | 1.5 | 1.7 |
| - Financial assets | 1.2 | 3.1 |
| **Total cash and cash equivalents** | **318.0** | **428.2** |

Bank and postal accounts of 315.3 million euros represent deposits held at top banking and financial institutions with a high credit rating.

Financial assets, which totaled 1.2 million euros, consist of term deposits.

The early repayment of borrowings owed by the Canadian and Australian subsidiaries is the main reason for the decrease of 110.2 million euros in Cash and cash equivalents.

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 1,155.3 million euros, or 61.5 million euros less than at December 31, 2009:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| - Bank time deposits | 431.3 | 552.4 |
| - Italian Treasury securities (Treasury bills) | 341.6 | 519.0 |
| - Foreign Treasury securities (Germany) | 236.3 | 27.9 |
| - Foreign Treasury securities (France) | 132.4 | - |
| - Other financial assets with an original maturity of more than three months but less than 12 months | 8.4 | 14.3 |
| - Accrued interest | 5.3 | 1.1 |
| - Italian Treasury securities (Treasury Bonds) | - | 100.1 |
| - Reverse repurchase agreements | - | 2.0 |
| **Total current financial assets** | **1,155.3** | **1,216.8** |

The decrease of 61.5 million euros is due mainly to decision to use some of these interest bearing assets to repay ahead of schedule borrowings owed by the Canadian and Australian subsidiaries.

A list of the main financial assets, broken down by interest rate and maturity, is provided below:

(€ m)

| | AMOUNT | PURCHASE DATE | MATURITY | ANNUALIZED RATE |
|---|---|---|---|---|
| **Bank time deposits** | 82.2 | August 2010 | February 2011 | 1.115% |
| | 74.0 | September 2010 | March 2011 | 1.146% |
| | 30.0 | November 2010 | May 2011 | 1.271% |
| | 245.1 | December 2010 | June 2011 | 1.268% |
| | **431.3** | | | |
| **Italian Treasury bills** | 19.9 | August 2010 | January 2011 | 0.902% |
| | 110.1 | August - October 2010 | February 2011 | 1.059% |
| | 91.3 | September - Oct. 2010 | March 2011 | 1.086% |
| | 100.3 | December 2010 | May 2011 | 1.463% |
| | 20.0 | December 2010 | July 2011 | 1.617% |
| | **341.6** | | | |
| **Foreign Treasury securities (Germany)(1)** | 107.9 | August 2010 | March 2011 | 0.365% |
| | 49.0 | November 2010 | July 2011 | 0.574% |
| | 79.4 | December 2010 | June 2011 | 0.635% |
| | **236.3** | | | |
| **Foreign Treasury securities (France)(1)** | 112.1 | June 2010 | January 2011 | 0.281% |
| | 20.3 | December 2010 | July 2011 | 0.417% |
| | **132.4** | | | |

*(1) AAA Rating.*

## 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 | 12.31.2010 | 12.31.2009 |
|---|---|---|---|
| Cash and cash equivalents | A or Higher | 300.0 | 403.6 |
| | Lower than A | 2.3 | 13.5 |
| | Not rated | 15.7 | 11.1 |
| Current financial assets | A or Higher | 1,155.1 | 1,101.9 |
| | Lower than A | - | 114.0 |
| | Not rated | 0.2 | 0.9 |
| **Total** | | **1,473.3** | **1,645.0** |

The amounts listed as having a rating lower than A refer mainly to bank accounts and time deposits with an Italian credit institution that was rated triple B by Moody's in 2009.

# Notes to the Statement of Financial Position – Shareholders' Equity

At December 31, 2010, the Group's shareholders' equity totaled 3,505.3 million euros.

## (13) SHARE CAPITAL

The share capital amounted to 1,732,915,571 euros. The change that occurred compared with December 31, 2009 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 15,108,115 euros; (ii) the amount generated by the exercise of warrants, which amounted to 5,249,314 euros.

The table below shows a breakdown of the change in the number of shares outstanding (par value 1 euro each) that occurred in 2010:

| | NUMBER OF SHARES |
|---|---|
| **Shares outstanding at 01.01.2010** | **1,712,558,142** |
| Shares issued for claims of late-filing creditors and/or upon the settlement of challenges (using reserves established for this purpose) | 15,108,115 |
| Shares issued upon the conversion of warrants | 5,249,314 |
| **Shares outstanding at 12.31.2010** | **1,732,915,571** |

## Maximum Share Capital Amount

In accordance with the resolutions approved 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 explained above, the Company's share capital amounted to 1,732.9 million euros at December 31, 2010. As of the writing of these Notes, it had increased by 2.5 million euros to a total of 1,735.4 million euros. The Group's Parent Company, having carried out a detailed analysis of the challenges filed by creditors excluded from the sum of liabilities and of the claims of late-filing creditors, believes that the equity reserves it has established in connection with these claims are adequate. Any additional claims of late-filing creditors that may arise in the future and are verified by a final court decision can be satisfied using the 2009 retained earnings.

## (14) RESERVE FOR CREDITOR CHALLENGES AND CLAIMS OF LATE-FILING CREDITORS CONVERTIBLE INTO SHARE CAPITAL

At December 31, 2010, this reserve convertible into share capital amounted to 153.7 million euros. Utilizations for the year totaled 15.1 million euros, causing the share capital to increase by the same amount.

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.

At the end of 2010, following the settlements of numerous disputes, the Company developed an updated estimate of the risks to which Parmalat S.p.A. 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.

With regard to the appeal filed by Parmalat against the decision of the Court of Bergen County (New Jersey), which was favorable to Citigroup, a hearing date for oral arguments before the Court of Appeals has not yet been set. Should the lower court's decision be upheld and become final, Citigroup would have to file a motion for enforcement with the Court of Parma and any relief granted to Citigroup would be subject to the claim reduction effect of the composition with creditors, as the New York Bankruptcy Court ordered.

## (15) RESERVE FOR CURRENCY TRANSLATION DIFFERENCES

The Reserve for currency translation differences, positive by 51.6 million euros, is used to record differences generated by the translation into euros of the financial statements of companies that operate in countries using a currency other than the euro.

## (16) CASH FLOW HEDGE RESERVE

The balance in this reserve, negative by 0.2 million euros, reflects changes in the fair value of the effective portion of cash flow hedge derivatives outstanding at December 31, 2010.

The table below shows the changes that occurred in the cash flow hedge reserve:

(€ m)

| | GROSS RESERVE | DEFERRED-TAX LIABILITIES | NET RESERVE |
|---|---|---|---|
| **Reserve at January 1, 2010** | **(1.9)** | **0.6** | **(1.3)** |
| Change in 2010 | (0.3) | 0.1 | (0.2) |
| Amount reversed in profit or loss | 2.1 | (0.6) | 1.5 |
| Currency translation differences | (0.2) | - | (0.2) |
| **Reserve at December 31, 2010** | **(0.3)** | **0.1** | **(0.2)** |

## (17) OTHER RESERVES

The Ordinary Shareholders' Meeting of April 1, 2010 approved a resolution: (i) to set aside in a statutory reserve 5% of the balance of the net profit earned in 2009, equal to 18.6 million euros; (ii) to appropriate (a) 50% of the balance of the net profit earned in 2009 as a dividend rounded up to 0.104 euros per share, which, considering the 2009 interim dividend of 0.041 euros per share distributed in September 2009, brings to 0.063 euros the total for each of the 1,728,205,752 common shares outstanding as of March 26, 2010, for a balance payable of 108.9 million euros and a total dividend payout (interim plus final dividend) of 178.7 million euros; (b) the balance of 175.5 million euros to retained earnings.

At December 31, 2010, Other reserves of 1,285.3 million euros included the following: (i) retained earnings and other reserves totaling 1,178 million euros; this item 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 81.4 million euros; (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 282.0 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 12.31.2010** | **2,731.8** | **128.3** | **2,860.1** |
| *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 | 423.5 | - | 423.5 |
| - Pro rata interest in the results of investee companies | - | 237.7 | 237.7 |
| - Reserve for currency translation differences | 51.6 | - | 51.6 |
| *Other adjustments:* | | | |
| - Elimination of writedowns of and losses by subsidiaries | - | 32.4 | 32.4 |
| - Elimination of reversal of a writedown of a subsidiary | - | (33.9) | (33.9) |
| - Elimination of writedowns of receivables owed by subsidiaries | 16.4 | 3.4 | 19.8 |
| - Elimination of dividends | - | (44.7) | (44.7) |
| - Elimination of reversal of Venezuela equity provision | - | (41.2) | (41.2) |
| **Group Interest in Shareholders' Equity at 12.31.2010** | **3,223.3** | **282.0** | **3,505.3** |
| Minority interest in shareholders' equity and result for the year | 23.4 | 3.1 | 26.5 |
| **Consolidated shareholders' equity at 12.31.2010** | **3,246.7** | **285.1** | **3,531.8** |

## (19) MINORITY INTEREST IN SHAREHOLDER'S EQUITY

At December 31, 2010, the Minority interest in shareholders' equity totaled 26.5 million euros. This amount is represented almost entirely by the interest held by minority shareholders in the following companies:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Centrale del Latte di Roma S.p.A. | 13.9 | 13.2 |
| Citrus International SA | 3.9 | 3.8 |
| Parmalat Colombia ltda | 2.5 | 1.9 |
| Industria Lactea Venezolana CA (Indulac) | 2.1 | 2.1 |
| Sundry companies | 4.1 | 3.5 |
| **Total** | **26.5** | **24.5** |

# Notes to the Statement of Financial Position - Liabilities

## (20) LONG-TERM BORROWINGS

Long-term borrowings totaled 13.7 million euros. The table below shows the changes that occurred in 2010:

(€ 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 12.31.2009 (A)** | **163.6** | **10.2** | **8.6** | **1.1** | **0.7** | **5.8** | **190.0** |
| Changes in 2010: | | | | | | | |
| - New borrowings | - | - | 3.7 | - | - | - | 3.7 |
| - Repayments (principal and interest) (-) | (178.8) | (22.5) | (1.1) | - | - | - | (202.4) |
| - Accrued interest | 0.2 | 13.1 | 0.1 | - | - | - | 13.4 |
| - Early termination of derivatives | - | - | - | - | - | (5.8) | (5.8) |
| - Mark to market | - | - | - | - | - | 1.2 | 1.2 |
| - Foreign exchange differences on borrowings in foreign currencies | - | (0.3) | (0.1) | - | - | - | (0.4) |
| - Reclassifications from non-current to current (-) | (0.9) | - | (5.3) | - | - | - | (6.2) |
| - Currency translation differences | 18.0 | 1.1 | 0.3 | 0.1 | - | 0.7 | 20.2 |
| **Total changes (B)** | **(161.5)** | **(8.6)** | **(2.4)** | **0.1** | **-** | **(3.9)** | **(176.3)** |
| **Balance at 12.31.2010 (A+B)** | **2.1** | **1.6** | **6.2** | **1.2** | **0.7** | **1.9** | **13.7** |

New borrowings of 3.7 million euros refers to the execution of new finance leases for plant and equipment.

Repayments of 202.4 million euros included the following:

- 126.7 million euros for the early repayment of a syndicated loan due in July 2011 by the Canadian subsidiary;
- 52.7 million euros for the early repayment of a syndicated loan received in February 2008 and due in February 2011 by the Australian subsidiary;
- 22.5 million euros for the early redemption by the Canadian subsidiary of 90% of the subordinated notes issued in 1996, for a face value of US$75 million, and maturing in November 2026.

Concurrently with the early repayments of the syndicated loans, the Canadian and Australian subsidiaries closed out the corresponding hedging derivatives. These borrowings were replaced in part by the Group's Parent Company, which provided these subsidiaries with intra-Group facilities denominated in euros totaling 130.9 million euros. The subsidiaries used derivatives to hedge the foreign exchange risk associated with these facilities. More specifically:

- an intra-Group facility of 80.9 million euros provided to the Canadian subsidiary was hedged 50% with a forward foreign exchange buy contract and 50% with a "zero cost collar," which is an instrument that sets an exchange rate cap and floor;
- an intra-Group facility of 50.0 million euros provided to the Australian subsidiary was hedged with a forward foreign exchange buy contract expiring in December 2011.

The table below shows the amounts recognized in the financial statements in connection with the fair value measurement of derivatives:

(€ m)

| | 12.31.2010 | | | 12.31.2009 | | |
|---|---|---|---|---|---|---|
| | ASSETS FAIR VALUE | LIABILITIES FAIR VALUE[1] | NOTIONAL AMOUNT[2] | ASSETS FAIR VALUE | LIABILITIES FAIR VALUE[1] | NOTIONAL AMOUNT[2] |
| Interest rate hedges | - | - | - | - | 7.1 | 159.0 |
| Foreign exchange hedges | - | 2.2 | 130.9 | - | 1.0 | 19.0 |
| Contracts cross-hedging foreign exchange and interest rate risks | - | - | - | - | - | - |
| **Total current and non-current financial liabilities** | **-** | **2.2** | **130.9** | **-** | **8.1** | **178.0** |

*(1) Amount included in financial liabilities (1.9 million euros non-current and 0.3 million euros current).*
*(2) Notional amount: the amount used as a basis to compute the amount required to comply with the obligations associated with a derivative or the underlying security used as benchmark to price a derivative.*

The valuation of the derivatives at December 31, 2010 compared with December 31, 2009 had no material impact on the income statement or the statement of financial position.

Short-term borrowings totaled 24.4 million euros. The following changes occurred in 2010:

(€ m)

| | DUE TO BANKS | DUE TO OTHER LENDERS | OBLIGATIONS UNDER FINANCE LEASES | DUE TO ASSOCIATES | LIABILITIES REPRESENTED BY CREDIT INSTRUMENTS | LIABILITIES FROM DERIVTIVES | TOTAL |
|---|---|---|---|---|---|---|---|
| **Balance at 12.31.09 (A)** | **52.5** | **6.1** | **4.6** | **4.9** | **-** | **2.3** | **70.4** |
| Changes in 2010: | | | | | | | |
| - Monetary adjustment for hyperinflation | (0.3) | - | - | (0.1) | - | - | (0.4) |
| - New borrowings | 4.8 | 1.4 | - | - | - | - | 6.2 |
| - Repayments (principal and interest) (-) | (17.6) | - | (5.4) | - | - | - | (23.0) |
| - Accrued interest | 16.4 | - | 0.5 | - | - | - | 16.9 |
| - Intra-Group consolidation of debt formerly owed to Parmalat Capital Finance Ltd in liquidation | (50.3) | (2.2) | - | - | - | - | (52.5) |
| - Indebtedness cancelled due to the statute of limitations | - | - | - | (1.9) | - | - | (1.9) |
| - Discounting to present value | 0.1 | - | - | - | - | - | 0.1 |
| - Early termination of derivative | - | - | - | - | - | (2.6) | (2.6) |
| - Mark to market | - | - | - | - | - | 0.3 | 0.3 |
| - Translation differences on borrowings in foreign currencies | - | 0.2 | - | 0.2 | - | - | 0.4 |
| - Reclassifications from non-current to current (-) | 0.9 | - | 5.3 | - | - | - | 6.2 |
| - Currency translation differences | 3.4 | 0.2 | 0.2 | 0.2 | - | 0.3 | 4.3 |
| **Total changes (B)** | **(42.6)** | **(0.4)** | **0.6** | **(1.6)** | **-** | **(2.0)** | **(46.0)** |
| **Balance at 12.31.10 (A+B)** | **9.9** | **5.7** | **5.2** | **3.3** | **-** | **0.3** | **24.4** |

New borrowings totaling 6.2 million euros included the following:

- 2.7 million euros drawn from two credit line by a Russian subsidiary to fund operating activities;
- 1.4 million euros for a reverse factoring transaction.

Repayments of 23.0 million euros included the following:

- 5.7 million euros paid by the Australian subsidiary for the interest accrued on a syndicated loan received in February 2008 and due in February 2011, which was repaid ahead of schedule;
- 5.0 million euros paid by the Canadian subsidiary for the interest accrued on a syndicated loan due in July 2011, which was repaid ahead of schedule;
- 2.2 million euro to repay a facility provided by a major Italian bank;
- 1.8 million euros paid by the South African subsidiary for the current portion of a facility provided by the Standard Bank in February 2008 and due in February 2013.

In 2010, Parmalat S.p.A. reached a settlement with Parmalat Capital Finance Limited in liquidation. As part of this settlement, the Company acquired receivables owed by Group companies to Parmalat Capital Finance.

More specifically, Parmalat S.p.A. acquired:

- the rights arising from a loan of US$45 million, plus accrued interest, provided to Parmalat de Venezuela;
- the rights arising from consulting services valued at US$2.5 million provided to Parmalat Nicaragua;
- the rights arising from a loan of US$0.5 million provided to Parmalat de Mexico.

The execution of these settlement agreements resulted in the intra-Group consolidation of borrowings totaling 52.5 million euros.

The table below shows the balance outstanding on finance leases due in future years and the corresponding present value:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| | MINIMUM AMOUNTS DUE FOR LEASE INSTALLMENTS | MINIMUM AMOUNTS DUE FOR LEASE INSTALLMENTS |
| Due within one year | 5.7 | 5.2 |
| Due between one and five years | 6.5 | 9.1 |
| **Total** | **12.2** | **14.3** |
| Accrued interest | (0.8) | (1.1) |
| **Present value of lease installments** | **11.4** | **13.2** |

The table below provides a breakdown by interest rate intervals of the Group's gross indebtedness, taking into account the impact of any derivative hedges:

(€ m)

| | DUE TO BANKS | DUE TO OTHER LENDERS | OBLIGATIONS UNDER FINANCE LEASES | DUE TO ASSOCIATES | LIABILITIES REPRESENTED BY CREDIT INSTRUMENTS | LIABILITIES FROM DERIVATIVES | TOTAL |
|---|---|---|---|---|---|---|---|
| Up to 5% | 5.4 | 7.2 | 7.1 | 4.5 | 0.7 | 2.2 | 27.1 |
| From 5% to 6% | - | - | 2.3 | - | - | - | 2.3 |
| From 6% to 7% | - | - | 0.2 | - | - | - | 0.2 |
| From 7% to 8% | - | - | 1.1 | - | - | - | 1.1 |
| From 8% to 9% | 2.7 | 0.1 | 0.4 | - | - | - | 3.2 |
| Over 9% | 3.9 | - | 0.3 | - | - | - | 4.2 |
| **Total current and non-current financial liabilities** | **12.0** | **7.3** | **11.4** | **4.5** | **0.7** | **2.2** | **38.1** |

*(The interest rate includes the credit spread charged over the base rate)*

A breakdown by maturity of the Group's gross indebtedness is as follows:

(€ m)

| | 12.31.2010 | | | | 12.31.2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 9.9 | 2.1 | - | 12.0 | 52.5 | 163.6 | - | 216.1 |
| Due to other lenders | 5.7 | - | 1.6 | 7.3 | 6.1 | 0.1 | 10.1 | 16.3 |
| Obligations under finance leases | 5.2 | 6.2 | - | 11.4 | 4.6 | 8.6 | - | 13.2 |
| Due to associates | 3.3 | - | 1.2 | 4.5 | 4.9 | - | 1.1 | 6.0 |
| Liabilities represented by credit instruments | - | 0.7 | - | 0.7 | - | 0.7 | - | 0.7 |
| Liabilities from derivatives | 0.3 | 1.9 | - | 2.2 | 2.3 | 5.8 | - | 8.1 |
| **Total current and non-current financial liabilities** | **24.4** | **10.9** | **2.8** | **38.1** | **70.4** | **178.8** | **11.2** | **260.4** |

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% | FROM 6% TO 7% | FROM 7% TO 8% | FROM 8% TO 9% | OVER 9% | |
| **Country** | **Currency** | | | | | | | |
| Canada | CAD | 5.2 | | | | | | 5.2 |
| | USD | 1.1 | | | | | | 1.1 |
| Australia | AUD | 0.4 | | | | 0.5 | | 0.9 |
| South Africa | ZAR | | | | | | 3.9 | 3.9 |
| Portugal | EUR | 1.3 | | | | | | 1.3 |
| Nicaragua | USD | 1.9 | | | | | | 1.9 |
| Russia | EUR | | | | 1.1 | | | 1.1 |
| | RUB | | | | | 2.7 | | 2.7 |
| Italy | EUR | 10.5 | 2.3 | 0.2 | | | | 13.0 |
| Other countries | | 6.7 | | | | | 0.3 | 7.0 |
| **Total current and non-current financial liabilities** | | **27.1** | **2.3** | **0.2** | **1.1** | **3.2** | **4.2** | **38.1** |

*(The interest rate includes the credit spread charged over the base rate)*

The Group's average borrowing cost improved sharply in 2010, falling to about 6.0%, compared with 6.70% in 2009, thanks to the positive impact of transactions executed in the second half of 2009, including the settlements reached with regard to the indebtedness of the Venezuelan subsidiaries and the early repayment of a portion of its indebtedness by the Canadian subsidiary. Additional early debt repayments made by the Canadian and Australian subsidiaries in the last quarter of 2010 will result in a drastic reduction of interest expense in 2011.

Some of the financing facilities provided to Group companies have been collateralized with corporate assets. More specifically, collateralized loans include 11.2 million euros received by a Russian subsidiary and 3.9 million euros borrowed by Parmalat South Africa.

## (21) DEFERRED-TAX LIABILITIES

Deferred-tax liabilities of 189.0 million euros are shown net of offsettable deferred-tax assets. The table below shows the changes that occurred in this account in 2010:

(€ m)

| | |
|---|---|
| **Balance at 12.31.2009 (A)** | **181.2** |
| Changes in 2010: | |
| - Increases | 20.0 |
| - Utilizations (-) | (25.1) |
| - Amount offset against deferred-tax assets (-) | (3.5) |
| - Currency translation differences | 16.4 |
| **Total changes (B)** | **7.8** |
| **Balance at 12.31.2010 (A+B)** | **189.0** |

Increases of 20.0 million euros refer mainly to the tax liability computed on the depreciation of plant and equipment (5.6 million euros) and the amortization of goodwill (4.1 million euros) and trademarks (2.6 million euros).

Utilizations of 25.1 million euros refer mainly to the elimination of temporary differences between the tax base and carrying amount of the subordinated notes issued by the Canadian subsidiary in 1996 (due in November 2026), almost all of which were bought back in 2010.

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)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| - Trademarks and other intangibles | 142.6 | 126.9 |
| - Plant and machinery | 20.1 | 11.3 |
| - Land | 9.6 | 8.9 |
| - Buildings | 5.4 | 6.3 |
| - Discounting of subordinated debt to present value | 1.4 | 14.3 |
| - Monetary adjustment for hyperinflation | - | 6.6 |
| - Other items | 9.9 | 6.9 |
| **Total** | **189.0** | **181.2** |

## (22) PROVISIONS FOR EMPLOYEE BENEFITS

Provisions for employee benefits totaled 97.2 million euros. The table below shows the changes that occurred in this account in 2010:

(€ m)

| | PROVISION FOR EMPLOYEE SEVERANCE BENEFITS | DEFINED-BENEFIT PLANS | DEFINED-CONTRIBUTION PLANS | OTHER BENEFIT PLANS | TOTAL |
|---|---|---|---|---|---|
| **Balance at 12.31.2009 (A)** | **31.7** | **32.2** | **-** | **28.7** | **92.6** |
| Changes in 2010: | | | | | |
| - Monetary adjustment for hyperinflation | - | - | - | (0.8) | (0.8) |
| - Increases | 1.6 | 9.8 | 7.5 | 20.5 | 39.4 |
| - Decreases (-) | (3.5) | (13.6) | (7.5) | (17.0) | (41.6) |
| - Currency translation differences | - | 3.9 | - | 3.7 | 7.6 |
| **Total changes (B)** | **(1.9)** | **0.1** | **-** | **6.4** | **4.6** |
| **Balance at 12.31.2010 (A+B)** | **29.8** | **32.3** | **-** | **35.1** | **97.2** |

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) | 5.5% | 5.0% | 5.0% |
| Annual rate of wage increases | 4.5% | 3.0% | - |
| Projected return on plan assets (after taxes) | 4.0% | 7.5% | 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 12.31.2009)** | **53.7** | **121.4** | **31.7** |
| Current service cost | 2.7 | 4.6 | - |
| Financial expense | 2.8 | 8.1 | 1.6 |
| Contributions to the plan | 1.8 | 0.3 | - |
| Actuarial (gains) losses | 0.8 | 18.4 | - |
| Currency translation differences | 12.3 | 17.1 | - |
| Benefits paid | (3.3) | (7.1) | (3.5) |
| Past service cost | - | 0.9 | - |
| **Defined-benefit plans (at 12.31.2010)** | **70.8** | **163.7** | **29.8** |
| **Fair value of plan assets (at 12.31.2009)** | **46.2** | **90.8** | **-** |
| Projected return on plan assets | 2.3 | 7.5 | - |
| Actuarial (gains) losses | (0.4) | 0.8 | - |
| Currency translation differences | 10.5 | 12.6 | - |
| Contributions to the plan | 1.8 | 0.3 | - |
| Contributions by plan members | 3.9 | 9.6 | - |
| Benefits paid | (3.5) | (7.1) | - |
| **Fair value of plan assets (at 12.31.2010)** | **60.8** | **114.5** | **-** |
| **(Assets) Liabilities (12.31.2010)** | **10.0** | **49.2** | **29.8** |
| Unrecognized actuarial gains (losses) | (2.5) | (29.7) | - |
| **Total (assets) liabilities recognized in financial statements (12.31.2010)** | **7.5** | **19.5** | **29.8** |
| **Total (assets) liabilities recognized in financial statements (12.31.2009)** | **6.6** | **20.5** | **31.7** |
| Total costs recognized in the income statement | 3.4 | 5.9 | 1.6 |
| Contributions paid | (3.9) | (9.6) | (3.5) |
| Currency translation differences | 1.4 | 2.7 | |
| **Total (assets) liabilities recognized in financial statements (12.31.2010)** | **7.5** | **19.5** | **29.8** |

## Breakdown of Dedicated Plan Assets by Type

(€ m)

| | AUSTRALIA | CANADA | ITALY |
|---|---|---|---|
| Third-party equity instruments | 60.8 | 66.2 | - |
| Third-party debt instruments | - | 46.9 | - |
| Cash and cash equivalents | - | 1.4 | - |
| **Total** | **60.8** | **114.5** | **-** |

The effective return earned on dedicated plan assets was 2.0 million euros in Australia and 8.3 million euros in Canada.

## Restatements Required by Experience

The table below shows the difference between previous actuarial estimates and current estimates for 2010 and the previous three years:

(€ m)

| | DECEMBER 2010 | DECEMBER 2009 | DECEMBER 2008 | DECEMBER 2007 |
|---|---|---|---|---|
| Present value of the obligation under defined-benefit plans | 242.9 | 180.0 | 140.8 | 184.8 |
| Fair value of dedicated plan assets | 181.6 | 141.8 | 105.8 | 158.5 |
| **Deficit/(Surplus)** | **61.3** | **38.2** | **35.0** | **26.3** |
| Total actuarial losses (gains) generated by experience on the obligation's present value | (19.2) | (11.3) | (19.5) | (5.1) |
| Total actuarial losses (gains) generated by experience on the obligation's fair value | 6.1 | 6.1 | 20.1 | 1.9 |

The best estimate of the expected pension plan contribution for the 12 months ending December 31, 2011 is 4.7 million euros.

## Total Current Costs Recognized in the Income Statement

(€ m)

| | AUSTRALIA | | CANADA | | ITALY | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Current service cost | 2.9 | 2.9 | 4.6 | 2.9 | - | - |
| Financial expense | 2.8 | 1.7 | 8.1 | 6.5 | 1.6 | 1.7 |
| Projected return on dedicated plan assets | (2.3) | (1.4) | (7.5) | (5.2) | - | - |
| Actuarial (gains) losses | - | - | (0.1) | (0.1) | - | - |
| Past service cost | - | - | 0.9 | 0.3 | - | - |
| Impact of any elimination or reduction of dedicated plan assets | - | - | (0.1) | (1.0) | - | - |
| **Total** | **3.4** | **3.2** | **5.9** | **3.4** | **1.6** | **1.7** |

## (23) PROVISION FOR RISKS AND CHARGES

Provisions for risks and charges totaled 79.7 million euros. The changes that occurred in 2010 are shown below:

(€ m)

| | PROVISION FOR TAX-RELATED RISKS AND CHARGES | PROVISION FOR OTHER RISKS AND CHARGES | TOTAL |
|---|---|---|---|
| **Balance at 12.31.2009 (A)** | **59.9** | **41.5** | **101.4** |
| Changes in 2010: | | | |
| - Monetary adjustment for hyperinflation | 0.5 | - | 0.5 |
| - Increases | 1.1 | 15.9 | 17.0 |
| - Decreases (-) | - | (6.0) | (6.0) |
| - Reversals (-) | (9.7) | (1.6) | (11.3) |
| - Other changes | (0.1) | 0.1 | - |
| - Currency translation differences | (20.0) | (1.9) | (21.9) |
| **Total changes (B)** | **(28.2)** | **6.5** | **(21.7)** |
| **Balance at 12.31.2010 (A) + (B)** | **31.7** | **48.0** | **79.7** |

### Provision for Tax-related Risks and Charges

The Group is not exposed to significant tax-related risks, except for the position of a subsidiary in the Central and South America region regarding adjustments to the carrying amounts of some assets. Adequate provisions for risks have been recognized for all positions involving a risk that has been assessed as probable.

Most of the changes that occurred in 2010 are due to a revision of probable tax liabilities by subsidiaries in North, Central and South America.

### Provision for Other Risks and Charges

The Provision for other risks and charges of 48.0 million euros covers the following:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| Provision for staff downsizing | 14.3 | 13.8 |
| Registration tax on court decisions | 9.7 | - |
| Supplemental sales agent benefits | 7.5 | 7.5 |
| Risks on investee companies | 4.9 | 4.8 |
| Legal disputes with employees | 3.8 | 5.0 |
| Litigation | 2.0 | 2.4 |
| Risks on divestments of business operations | - | 0.8 |
| Disputes with former Group companies | - | 0.2 |
| Miscellaneous | 5.8 | 7.0 |
| **Total provision for other risks and charges** | **48.0** | **41.5** |

The provision for staff downsizing programs 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 the registration tax on court decisions refers exclusively to the Group's Parent Company, which, acting in its capacity as Assumptor in the Composition with Creditors and in view of the lawsuits related to the Extraordinary Administration proceedings and the decisions handed down by the lower courts, added 9.7 million euros to this provision on the expectation that it will be served with payment notices for the registration tax on court decisions (Articles 37 and 8 of the rate – part one – of Presidential Decree No. 131/86).
This amount was estimated keeping in mind that a portion of the tax owed will be recovered from the counterparties who are jointly liable for paying it. The abovementioned addition also includes an estimate of the legal expenses of counterparties that may be due in the event of a final negative outcome.

The provision for supplemental sales agent benefits covers an estimate of the risk for benefits payable to sales agents and sales representatives whenever their contracts with the Company is 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 this Report entitled "Legal Disputes and Contingent Liabilities at December 31, 2010."

## (24) PROVISION FOR CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS

The Provision for contested preferential and prededuction claims totaled 4.8 million euros. A breakdown of the changes that occurred in 2010 is as follows:

(€ m)

| | |
|---|---|
| **Balance at 12.31.2009 (A)** | **6.6** |
| Changes in 2010: | |
| - Decreases (-) | (0.1) |
| - Reversals (-) | (1.7) |
| **Total changes (B)** | **(1.8)** |
| **Balance at 12.31.2010 (A+B)** | **4.8** |

The provision represents the amount set aside by Parmalat S.p.A. and Boschi Luigi & Figli 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.

The decrease of 1.8 million euros reflects the reversal of the portion of the provision corresponding to creditors with whom the Company reached settlements in 2010 or creditors who filed legal actions that ended with a final decision benefiting Parmalat S.p.A. or Boschi Luigi & Figli S.p.A.

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 545.9 million euros, or 53.0 million euros more than at December 31, 2009. A breakdown is as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| - Trade payables owed to suppliers | 544.9 | 491.8 |
| - Trade payables owed to related parties | 0.1 | 0.1 |
| - Advances | 0.9 | 1.0 |
| **Total** | **545.9** | **492.9** |

The main items that account for the change that occurred in 2010 include:

- The loss of value of the euro versus the main currencies of the countries where the Group operates (27.2 million euros);
- Additions to property, plant and equipment by the Canadian subsidiary in the fourth quarter of 2010 (9.9 million euros);
- The higher price of raw milk and increased purchases by the Australian subsidiary required by higher sales volumes (6.7 million euros).

## (26) OTHER CURRENT LIABILITIES

A breakdown of Other current liabilities, which totaled 142.2 million euros (6.3 million euros more than at December 31, 2009), is provided below:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| - Taxes payable | 13.4 | 17.9 |
| - Amounts owed to social security institutions | 7.9 | 5.5 |
| - Other payables | 71.1 | 69.7 |
| - Accrued expenses and deferred income | 49.8 | 42.8 |
| **Total** | **142.2** | **135.9** |

The main components of Taxes payable of 13.4 million euros are the income taxes withheld from employees and independent contractors (6.6 million euros) and VAT payable (2.7 million euros).

Other payables of 71.1 million euros consist mainly of amounts owed at December 31, 2010 to employees (59.4 million euros) and members of the corporate governance bodies of Parmalat S.p.A. and its subsidiaries (1.3 million euros) and of uncollected dividends payable (5.5 million euros).

"Accrued expenses and deferred income" totaled 49.8 million euros, broken down as follows:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| **Accrued expenses:** | | |
| - Rent and rentals | 1.0 | 0.5 |
| - Insurance premiums | 0.1 | 0.2 |
| - Sundry and miscellaneous accrued expenses | 40.6 | 31.8 |
| **Deferred income:** | | |
| - Rent and rentals | 2.2 | 1.9 |
| - Sundry and miscellaneous deferred income | 5.9 | 8.4 |
| **Total accrued expenses and deferred income** | **49.8** | **42.8** |

Sundry and miscellaneous accrued expenses of 40.6 million euros consist mainly of advertising, promotional and marketing expenses and customer discounts that were already incurred but are payable at a later date.

Sundry and miscellaneous deferred income of 5.9 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 (2.6 million euros) and of the operating grant received under Sicily's Regional Operating Program (3.0 million euros).

## (27) INCOME TAXES PAYABLE

The balance of 15.5 million euros is lower by 50.6 million euros compared with December 31, 2009. This decrease is the net result of the following items:

- an addition of 94.0 million euros, which includes the tax liability (20.5 million euros) computed on the gain from the reversal of the Venezuela equity provision by the Group's Parent Company, following the settlement reached with Parmalat Capital Finance Limited in liquidation and on the gain for liquidation distributions by companies under Extraordinary administration;
- the utilization of income tax credits and taxes withheld on income from invested liquid assets to offset the income tax liability for the year (66.1 million euros);
- payments of 67.9 million euros (37.4 million euros by Parmalat S.p.A., 12.0 million euros by the Australian subsidiaries, 7.4 million euros by the South African subsidiary and 5.6 million euros by the Venezuelan subsidiary), with sundry payments accounting for the balance.

# Guarantees and Commitments

## GUARANTEES

(€ m)

| | 12.31.2010 | | | 12.31.2009 | | |
|---|---|---|---|---|---|---|
| | SURETIES | COLLATERAL | TOTAL | SURETIES | COLLATERAL | TOTAL |
| provided on behalf of Group companies | - | 1.5 | 1.5 | - | - | - |
| provided on behalf of the Company | 416.2 | 13.6 | 429.8 | 371.1 | 167.5 | 538.6 |
| **Total guarantees** | **416.2** | **15.1** | **431.3** | **371.1** | **167.5** | **538.6** |

The guarantees provided by outsiders on behalf of the Company (416.2 million euros) refer mainly to guarantees provided by banks and/or insurance companies to government agencies in connection with VAT refunds and with prize contests.

Collateral of 15.1 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. Early debt repayments by the Canadian and Australian subsidiaries account for the decrease compared with 2009.

## COMMITMENTS

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| **Commitments:** | | |
| - Operating leases | 78.2 | 71.3 |
| *within 1 year* | *15.4* | *13.2* |
| *from 1 to 5 years* | *38.9* | *32.9* |
| *after 5 years* | *23.9* | *25.2* |
| - Other commitments | 39.2 | 28.3 |
| **Total commitments** | **117.4** | **99.6** |

Commitments under operating leases apply mainly to the Canadian subsidiary (34.7 million euros) and subsidiaries in Africa (23.5 million euros) and Australia (19.7 million euros).

Other commitments of 39.2 million euros refer mainly to short-term contracts to purchase raw materials, packaging materials and non-current assets signed by Parmalat Canada Inc. (29.7 million euros), the African subsidiaries (4.9 million euros) and the Australian subsidiaries (4.6 million euros).

In 2004, Parmalat Dairy and Bakery (PDBI, now Parmalat Canada Inc.) signed a loan agreement with a "change of control clause", pursuant to which a former lender would be paid by PDBI or its Parent Company, Parmalat S.p.A, an amount equal to 10% of Parmalat Canada's equity value in the event of a change of control, as defined therein.
The foregoing agreement terminates on 9 July 2011, unless an arrangement is undertaken before 9 July 2011 to cause a change of control and such arrangement is formally consummated before 9 July 2012, in which case the term of the agreement would be extended so as to allow the former lender to receive its payment accordingly.

The Group believes that there is only a remote possibility that the events referred to in the loan agreement may occur. Accordingly, it recognized only a nominal amount in its memorandum accounts to reflect the impact of this clause.

# Legal Disputes and Contingent Liabilities at December 31, 2010

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.

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, 2010, 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 and the appellate proceeding ended in May 2010. 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 arrangement was approved for the Grant Thornton auditors, whose position had been separated from the main proceedings.

With regard to the second segment of the stock manipulation proceedings, which is pending before a different section of the Criminal Court of Milan, the trial that began in 2008 is now in the final phase, with oral arguments currently underway. No Parmalat company has joined these proceedings as a plaintiff seeking damages.

### Criminal Court of Parma

One trial, in which former Directors, Statutory Auditors and employees of Parmalat Group companies are charged with the crime of fraudulent bankruptcy ended on December 9, 2010 with the conviction of all defendants (except for two) 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 former employees of companies in the so-called “tourism” operations and officers of some banks. Insofar as these bank officers are concerned, Parmalat has already withdrawn from the proceedings as a plaintiff seeking damages, whenever settlements were reached. This trial is currently in the discovery phase.

In other proceedings, 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.

Lastly, the remaining trials of officers and/or employees of other banks have also started. The companies of the Parmalat Group, having reached out-of-court settlements with the banks, withdrew the claims they put forth when they joined the proceedings as plaintiffs seeking damages.

As for preliminary hearings, the hearing scheduled before the Preliminary Hearings Judge in which officers and employees of Citigroup/Citibank are being charged with fraudulent bankruptcy has ended. Parmalat joined the proceedings as a plaintiff seeking damages, summoning the bank as a civilly liable defendant for the actions of its Milan, London and New York branches. Upon the conclusion of the hearing, the judge dismissed some marginal charges and indicted all the main defendants for the crimes with which they were being charged. The first trial hearing is scheduled for April 4, 2011.

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.

### Bologna Court of Appeals

In the appeal proceedings filed by Maurizio Bianchi, Luciano Del Soldato and Giampaolo Zini, the Court granted Parmalat a provisional award of 1 billion euros as compensation for financial damages.

### 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, 2010."

### Parmalat vs Citigroup, Inc. et al.

In the appellate proceedings filed against Citigroup, the judge has not yet set a date for oral arguments.

## CIVIL PROCEEDINGS FILED AGAINST THE GROUP

### Insurance Companies vs. Parmalat Finanziaria S.p.A. in A.S.

An appeal filed by some insurance companies against a decision handed down by the Court of Milan on September 25, 2007, by which the Court 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 Manager be declared null and void, is currently pending before the Milan Court of Appeals.

### 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 (equal to about 14.7 million euros).

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.

### Liability Actions

Acting within the statutory deadlines, Parmalat S.p.A. reinstated its civil liability lawsuits against those defendants in the criminal proceedings that agreed to a plea bargaining arrangement. At a hearing held on June 4, 2008, 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 lawsuits against the parties included in the reinstatement decision. In the reinstated proceedings, the Court Appointed Technical Consultant filed his technical report. At a hearing held on January 19, 2011, the judge set deadlines 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. At a hearing held on January 19, 2011, the judge set deadlines 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.

### Actions to Void in Bankruptcy

Five actions to void in bankruptcy are still pending in the discovery phase.

### 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 that the former Directors and Statutory Auditors of Boschi Luigi & Figli S.p.A. were 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. At a hearing held on January 12, 2011, the Court, upon being informed that a judge recused himself due to incompatibility, turned the case over to the Chief Judge asking him to appoint a new Reporting Judge.

## ADMINISTRATIVE PROCEEDINGS FILED AGAINST THE GROUP

### Centrale del Latte di Roma S.p.A.

See the information provided in the section of the Report on Operation entitled "Key Events of 2010."

## 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 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 is now pending.

## DISPUTES INVOLVING CHALLENGES TO THE COMPOSITION OF THE LISTS OF LIABILITIES

### Challenges and Oppositions

At December 31, 2010, 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 60 lawsuits filed before the Court of Parma and 145 lawsuits pending before the Bologna Court of Appeals. A significant portion of these disputes (over 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.

At December 31, 2010, the provision for tax-related risks of Parmalat S.p.A. amounted to 5.2 million euros, substantially unchanged compared with the previous year.

### Canada

At December 31, 2010, Parmalat Canada Inc. carried in its financial statements a provision for contingent tax liabilities of about 0.4 million euros.

### Central and South America

The Colombian companies carried in their financial statements provisions for tax-related risks totaling about 0.7 million euros, down from 3.0 million euros at the end of 2009. The settlement of two disputed items in 2010 accounts for this decrease.

In Venezuela, Indulac established provisions for tax-related risks for a combined amount of about 22.5 million euros. Restated net of the translation effect, this amount is about the same as at the end of 2009.

# Notes to the Income Statement

## (28) REVENUES

A breakdown of revenues is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Net sales revenues | 4,301.0 | 3,964.8 |
| Other revenues | 59.6 | 27.3 |
| **Total revenues** | **4,360.6** | **3,992.1** |

A geographic breakdown of net revenues is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Italy | 963.3 | 992.6 |
| Other countries in Europe | 152.0 | 135.9 |
| Canada | 1,609.3 | 1,382.8 |
| Central and South America | 419.3 | 588.3 |
| Australia | 742.1 | 508.6 |
| Africa | 415.9 | 357.7 |
| Sundry items[1] | (0.9) | (1.1) |
| **Total sales revenues** | **4,301.0** | **3,964.8** |

*(1) Includes the costs of the Group's Parent Company, other minor companies and inter-area eliminations.*

Other revenues include the following:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Insurance settlements | 20.9 | 0.3 |
| Royalties | 8.4 | 2.0 |
| Rebilling of advertising expenses | 5.9 | 5.0 |
| Out-of-period items and restatements | 5.0 | 3.8 |
| Damage compensation | 3.0 | - |
| Rent | 2.4 | 2.2 |
| Gains on the sale of non-current assets | 2.1 | 1.6 |
| Operating grants | 0.6 | 1.4 |
| Expense reimbursements | 0.3 | 0.1 |
| Miscellaneous | 11.0 | 10.9 |
| **Total other revenues** | **59.6** | **27.3** |

The following items account for most of the increase in Other revenues:

- insurance settlements for events that caused major damages covered by insurance policies, which were collected in 2010 or will be collected in 2011;
- an agreement reached in 2010 that resulted in the collection of royalties for previous years;
- compensation for purchases made in previous year of condensed milk that did not meet quality standards.

## (29) COSTS

A breakdown of the costs incurred in 2010 is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Cost of sales | 3,400.9 | 3,069.8 |
| Distribution costs | 436.1 | 430.2 |
| Administrative expenses | 294.7 | 241.6 |
| **Total costs** | **4,131.7** | **3,741.6** |

A breakdown by type of the costs incurred in 2010 is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Raw materials and finished goods | 2,273.7 | 2,059.4 |
| Labor costs | 536.4 | 474.4 |
| Packaging materials | 336.5 | 322.4 |
| Freight | 181.2 | 176.6 |
| Depreciation, amortization and writedowns of non-current assets | 148.4 | 117.3 |
| Sales commissions | 118.7 | 98.9 |
| Advertising and promotions | 99.0 | 86.5 |
| Other services | 90.1 | 77.3 |
| Energy, water and gas | 82.0 | 76.4 |
| Maintenance and repairs | 59.3 | 50.1 |
| Storage, handling and outside processing services | 44.4 | 39.4 |
| Supplies | 43.8 | 47.1 |
| Use of property not owned | 39.0 | 34.8 |
| Consulting services | 30.4 | 23.9 |
| Miscellaneous charges | 21.9 | 23.3 |
| Postage, telephone and insurance | 20.6 | 18.4 |
| Writedowns of receivables and additions to provisions | 16.1 | 14.9 |
| Auditing services | 4.3 | 4.1 |
| Fees to Chairman and Directors[1] | 1.9 | 2.0 |
| Fees to Statutory Auditors[1] | 0.5 | 0.5 |
| Changes in inventories of raw materials and finished goods | (16.5) | (6.1) |
| **Total cost of sales, distribution costs and administrative expenses** | **4,131.7** | **3,741.6** |

*(1) More detailed information about the compensation of the Chairman, Directors and Statutory Auditors of Parmalat S.p.A. is provided in Annex A to the Corporate Governance chapter of the Report on Operations.*

The increase in Cost of sales, distribution costs and administrative expenses is due mainly to the loss of value of the euro versus the currencies of the main countries where the Group operates, to the consolidation for the full year of the Australian business operations acquired in July 2009 and to price indexing in countries with hyperinflationary economies.

## (30) LITIGATION-RELATED EXPENSES

The balance in this account reflects the fees paid to law firms (9.2 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.

## (31) MISCELLANEOUS INCOME (EXPENSE)

Net miscellaneous income totaled 114.5 million euros. A breakdown is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Intra-Group consolidation of debt formerly owed to Parmalat Capital Finance Ltd in liquidation[1] | 52.5 | - |
| Proceeds from actions to void and actions for damages | 52.2 | 304.2 |
| Intra-Group consolidation of debt formerly owed to Bank of America and Eurofood IFSC Limited in liquidation | - | 137.6 |
| Benefit/(expense) related to tax risks | 8.6 | 2.2 |
| Restructuring costs | (1.2) | (8.7) |
| Sundry income/(expense) | 2.4 | (4.3) |
| **Total miscellaneous income (expense)** | **114.5** | **431.0** |

*(1) This amount includes the debt formerly owed to Parmalat Capital Finance Ltd in liquidation, whose claims were acquired by the Group in 2010.*

In 2010, Parmalat S.p.A. reached a settlement with Parmalat Capital Finance Limited in liquidation. As part of this settlement, the Company acquired receivables owed by Group companies to Parmalat Capital Finance.

More specifically, Parmalat S.p.A. acquired:

- the rights arising from a loan of US$45 million, plus accrued interest, provided to Parmalat de Venezuela;
- the rights arising from consulting services valued at US$2.5 million provided to Parmalat Nicaragua;
- the rights arising from a loan of US$0.5 million provided to Parmalat de Mexico.

The execution of these settlement agreements resulted in the intra-Group consolidation of borrowings totaling 52.5 million euros.

Proceeds from settlements of actions to void and actions for damages include the amounts collected from UGF Banca S.p.A. (7.4 million euros), GE Capital Finance S.p.A. (7.3 million euros), Commerzbank AG (1.8 million euros), Rabobank (0.9 million euros), Banca Popolare di Bari SC.p.A. (0.5 million euros) and other institutions (0.9 million euros).

The settlement proceeds included the amounts paid by:

- Parmatour S.p.A. under Extraordinary Administration to Parmalat S.p.A (16.0 million euros) and Sata Srl (0.1 million euros) as the second partial distribution for verified claims included among the liabilities in the bankruptcy proceedings;
- the Licensees under Extraordinary Administration to Parmalat S.p.A. (7.3 million euros) as the final distribution for verified claims included among the liabilities in the bankruptcy proceedings;
- Deutsche Parmalat GMBH and Parmalat Molkerei GMBH under Extraordinary Administration to Parmalat S.p.A. (2.6 million euros) and Dalmata S.p.A. (4.6 million euros) as the final distribution for verified claims included among the liabilities in the bankruptcy proceedings;
- Parma Food B.V. under Extraordinary Administration to Curcastle Corporation NV (1.4 million euros) as the final distribution for verified claims included among the liabilities in the bankruptcy proceedings;
- Streglio S.p.A. under Extraordinary Administration to Parmalat S.p.A. (1.0 million euros) as the final distribution for verified claims included among the liabilities in the bankruptcy proceedings;
- Eliair Srl under Extraordinary Administration to Parmalat S.p.A. (0.4 million euros) as the final distribution for verified claims included among the liabilities in the bankruptcy proceedings.

The benefit related to tax risks results from a restatement of the estimated tax liabilities of the Group's subsidiaries in North, Central and South America.

Restructuring costs refer to programs launched in 2010 to reorganize the logistics-distribution area.

## (32) FINANCIAL INCOME (EXPENSE)

Net financial income amounted to 7.2 million euros, broken down as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Foreign exchange translation gains | 19.2 | 14.6 |
| Monetary gain due to hyperinflation | 13.4 | 17.1 |
| Interest earned from banks and other financial institutions | 9.1 | 17.6 |
| Income from cash-equivalent securities | 4.4 | 7.7 |
| Interest received from the tax authorities | 1.8 | 2.6 |
| Income from held-for-sale securities | 1.1 | - |
| Other financial income | 0.8 | 1.3 |
| **Total financial income** | **49.8** | **60.9** |
| Interest paid on loans[1] | (27.4) | (45.2) |
| Foreign exchange translation losses | (12.1) | (16.0) |
| Bank fees | (2.1) | (2.6) |
| Actuarial losses | (0.1) | (0.1) |
| Interest paid to the tax authorities | - | (2.2) |
| Other financial expense | (0.9) | (0.8) |
| **Total financial expense** | **(42.6)** | **(66.9)** |
| **Net financial income (expense)** | **7.2** | **(6.0)** |

*(1) The 2010 amount includes financial expense of 12.5 million euros for the early redemption of 90% of the subordinated notes issued in 1996 and maturing in 2026, with a face value of US$75 million.*

A worldwide reduction in interest rate accounts for the decrease in Interest earned from banks and other financial institutions and Income from cash-equivalent securities.

The decrease in Interest paid on loans is due mainly to the settlements reached in 2009 with Bank of America and Eurofood IFSC Limited in liquidation. As part of the settlement, Parmalat S.p.A. acquired the loans owed to these two entities by the Group's Venezuelan companies. In addition, the settlement of disputed prior-period debt position made it possible to proceed with the financial restructuring of the Venezuelan companies.

## (33) OTHER INCOME FROM (EXPENSES FOR) EQUITY INVESTMENTS

Net other income from equity investments of 0.6 million euros is the result of the following items:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Dividends from equity investments in other companies | 0.9 | 1.6 |
| Gain on the sale of the investments in subsidiaries | - | 9.9 |
| **Total other income from equity investments** | **0.9** | **11.5** |
| Loss on the disposal of the investments in subsidiaries | (0.2) | (5.8) |
| Loss on equity investments in other companies | (0.1) | (0.1) |
| **Total other expenses for equity investments** | **(0.3)** | **(5.9)** |
| **Net other income from (expense for) equity investments** | **0.6** | **5.6** |

Dividends from equity investments in other companies of 0.9 million euros include the dividends received in 2010 from Bonatti S.p.A. (0.6 million euros) and QBB Singapore Ltd (0.3 million euros).

The Loss on the disposal of equity investments in subsidiaries (0.2 million euros) refers to the dissolution of the Ecuadorian Foods Company.

## (34) INCOME TAXES

Income taxes totaled 56.1 million euros in 2010, broken down as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Current taxes | | |
| - Italian companies | 31.9 | 79.7 |
| - Foreign companies | 62.1 | 59.5 |
| Deferred and prepaid taxes, net | | |
| - Italian companies | (3.0) | 3.3 |
| - Foreign companies | (34.9) | 2.4 |
| **Total** | **56.1** | **144.9** |

Current taxes of Italian companies totaled 31.9 million euros, including 4.4 million euros in regional taxes (IRAP) and 27.5 million euros in corporate income taxes (IRES).

Net deferred and prepaid taxes of 37.9 million euros were computed on the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases. The decrease in Deferred and prepaid taxes, net, reflects the recognition of recoverable tax losses of 20.6 million euros and the early redemption of 90% of the subordinated notes, which resulted in the elimination of temporary differences amounting to 14.4 million euros.

## Reconciliation of the Theoretical Tax Liability to the Amount Recognized in the Income Statement

(€ m)

| | ITALY | CANADA | AUSTRALIA | AFRICA | OTHER | TOTAL |
|---|---|---|---|---|---|---|
| **Consolidated profit before taxes** | **158.7** | **128.4** | **54.0** | **28.5** | **(28.4)** | **341.2** |
| Theoretical tax rate | 27.5% | 29.45% | 30% | 28.4% | - | 29.3% |
| Theoretical tax liability | 43.6 | 37.8 | 16.2 | 8.1 | (5.8) | 99.9 |
| Tax effect on non-taxable income (permanent differences) (-) | (32.5) | (1.8) | (0.5) | (3.5) | (5.6) | (43.9) |
| Tax effect from non-deductible expenses (permanent differences) | 15.6 | - | 0.1 | 3.7 | 13.8 | 33.2 |
| Tax losses for the year that are not deemed to be recoverable | 0.2 | - | - | 0.7 | 0.2 | 1.1 |
| Recognition of prior-period tax losses (-) | (1.3) | (11.1) | - | - | (21.8) | (34.2) |
| Higher/(Lower) taxes as per income tax return | (1.2) | (0.3) | - | 0.3 | - | (1.2) |
| Elimination of temporary differences due to changes in tax rates | - | (3.1) | - | - | - | (3.1) |
| **Actual income tax liability** | **24.4** | **21.5** | **15.8** | **9.3** | **(19.2)** | **51.8** |
| IRAP and other taxes computed on a base different from the profit before taxes | 4.3 | - | - | - | | 4.3 |
| **Actual tax liability shown on the income statement at December 31, 2010** | **28.7** | **21.5** | **15.8** | **9.3** | **(19.2)** | **56.1** |
| **Actual tax rate** | **18.1%** | **16.7%** | **29.3%** | **32.7%** | **-** | **16.4%** |

The Group's actual tax rate (16.4%) was lower than its theoretical tax rate (29.3%) due to the recognition of recoverable tax losses.

# Other Information

## SIGNIFICANT NON-RECURRING TRANSACTIONS

The Group did not execute significant non-recurring transactions or transactions that were atypical or unusual.

## 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, 2010 is provided below:

(€ m)

| | 12.31.2010 | 12.31.2009 |
|---|---|---|
| A) Cash | 1.5 | 1.7 |
| B) Cash equivalents and readily available financial assets: | | |
| - Bank and postal accounts | 315.3 | 423.4 |
| - Italian Treasury securities | 341.6 | 619.1 |
| - Foreign Treasury securities (Germany) | 236.3 | 27.9 |
| - Foreign Treasury securities (France) | 132.4 | - |
| - Reverse repurchase agreements | - | 2.0 |
| - Accrued interest | 5.3 | 1.1 |
| - Time deposits | 432.5 | 555.5 |
| C) Negotiable securities | 8.4 | 14.3 |
| **D) Liquid assets (A+B+C)** | **1,473.3** | **1,645.0** |
| E) Current loans receivable | - | - |
| F) Current bank debt | 9.0 | 44.4 |
| G) Current portion of non-current indebtedness | 6.2 | 12.3 |
| H) Other current borrowings | 9.2 | 13.7 |
| **I) Current indebtedness (F+G+H)** | **24.4** | **70.4** |
| **J) Net current indebtedness (I-E-D)** | **(1,448.9)** | **(1,574.6)** |
| K) Non-current bank debt | 2.1 | 163.6 |
| L) Debt securities outstanding | - | - |
| M) Other non-current borrowings | 11.6 | 26.4 |
| **N) Non-current indebtedness (K+L+M)** | **13.7** | **190.0** |
| **O) Net borrowings (J+N)** | **(1,435.2)** | **(1,384.6)** |

The section of this Report 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 2010 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 | 2010 | 2009 |
|---|---|---|---|
| A) Auditing assignments | Parent Co. | 1.2 | 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* | | *0.2* | *0.3* |
| **Total Group Parent Company** | | **1.4** | **1.5** |
| A) Auditing assignments | Subsidiaries | 2.0 | 1.9 |
| B) Assignments involving the issuance of a certification | Subsidiaries | | |
| C) Other services | Subsidiaries | | |
| *- Tax services* | | *0.1* | *0.2* |
| *- Development and implementation of non-financial information systems* | | - | - |
| *- Due diligence* | | - | *0.4* |
| *- Other services* | | *0.6* | *0.1* |
| **Total subsidiaries** | | **2.7** | **2.6** |

## BREAKDOWN OF LABOR COSTS BY TYPE

A breakdown is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| Wages and salaries | 386.2 | 337.2 |
| Social security contributions | 62.0 | 56.9 |
| Severance benefits | 45.1 | 42.8 |
| Other labor costs | 43.1 | 37.5 |
| **Total labor costs** | **536.4** | **474.4** |

The increase in Labor costs is due mainly to the loss of value of the euro versus the currencies of the main countries where the Group operates, to the consolidation for the full year of the Australian business operations acquired in July 2009 and to price indexing in countries with hyperinflationary economies.

## DEPRECIATION, AMORTIZATION AND WRITEDOWNS

A breakdown is as follows:

(€ m)

| | 2010 | 2009 |
|---|---|---|
| - Amortization of intangibles | 23.0 | 22.5 |
| - Depreciation of property, plant and equipment | 93.4 | 83.3 |
| - Writedowns of non-current assets | 33.9 | 11.5 |
| - Reversals of writedowns | (1.9) | - |
| **Total depreciation, amortization and writedowns of non-current assets** | **148.4** | **117.3** |

Writedowns of non-current assets include 24.5 million euros (0.8 million euros in 2009) 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 9.4 million euros for the impairment of property, plant and equipment held by an Italian production unit.

Reversals of writedowns of 1.9 million euros refer to the partial reinstatement of the carrying amount of a plot of land belonging to an Italian production facility, previously written down by 3.3 million euros.

## EARNINGS PER SHARE

The table below provides a computation of earnings per share in accordance with IAS 33:

(€)

| | 2010 | 2009 |
|---|---|---|
| Group interest in profit | 281,983,869 | 518,982,034 |
| *broken down as follows:* | | |
| *- Profit from continuing operations* | *281,983,869* | *518,982,034* |
| *- Profit (Loss) from discontinuing operations* | | |
| Weighted average number of shares outstanding determined for the purpose of computing earnings per share: | | |
| - basic | 1,727,518,762 | 1,698,617,672 |
| - diluted | 1,763,725,035 | 1,727,086,909 |
| Basic earnings per share | 0.1632 | 0.3055 |
| *broken down as follows:* | | |
| *- Profit from continuing operations* | *0.1632* | *0.3055* |
| *- Profit (Loss) from discontinuing operations* | - | - |
| Diluted earnings per share | 0.1599 | 0.3005 |
| *broken down as follows:* | | |
| *- Profit from continuing operations* | *0.1599* | *0.3005* |
| *- 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 19, 2011: 669,071 euros
- February 18, 2011: 1,801,684 euros

The computation of the weighted average number of shares outstanding, starting with the 1,712,558,142 shares outstanding at January 1, 2010, is based on the following changes that occurred in 2010:

- issuance of 1,756,386 common shares on 1/29/10
- issuance of 12,985,810 common shares on 2/24/10
- issuance of 905,414 common shares on 3/26/10
- issuance of 106,730 common shares on 5/19/10
- issuance of 81,880 common shares on 6/28/10
- issuance of 537,627 common shares on 7/28/10
- issuance of 3,673,907 common shares on 8/30/10
- issuance of 30,960 common shares on 9/29/10
- issuance of 169,615 common shares on 10/28/10
- issuance of 60,932 common shares on 11/26/10
- issuance of 48,168 common shares on 12/23/10

The computation of diluted earnings per share also 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, 2010 and the comparable data for 2009. 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 | |
| **2010** | | | | | | |
| Net segment revenues | 963.3 | 85.3 | 57.6 | 9.0 | 152.0 | 1,609.3 |
| Net inter-segment revenues | (1.3) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net revenues from outsiders | 962.0 | 85.3 | 57.6 | 9.0 | 152.0 | 1,609.3 |
| EBITDA | 95.4 | 4.9 | 5.6 | 0.9 | 11.4 | 159.3 |
| *% of net revenues* | *9.9* | *5.7* | *9.7* | *10.4* | *7.5* | *9.9* |
| Depreciation, amortization and writedowns of non-current assets | (63.9) | (2.5) | (0.9) | (0.8) | (4.2) | (22.3) |
| Writedowns of goodwill and trademarks with indefinite useful life | | | (24.5) | | (24.5) | |
| - Litigation related expenses | | | | | | |
| - Miscell. income and expense | | | | | | |
| **EBIT** | | | | | | |
| Financial income | | | | | | |
| Financial expense | | | | | | |
| Interest in result of cos. valued by equity method | (0.8) | | | | | |
| 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 | 2,360.7 | 65.3 | 58.5 | 11.2 | 135.0 | 925.7 |
| Total non-segment assets | | | | | | |
| **Total assets** | | | | | | |
| Total segment liabilities | 346.6 | 10.0 | 13.6 | 1.7 | 25.4 | 205.5 |
| Total non-segment liabilities | | | | | | |
| **Total liabilities** | | | | | | |
| Capital exp. (prop., plant & equip.) | 43.6 | 7.1 | 1.3 | 0.1 | 8.5 | 47.3 |
| Capital expenditures (intangibles) | 10.6 | 0.0 | 0.1 | 0.0 | 0.1 | 1.8 |
| Number of employees | 2,130 | 1,018 | 259 | 125 | 1,402 | 2,884 |

*- 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 | | | |
| 271.1 | 123.9 | 24.3 | 419.3 | 742.1 | 356.4 | 59.6 | 415.9 | 0.4 | (1.3) | 4,301.0 |
| 0.0 | (0.2) | 0.2 | 0.0 | 0.0 | (14.0) | 14.0 | 0.0 | 0.0 | 1.3 | |
| 271.1 | 123.7 | 24.5 | 419.3 | 742.1 | 342.3 | 73.6 | 415.9 | 0.4 | | 4,301.0 |
| 10.4 | 9.1 | 0.4 | 19.9 | 68.9 | 36.6 | 4.3 | 40.9 | (0.6) | (17.9) | 377.3 |
| *3.8* | *7.4* | *1.5* | *4.8* | *9.3* | *10.3* | *7.2* | *9.8* | | | *8.8* |
| (6.2) | (4.7) | (0.7) | (11.5) | (14.6) | (7.9) | (1.3) | (9.2) | 1.8 | | (123.9) |
| | | | | | | | | | | (24.5) |
| | | | | | | | | | | |
| | | | | | | | | | | 105.4 |
| | | | | | | | | | | **334.2** |
| | | | | | | | | | | 49.8 |
| | | | | | | | | | | (42.6) |
| | | | | | | | | | | (0.8) |
| | | | | | | | | | | 0.6 |
| | | | | | | | | | | **341.2** |
| | | | | | | | | | | (56.1) |
| | | | | | | | | | | **285.1** |
| | | | | | | | | | | 0.0 |
| | | | | | | | | | | **285.1** |
| 123.9 | 85.0 | 16.8 | 225.8 | 499.0 | 270.5 | 32.6 | 303.2 | 74.5 | (7.2) | 4,516.7 |
| | | | | | | | | | | 127.5 |
| | | | | | | | | | | **4,644.2** |
| 49.3 | 13.7 | 7.6 | 70.7 | 139.4 | 64.2 | 15.6 | 79.8 | 9.5 | (7.1) | 869.7 |
| | | | | | | | | | | **242.6** |
| | | | | | | | | | | **1,112.4** |
| 4.6 | 3.7 | 0.4 | 8.7 | 27.4 | 4.5 | 1.9 | 6.4 | 0.3 | | 142.3 |
| 0.5 | 0.1 | 0.0 | 0.6 | 0.0 | 0.6 | 0.0 | 0.6 | 0.0 | | 13.6 |
| 1,937 | 1,104 | 297 | 3,338 | 1,771 | 1,769 | 636 | 2,405 | | | 13,930 |

More detailed information about the performance of the different segments in 2010 is provided in the Report on Operations.

| | ITALY | OTHER COUNTRIES IN EUROPE | | | | CANADA |
|---|---|---|---|---|---|---|
| | | RUSSIA | PORTUGAL | ROMANIA | TOTAL | |
| **2009** | | | | | | |
| 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 | 0.2 | | 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 |
|---|---|---|---|---|---|
| **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%* |

(€ m)

| | MILK | FRUIT BEVERAGES | DAIRY PRODUCTS | OTHER PRODUCTS | TOTAL FOR THE GROUP |
|---|---|---|---|---|---|
| **2009** | | | | | |
| Net revenues | 2,291.0 | 317.4 | 1,239.8 | 116.7 | 3,964.8 |
| EBITDA | 183.5 | 62.2 | 134.3 | (12.2) | 367.8 |
| *as a % of net revenues* | *8.0%* | *19.6%* | *10.8%* | *(10.5%)* | *9.3%* |

## DISCLOSURES REQUIRED BY IFRS 7

The disclosures about financial instruments provided below are 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 |
|---|---|---|---|---|---|---|
| **12.31.2010** | | | | | | |
| 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 financial 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 financial liabilities** | **581.8** | **1.9** | **0.3** | **584.0** |

(€ 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 |
|---|---|---|---|---|---|---|
| **12.31.2009** | | | | | | |
| Other financial assets | 6.8 | - | - | - | 1.1 | **7.9** |
| Trade receivables | 459.9 | - | - | - | - | **459.9** |
| Other current assets | 26.6 | - | - | - | - | **26.6** |
| Cash and cash equivalents | 352.2 | - | - | 76.0 | - | **428.2** |
| Current financial assets | 0.8 | - | - | 1,216.0 | - | **1,216.8** |
| **Total financial assets** | **846.3** | **-** | **-** | **1,292.0** | **1.1** | **2,139.4** |

(€ m)

| | FINANCIAL LIABILITIES AT AMORTIZED COST | FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | HEDGING DERIVATIVES | TOTAL |
|---|---|---|---|---|
| **12.31.2009** | | | | |
| Financial liabilities | 252.3 | - | - | **252.3** |
| Financial liabilities for derivatives | - | 6.2 | 1.9 | **8.1** |
| Trade payables | 492.9 | - | - | **492.9** |
| **Total financial liabilities** | **745.2** | **6.2** | **1.9** | **753.3** |

The carrying amount of financial assets and financial liabilities is substantially the same as their fair value.

Financial instruments valued at fair value refer to financial assets and financial liabilities traded in active markets *(Level 1 in the fair value hierarchical ranking).*

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.

## Contractual Due Dates of Financial Liabilities

The contractual due dates of financial liabilities are summarized below:

(€ m)

| | CARRYING AMOUNT | FUTURE CASH FLOWS | WITHIN 60 DAYS[1] | 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** |

(€ m)

| | CARRYING AMOUNT | FUTURE CASH FLOWS | WITHIN 60 DAYS[1] | 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 | 260.4 | 307.3 | 59.8 | 5.9 | 11.0 | 173.9 | 4.6 | 52.1 |
| Trade payables | 492.9 | 492.9 | 449.1 | 31.4 | 10.1 | 1.3 | 0.9 | 0.1 |
| **Balance at 12.31.2009** | **753.3** | **800.2** | **508.9** | **37.3** | **21.1** | **175.2** | **5.5** | **52.2** |

*(1) The cash flow required for liabilities due within 60 days includes the indebtedness owed by the Venezuelan operations to Parmalat Capital Finance.*

## 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 2010. 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 a 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 3.7 million euros in profit for the year and shareholders' equity.

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 1.4 million euros in profit for the year and shareholders' equity.

## EXCHANGE RATES USED TO TRANSLATE FINANCIAL STATEMENTS

| LOCAL CURRENCY FOR 1 EURO | ISO CODE | 12.31.2010 (YEAR-END RATE) | 12.31.2009 (YEAR-END RATE) | % CHANGE (YEAR-END RATE) | 12.31.2010 (AVERAGE RATE) | 12.31.2009 (AVERAGE RATE) | % CHANGE (AVERAGE RATE) |
|---|---|---|---|---|---|---|---|
| DOLLAR AUSTRALIA | AUD | 1.31360 | 1.60080 | -17.94% | 1.44231 | 1.77270 | -18.64% |
| PULA BOTSWANA | BWP | 8.61475 | 9.60135 | -10.28% | 8.99775 | 9.91778 | -9.28% |
| DOLLAR CANADA | CAD | 1.33220 | 1.51280 | -11.94% | 1.36511 | 1.58496 | -13.87% |
| PESO COLOMBIA | COP | 2,571.38 | 2,943.76 | -12.65% | 2,515.56 | 2,988.09 | -15.81% |
| PESO MEXICO | MXN | 16.5475 | 18.9223 | -12.55% | 16.7373 | 18.7989 | -10.97% |
| NEW METICAL MOZAMBIQUE | MZM | 43.9476 | 39.4724 | 11.34% | 43.6737 | 37.2617 | 17.21% |
| CORDOBA ORO NICARAGUA | NIO | 29.2394 | 30.0228 | -2.61% | 28.3203 | 28.3960 | -0.27% |
| GUARANI PARAGUAY | PYG | 6,090.40 | 6,626.76 | -8.09% | 6,275.60 | 6,904.93 | -9.11% |
| NEW LEU ROMANIA | RON | 4.26200 | 4.23630 | 0.61% | 4.21216 | 4.23993 | -0.65% |
| RUBLE RUSSIA | RUB | 40.8200 | 43.1540 | -5.41% | 40.2629 | 44.1376 | -8.78% |
| LILANGENI SWAZILAND | SZL | 8.86250 | 10.6660 | -16.91% | 9.69843 | 11.6737 | -16.92% |
| U.S. DOLLAR[1] | USD | 1.33620 | 1.44060 | -7.25% | 1.32572 | 1.39478 | -4.95% |
| BOLIVAR FUERTE VENEZUELA | VEF | 5.74566 | 3.09340 | 85.74% | 5.70060 | 2.99502 | 90.34% |
| RAND SOUTH AFRICA | ZAR | 8.86250 | 10.6660 | -16.91% | 9.69843 | 11.6737 | -16.92% |
| KWACHA ZAMBIA | ZMK | 6,400.26 | 6,711.55 | -4.64% | 6,353.61 | 7,011.50 | -9.38% |

*Source: Italian Foreign Exchange Bureau*

*(1) The reporting currency of the companies located in Ecuador and Cuba is the U.S. dollar.*

# INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND AFFILIATED COMPANIES OF THE PARMALAT GROUP

## Controlling Company

| COMPANY | | SHARE CAPITAL | |
|---|---|---|---|
| NAME<br>HEAD OFFICE | TYPE (1) | CURR | AMOUNT |
| PARMALAT S.P.A.<br>Collecchio | AQ | EUR | 1,732,915,571 |

## Companies consolidated line by line

| COMPANY | | SHARE CAPITAL | |
|---|---|---|---|
| NAME<br>HEAD OFFICE | TYPE (1) | CURR | AMOUNT |
| **EUROPE** | | | |
| **ITALY** | | | |
| BOSCHI LUIGI & FIGLI S.P.A.<br>Collecchio | C | EUR | 10,140,000 |
| CARNINI S.P.A.<br>Villa Guardia (CO) | C | EUR | 3,300,000 |
| CENTRALE DEL LATTE DI ROMA S.P.A.<br>Rome | C | EUR | 37,736,000 |
| COMPAGNIA FINANZIARIA ALIMENTI SRL in liquidation[2]<br>Collecchio | LLP | EUR | 10,000 |
| DALMATA S.P.A.<br>Collecchio | C | EUR | 120,000 |
| DALMATA DUE SRL<br>Collecchio | LLP | EUR | 10,000 |
| LATTE SOLE S.P.A.<br>Collecchio | C | EUR | 6,000,000 |
| PARMALAT AFRICA S.P.A.<br>Collecchio | C | EUR | 38,860,408 |
| PARMALAT DISTRIBUZIONE ALIMENTI SRL<br>Collecchio | LLP | EUR | 1,000,000 |

*(1) A = C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company*
*(2) company in liquidation and subsidiaries*
*(3) company party to local composition-with-creditors proceedings and subsidiaries*
*(4) company under extraordinary administration or noncore company*

| EQUITY INVESTMENT | | | | |
|---|---|---|---|---|
| NUMBER OF SHARES/CAP INTERESTS HELD | HELD BY | NUMBER OF SHARES/CAP. INTERESTS | % (BASED NO. OF SHARES/ CAP. INT.) | GROUP INTEREST |
| | | | | 100.0000 |

CONTINUED

| EQUITY INVESTMENT | | | | |
|---|---|---|---|---|
| NUMBER OF SHARES/CAP INTERESTS HELD | HELD BY | NUMBER OF SHARES/CAP. INTERESTS | % (BASED NO. OF SHARES/ CAP. INT.) | GROUP INTEREST |
| | | | | |
| 10,140,000 | Parmalat S.p.A. | 10,140,000 | 100.000 | |
| | | | 100.000 | 100.0000 |
| 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 |
| 1 | Dalmata S.p.A. | 1 | 100.000 | |
| | | | 100.000 | 100.0000 |
| 6,000,000 | Parmalat S.p.A. | 6,000,000 | 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 |

| COMPANY | | | SHARE CAPITAL |
|---|---|---|---|
| NAME<br>HEAD OFFICE | TYPE (1) | CURR | AMOUNT |
| SATA SRL<br>Collecchio | LLP | EUR | 500,000 |
| **BELGIUM** | | | |
| PARMALAT BELGIUM SA<br>Bruxelles | F | EUR | 1,000,000 |
| **PORTUGAL** | | | |
| PARMALAT PORTUGAL PROD. ALIMENT. LDA<br>Sintra | F | EUR | 11,651,450.04 |
| **ROMANIA** | | | |
| LA SANTAMARA SRL<br>Baia Mare | F | RON | 6,667.50 |
| PARMALAT ROMANIA SA<br>Comuna Tunari | F | RON | 26,089,760 |
| **RUSSIA** | | | |
| OAO BELGORODSKIJ MOLOCNIJ KOMBINAT<br>Belgorod | F | RUB | 67,123,000 |
| OOO PARMALAT MK<br>Moscow | F | RUB | 81,015,950 |
| OOO URALLAT<br>Berezovsky | F | RUB | 129,618,210 |
| OOO FORUM<br>Severovo | F | RUB | 10,000 |
| **NORTH AMERICA** | | | |
| **CANADA** | | | |
| PARMALAT CANADA INC.<br>Toronto | F | CAD | 982,479,550 |
| **MEXICO** | | | |
| PARMALAT DE MEXICO S.A. de C.V. [2]<br>Jalisco | F | MXN | 390,261,812 |

*(1) A = C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company*
*(2) company in liquidation and subsidiaries*
*(3) company party to local composition-with-creditors proceedings and subsidiaries*
*(4) company under extraordinary administration or noncore company*

*CONTINUED*

| EQUITY INVESTMENT | | | | |
|---|---|---|---|---|
| NUMBER OF SHARES/CAP INTERESTS HELD | HELD BY | NUMBER OF SHARES/CAP. INTERESTS | % (BASED NO. OF SHARES/ CAP. INT.) | GROUP INTEREST |
| 500,000 | Parmalat S.p.A. | 500,000 | 100.000 | |
| | | | 100.000 | 100.0000 |
| 40,000 | Parmalat S.p.A. | 40,000 | 100.000 | |
| | | | 100.000 | 100.0000 |
| 11,651,450 | Parmalat S.p.A. | 11,646,450 | 99.957 | |
| | Latte Sole S.p.A. | 3,500 | 0.030 | |
| | Parmalat Distribuz. Alim. S.r.l. | 1,500 | 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 |
| 390,261.812 | Parmalat S.p.A. | 390,261,812 | 100.000 | |
| | | | 100.000 | 100.0000 |

| COMPANY<br>NAME<br>HEAD OFFICE | TYPE (1) | SHARE CAPITAL<br>CURR | AMOUNT |
|---|---|---|---|
| **CENTRAL AMERICA** | | | |
| **CUBA** | | | |
| CITRUS INTERNATIONAL CORPORATION SA<br>Pinar del Rio | F | USD | 11,400,000 |
| **NICARAGUA** | | | |
| PARMALAT NICARAGUA SA in liquidation[2]<br>Managua | F | NIO | 2,000,000 |
| **SOUTH AMERICA** | | | |
| **NETHERLANDS ANTILLES** | | | |
| CURCASTLE CORPORATION NV<br>Curaçao | F | USD | 6,000 |
| **COLOMBIA** | | | |
| PARMALAT COLOMBIA LTDA<br>Bogotá | F | COP | 20,466,360,000 |
| PROCESADORA DE LECHES SA (Proleche SA)<br>Bogotá | F | COP | 173,062,136 |
| **ECUADOR** | | | |
| PARMALAT DEL ECUADOR SA (ex Leche Cotopaxi Lecocem SA)<br>Quito | F | USD | 6,167,720 |
| LACTEOSMILK SA (formerly Parmalat del Ecuador SA)<br>Quito | F | USD | 345,344 |
| **PARAGUAY** | | | |
| PARMALAT PARAGUAY SA<br>Asuncion | F | PYG | 9,730,000,000 |
| **VENEZUELA** | | | |
| DISTRIBUIDORA MIXTA DE ALIMENTOS CA (DISMALCA)[2]<br>Caracas | F | VEF | 3,300 |

*(1) A = C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company*
*(2) company in liquidation and subsidiaries*
*(3) company party to local composition-with-creditors proceedings and subsidiaries*
*(4) company under extraordinary administration or noncore company*

*CONTINUED*

| EQUITY INVESTMENT | | | | |
|---|---|---|---|---|
| NUMBER OF SHARES/CAP INTERESTS HELD | HELD BY | NUMBER OF SHARES/CAP. INTERESTS | % (BASED NO. OF SHARES/ CAP. INT.) | 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 Due 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 NAME HEAD OFFICE | TYPE (1) | SHARE CAPITAL CURR | SHARE CAPITAL 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 |
| QUANTUM DISTRIBUTION SERV. PTY LTD South Brisbane | F | AUD | 8,000,000 |

*(1) A = C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company*
*(2) company in liquidation and subsidiaries*
*(3) company party to local composition-with-creditors proceedings and subsidiaries*
*(4) company under extraordinary administration or noncore company*

*CONTINUED*

| EQUITY INVESTMENT | | | | |
|---|---|---|---|---|
| NUMBER OF SHARES/CAP INTERESTS HELD | HELD BY | NUMBER OF SHARES/CAP. INTERESTS | % (BASED NO. OF SHARES/ CAP. INT.) | 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 com. | 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 |
| 8,000,000 | Parmalat Australia Ltd | 8,000,000 | 100.000 | |
| | | | 100.000 | 100.0000 |

| COMPANY | | SHARE CAPITAL | |
|---|---|---|---|
| NAME<br>HEAD OFFICE | TYPE (1) | CURR | AMOUNT |
| PIPPAK PTY LTD<br>South Brisbane | F | AUD | 2,143,070 |
| WOODVALE MOULDERS PTY LTD*<br>South Brisbane | F | AUD | 184,100 |

## Companies that are majority owned but are not subsidiaries

| COMPANY | | SHARE CAPITAL | |
|---|---|---|---|
| NAME<br>HEAD OFFICE | TYPE (1) | CURR | AMOUNT |
| **EUROPE** | | | |
| **NETHERLANDS** | | | |
| DAIRIES HOLDING INTERNATIONAL BV in A.S.[4]<br>Rotterdam | F | EUR | 244,264,623,05 |
| **GERMANY** | | | |
| DEUTSCHE PARMALAT GMBH in A.S.[4]<br>Weissenhorn | F | EUR | 4,400,000 |
| PARMALAT MOLKEREI GMBH in A.S.[4]<br>Gransee | F | EUR | 600,000 |
| **LUXEMBOURG** | | | |
| OLEX SA in A.S.[4]<br>Luxembourg | F | EUR | 578,125 |
| **SOUTH AMERICA** | | | |
| **BRAZIL** | | | |
| PRM ADMIN E PART DO BRASIL LTDA[2]<br>São Paulo | F | BRL | 1,000,000 |
| **CHILE** | | | |
| PARMALAT CHILE SA[4]<br>Santiago | F | CLP | 13,267,315,372 |
| **URUGUAY** | | | |
| AIRETCAL SA[2]<br>Montevideo | F | UYU | 2,767,156 |

*(*) Company consolidated line by line because the Group's Parent Company has the power to appoint and dismiss the majority of the members of the Board of Directors.*
*(1) A = C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company*
*(2) company in liquidation and subsidiaries*
*(3) company party to local composition-with-creditors proceedings and subsidiaries*
*(4) company under extraordinary administration or noncore company*

*CONTINUED*

| EQUITY INVESTMENT | | | | |
|---|---|---|---|---|
| NUMBER OF SHARES/CAP INTERESTS HELD | HELD BY | NUMBER OF SHARES/CAP. INTERESTS | % (BASED NO. OF SHARES/ CAP. INT.) | GROUP INTEREST |
| 161 | Parmalat Food Products Pty Ltd | 161 | 70.000 | |
| | | | 70.000 | 70.000 |
| 46,250 | Parmalat Food Products Pty Ltd | 46,250 | 50.000 | |
| | | | 50.000 | 50.000 |

| EQUITY INVESTMENT | | | |
|---|---|---|---|
| NUMBER OF SHARES/CAP INTERESTS HELD | HELD BY | NUMBER OF SHARES/CAP. INTERESTS | % (BASED ON NO. OF SHARES/ CAP. INT.) |
| | | | |
| 40 com. | 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 |
| 540,000 | Deutsche Parmalat Gmbh in AS | 540,000 | 90.000 |
| 60,000 | Dalmata S.p.A. | 60,000 | 10.000 |
| | | | 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 |
| 2,096,083 | Parmalat S.p.A. | 2,096,083 | 99.999 |
| | | | 99.999 |
| 2,767,156 | Parmalat S.p.A. | 2,767,156 | 100.000 |
| | | | 100.000 |

| COMPANY NAME HEAD OFFICE | TYPE (1) | SHARE CAPITAL CURR | SHARE CAPITAL AMOUNT |
|---|---|---|---|
| WISHAW TRADING SA[4] Montevideo | F | USD | 30,000 |
| **ASIA** | | | |
| **CHINA** | | | |
| PARMALAT (ZHAODONG) DAIRY CORP. LTD[4] Zhaodong | F | CNY | 56,517,260 |
| **INDIA** | | | |
| SWOJAS ENERGY FOODS LIMITED in liquidation[2] Shivajinagar | F | INR | 309,626,500 |

## Other companies

| COMPANY NAME HEAD OFFICE | TYPE (1) | SHARE CAPITAL CURR | SHARE CAPITAL 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 |
| FIORDILATTE SRL in liquidation[2]* Collecchio | LLP | EUR | 10,000 |
| HORUS SRL[4] | LLP | EUR | n.d. |
| NUOVA HOLDING S.P.A. in A.S.[4] Parma | C | EUR | 25,410,000 |
| SO.GE.AP S.P.A. Parma | C | EUR | 19,454,528 |

*(*) This company was deleted from the Company register on February 1, 2011.*
*(1) A = C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company*
*(2) company in liquidation and subsidiaries*
*(3) company party to local composition-with-creditors proceedings and subsidiaries*
*(4) company under extraordinary administration or noncore company*

*CONTINUED*

| EQUITY INVESTMENT | | | |
|---|---|---|---|
| NUMBER OF SHARES/CAP INTERESTS HELD | HELD BY | NUMBER OF SHARES/CAP. INTERESTS | % (BASED ON NO. OF SHARES/ CAP. INT.) |
| 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 | % (BASED ON NO. OF SHARES/ CAP. INT.) |
| | | | |
| 100 | Sata S.r.l. | 100 | 0.500 |
| | | | 0.500 |
| 572,674 | Parmalat S.p.A. | 572,674 | 10.256 |
| | | | 10.256 |
| 464,193 | Parmalat S.p.A. | 464,193 | 0.840 |
| | | | 0.840 |
| 10,329 | Parmalat S.p.A. | 10,329 | 0.094 |
| | | | 0.094 |
| 4,000 | Dalmata S.p.A. | 4,000 | 40.000 |
| | | | 40.000 |
| n.d. | Sata S.r.l. | n.d. | 1.000 |
| | | | 1.000 |
| 100 | Sata S.r.l. | 100 | 0.0003 |
| | | | 0.0003 |
| 526 | Parmalat S.p.A. | 526 | 0.135 |
| | | | 0.135 |

| COMPANY | | SHARE CAPITAL | |
|---|---|---|---|
| NAME<br>HEAD OFFICE | TYPE (1) | CURR | AMOUNT |
| TECNOALIMENTI SCPA<br>Milan | C | EUR | 780,000 |
| **PORTUGAL** | | | |
| EMBOPAR<br>Lisbon | F | EUR | 241,500 |
| CNE - Centro Nacional de Embalagem<br>Lisbon | F | EUR | 488,871,88 |
| **AFRICA** | | | |
| **SOUTH AFRICA** | | | |
| AQUAHARVEST LTD<br>Durbanville | F | ZAR | 51,420,173 |
| **ASIA** | | | |
| **THAILAND** | | | |
| PATTANA MILK CO LTD<br>Bangkok | F | THB | 50,000,000 |
| **SINGAPORE** | | | |
| QBB SINGAPORE PTE LTD | F | SGD | 1,000 |

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*(3) company party to local composition-with-creditors proceedings and subsidiaries*
*(4) company under extraordinary administration or noncore company*

| EQUITY INVESTMENT | | | |
|---|---|---|---|
| NUMBER OF SHARES/CAP INTERESTS HELD | HELD BY | NUMBER OF SHARES/CAP. INTERESTS | % (BASED ON NO. OF SHARES/ CAP. INT.) |
| 33,800 | Parmalat S.p.A. | 33,800 | 4.330 |
| | | | 4.330 |
| 4,830 | 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 2010

| COMPANY | COUNTRY | REASON | CONSOLIDATION METHOD |
|---|---|---|---|
| Ecuadorian Foods Company | B.V.I. | Dissolved | Line by line |
| Parmalat Austria Gmbh in liquidation | Austria | Dissolved | Line by line |
| Pisorno Agricola Srl | Italy | Merged | Line by line |
| Parmalat de Venezuela ca | Venezuela | Merged | Line by line |
| OOO Dekalat | Russia | Merged | Line by line |
| Jonicalatte S.p.A. | Italy | Sold | Cost |

Signed: Raffaele Picella
Chairman

Signed: Enrico Bondi
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

We the undersigned, Enrico Bondi, in my capacity as Chief Executive Officer, and Pier Luigi De Angelis, 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,

**CERTIFY**

1. that the administrative and accounting procedures for the preparation of the consolidated annual statements for the year ended December 31, 2010 are 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, 2010 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, are suitable for providing a truthful and fair presentation of the balance sheet, income statement and financial position 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 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: March 2, 2011

Signed:
The Chief Executive Officer

Signed:
The Corporate Accounting Documents Officer

# Report of the Independent Auditors

## Parmalat Group


Já começou bem!
Nata para Bater
parmalat
Nata para Culinária
parmalat
Nata Levíssima
parmalat
Especial para Culinária
10% de Matéria Gorda
Gama Natas Parmalat.
O toque especial para todas as suas receitas serem sempre um sucesso.
Nata com Cogumelos Porcini
parmalat
Nata com 3 Queijos
parmalat
Nata Carbonara
parmalat
NOVO

pwc

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LAW DECREE NO. 39 DATED 27 JANUARY 2010**

To the shareholders of
Parmalat SpA

1. We have audited the consolidated financial statements of Parmalat SpA and its subsidiaries ("Parmalat Group") as of 31 December 2010, which comprise the statement of the financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders'equity and explanatory 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. 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 fairly presented. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our audit 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 8 March 2010.

3. In our opinion, the consolidated financial statements of Parmalat Group as of 31 December 2010 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 give a true and fair view of the financial position, results of operations and the cash flows of Parmalat Group for the year then ended.

4. The directors of Parmalat SpA are responsible for the preparation of the Report on Operations in accordance 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 matters, limited to the information as required by comma 1, letters c), d), f), l), m) and by comma 2, letter b) of the article 123-bis of the Legislative Decree 58/98, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations and the information as required by comma 1, letters c), d),

f), l), m) and by comma 2, letter b) of the article 123-bis of the Legislative Decree 58/98 presented in the specific section of the above mentioned Report on Operations are consistent with the consolidated financial statements of Parmalat SpA as of 31 December 2010.

Milan, 2 March 2011

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


EVERYONE HAS
A FAVOURITE
Steri Stumpie
Steri Stumpie
Steri Stumpie
Steri Stumpie
Steri Stumpie
Steri Stumpie

**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:

In 2010, 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 able to provide the report required by Article 153 of the Uniform Financial Code and Article 2429 of the Italian Civil Code, in a manner consistent with the relevant Consob Communications.

We wish to point out that the Shareholders' Meeting of April 1, 2010 elected Renato Colavolpe to the post of Statutory Auditor, following Mr. Colavolpe's appointment to that post during the previous year pursuant to law. We verified that the Statutory Auditors were in compliance with the relevant independence requirements, as set forth in Section 10.C.2 of Borsa Italiana's Corporate Governance Code.

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., whose report should be consulted for any relevant information.

The Board of Directors is comprised of 11 members, nine of whom are independent Directors. We verified that the criteria and review procedures adopted by the Board of Directors to assess the independence of individual Directors were being properly applied.

The Board of Directors established an Internal Control and Corporate Governance Committee, a Nominating and Compensation Committee and a Litigation Committee. Each of these Committees is comprised of three independent Directors.

At a meeting held on July 29, 2010, the Board of Directors adopted the mandatory amendments to the Bylaws required by Legislative Decree No. 27/2010, specifically amending Article 8 (Shareholders' Meeting), Article 9 (Right to attend and Vote at Shareholders' Meeting), Article 11 (Board of Directors) and Article 21 (Board of Statutory Auditors).

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: obtaining information from the managers of the relevant departments with the aim of assessing the existence, adequacy and concrete implementation of the required procedures; attending the meetings of the Internal Control and Corporate Governance Committee; meeting regularly with the Internal Control Officer; and 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. In our opinion, the system of internal controls, which is constantly being updated, is adequate overall and operates effectively. In this respect, we concur with the positive assessments provided by the Internal Control and Corporate Governance Committee.

- 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 and 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 in meeting the Company's needs.

- We reviewed the instruction provided by Parmalat S.p.A. to its subsidiaries, as required by Article 114, Section 2, of the Uniform Financial Code, 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 respective governance entities.

- 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 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 Statutory and Consolidated Financial Statements of Parmalat S.p.A. at December

31, 2010, 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 independent auditing activities, they remained independent and objective in their dealings with Parmalat S.p.A. 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 of January 27, 2010 and the articles of Chapter I-*bis* (Incompatibility) and Title VI (Independent Audit) of the Issuers' Regulations.

- We monitored the implementation of the Internal Dealing Handling Code, which sets forth the requirements for so-called Significant Persons associated with transactions involving financial instruments issued by the Company. We also monitored the process applied to maintain the *Register of Parties that Have Access to Insider Information* required pursuant to Article 115-*bis* of the Uniform Financial Code. No disclosure was required with regard to this issue.

Pursuant to the relevant Consob regulations, we also report the following information:

- Transactions executed in 2010 with a material impact on the income statement, balance sheet and financial position are described in detail in the section of the Report on Operations entitled "Key Events of 2010."

- To the best of our knowledge, no atypical and/or unusual transactions were executed.

- As required by Consob regulations, the Company adopted a procedure for transactions with related parties, which has been published on the Company website and is discussed in a special section of the Annual Report on Corporate Governance and the Report on Operations entitled "Guidelines for Transactions with Related Parties."

- 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 Parmalat S.p.A. 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 Independent Auditors issued today their reports on the statutory and consolidated financial statements. 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 2010 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, 2010 entitled "Other Information," as required by Article 149-*duodecies* (Disclosure of Consideration) of the Issuers' Regulations.

- In 2010, 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 2010, the Board of Directors met five times and we attended all of those meetings. 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 Directors also provided us with information about the work they performed and about transactions with a material impact on the income statement, balance sheet and financial position of the Company and/or its subsidiaries.

- In 2010, the Internal Control and Corporate Governance Committee met nine times. All of those meetings were attended by at least one member of the Board of Statutory Auditors. The Nominating and Compensation Committee met three times and the Litigation Committee four times.

- The Board of Statutory Auditors met 16 times in 2010.

- 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 for listed companies published by Borsa Italiana S.p.A. is provided in the Annual Report on Corporate Governance, included in the Report on Operations, which lists the Code's recommendations that were adopted and provides explanations about any discrepancies.

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, 2010 and the Report on Operations were approved by the Board of Director at a meeting held today. In order to allow a prompt release of these documents, as required by Article 154-*ter*, Section1, of the Uniform Financial Code, pursuant to which the reports of the Independent auditors and the Board of Statutory Auditors must be made available to the public concurrently with the Annual Report, both the Board of Statutory Auditors and the Independent Auditors agreed to waive the longer deadline available to them pursuant to law to complete their respective activities.

The separate financial statements for the year ended December 31, 2010, show a net profit of 128.3 million euros. In the Consolidated Financial Statements, the Group's interest in net profit amounts to 282.0 million euros.

We reviewed the general presentation of the separate financial statements and consolidated financial statements and verified that they 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, 2010."

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, March 2, 2011

**The Board of Statutory Auditors**

Enzio Bermani

Renato Colavolpe

Alessandro Dolcetti

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Share Capital: 1,732,915,571 euros fully paid-in
Parma R.E.A. No. 228069
Parma Company Register No. 04030970968
Tax I.D. and VAT No. 04030970968

Printed in Italy - May 2011

Graphic design and composition: mercurio www.mercurioitaly.it

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