



# Interim Report on Operations

at September 30, 2011



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



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# Board of Directors, Board of Statutory Auditors and Independent Auditors

## Board of Directors

Chairman Francesco Tatò (i)

Chief Executive Officer Yvon Guérin

Directors Antonio Sala (2) (3)  
Marco Reboa (i) (1)  
Francesco Gatti  
Daniel Jaouen (2)  
Marco Jesi (i)  
Riccardo Zingales (i) (1) (3)  
Ferdinando Grimaldi Quartieri (i)  
Gaetano Mele (i) (2) (3)  
Nigel William Cooper (i) (1)

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

## Board of Statutory Auditors

Chairman Mario Stella Richter

Statutory Auditors Alfredo Malguzzi  
Roberto Cravero



# Financial Highlights

## Income Statement Highlights

(amounts in millions of euros)

PARMALAT GROUP	Cumulative at September 30, 2011	Cumulative at September 30, 2010	Third quarter of 2011	Third quarter of 2010
- NET REVENUES	3,259.3	3,117.0	1,112.4	1,090.8
- EBITDA	243.6	265.0	94.3	90.5
- EBIT	195.3	253.3	98.7	76.6
- NET PROFIT	152.6	200.8	76.2	52.2
- EBIT/REVENUES (%)	5.9	8.0	8.8	7.0
- NET PROFIT/REVENUES (%)	4.6	6.4	6.8	4.7
<b>PARMALAT S.p.A.</b>				
- NET REVENUES	615.0	607.1	199.4	210.1
- EBITDA	43.0	57.1	16.0	20.2
- EBIT	36.8	62.6	39.1	17.9
- NET PROFIT	64.5	90.2	29.9	12.5
- EBIT/REVENUES (%)	6.7	9.9	18.7	8.2
- NET PROFIT/REVENUES (%)	10.1	14.2	14.3	5.7

## Statement of Financial Position Highlights

(amounts in millions of euros)

PARMALAT GROUP	9/30/11	6/30/11	12/31/10
- NET FINANCIAL ASSETS	1,403.9	1,421.4	1,435.2
- ROI (%) <sup>1</sup>	12.4	9.3	16.9
- ROE (%) <sup>1</sup>	5.7	4.3	8.4
- EQUITY/ASSETS	0.8	0.8	0.8
- NET FINANCIAL POSITION/EQUITY	(0.4)	(0.4)	(0.4)
<b>PARMALAT S.p.A.</b>			
- NET FINANCIAL ASSETS	1,347.2	1,405.5	1,345.0
- ROI (%) <sup>1</sup>	7.7	(0.6)	14.6
- ROE (%) <sup>1</sup>	3.0	2.4	4.5
- EQUITY/ASSETS	0.9	0.9	0.9
- NET FINANCIAL POSITION/EQUITY	(0.5)	(0.5)	(0.5)

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

## Operating Performance

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

The growth of the global economy slowed dramatically, starting in the summer, as risk factors of a financial nature intensified, particularly in the euro zone. Uncertainty, mainly with regard to sovereign debt risk in some countries and the health of banks exposed to it, triggered a widespread drop in confidence affecting both businesses and consumers.

A continuation of global growth continues to be predicated to a significant extent on the performance of the emerging countries, where, however, inflationary pressure is causing local authorities to adopt restrictive monetary policies.

Against this backdrop, the price of crude oil and of several agricultural commodities spiked during the first half of the year and remained highly volatile in subsequent months. With different modalities in the different countries where the Group operates, these conditions, on the one hand, put pressure on variable costs and, on the other hand, triggered a resurgence of inflation that affected the buying power of households and, consequently, reduced their propensity to consume.

Despite these unfavorable factors, the Group, which operates in an essentially anticyclical market, reported better third quarter results than in the same period in 2010.

### Parmalat Group

<i>(in millions of euros)</i>	<b>Cumulative at September 30, 2011</b>	<b>Cumulative at September 30, 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>3,259.3</b>	<b>3,117.0</b>	<b>142.3</b>	<b>+4.6%</b>
<b>EBITDA</b>	<b>243.6</b>	<b>265.0</b>	<b>(21.4)</b>	<b>-8.1%</b>
<i>EBITDA %</i>	<i>7.5</i>	<i>8.5</i>	<i>-1.0 ppt</i>	

<i>(in millions of euros)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>1,112.4</b>	<b>1,090.8</b>	<b>21.6</b>	<b>+2.0%</b>
<b>EBITDA</b>	<b>94.3</b>	<b>90.5</b>	<b>3.8</b>	<b>+4.2%</b>
<i>EBITDA %</i>	<i>8.5</i>	<i>8.3</i>	<i>0.2 ppt</i>	

Net revenues increased by 4.6% compared with the first nine months of 2010, due mainly to the following factors:

- An increase in sales volumes, particularly in Australia and Africa;
- Higher sales prices, mainly in Canada, Italy and Venezuela;
- The translation effect, which reflects primarily the decrease in the value of the euro versus the Australian dollar.

EBITDA totaled 243.6 million euros, or 21.4 million euros less (-8.1%) than the 265.0 million euros earned in the first nine months of 2010.



This reduction reflects the impact of operating factors, such as higher raw milk prices in the main countries, with the exception of South Africa. The Group responded to these price increases by implementing an adjustment to its price lists, which was completed in the second half of the year. The shortfall in EBITDA is also due to the increase of labor costs of the Venezuelan company related to high inflation and, as minor, due to the remuneration policies of the Group companies. Last, the reduction reflects external factors, including the floods in the Queensland region of Australia and the damage caused by a fire at a production facility of Centrale del Latte di Roma in August 2010. These two events had a combined negative impact of about 6.5 million euros (net of partial insurance settlements).

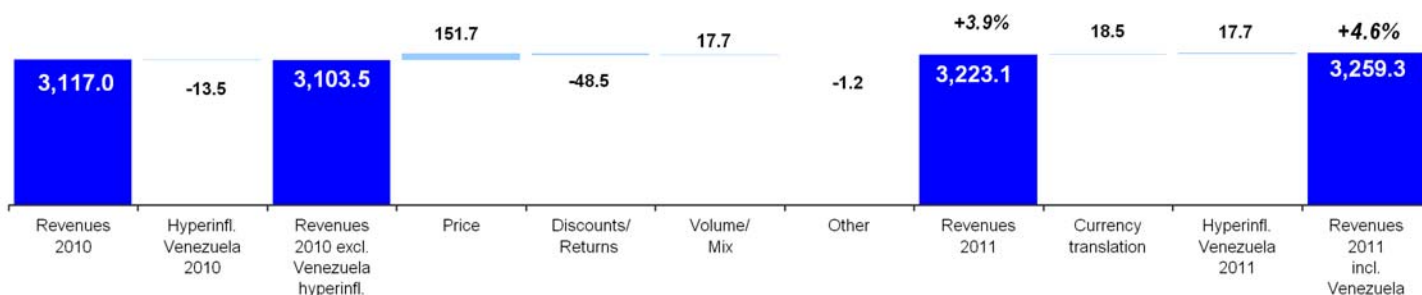
When the impact of these damage events is excluded, EBITDA amount to 250 million euros, for a decrease of 5.7% compared with the same period the previous year.

The Group performed particularly well in the third quarter, reporting higher revenues and a 4.2% gain in EBITDA compared with the same period last year, due mainly to the results achieved in Australia, Africa and Venezuela.

## Like for Like Net Revenues and EBITDA

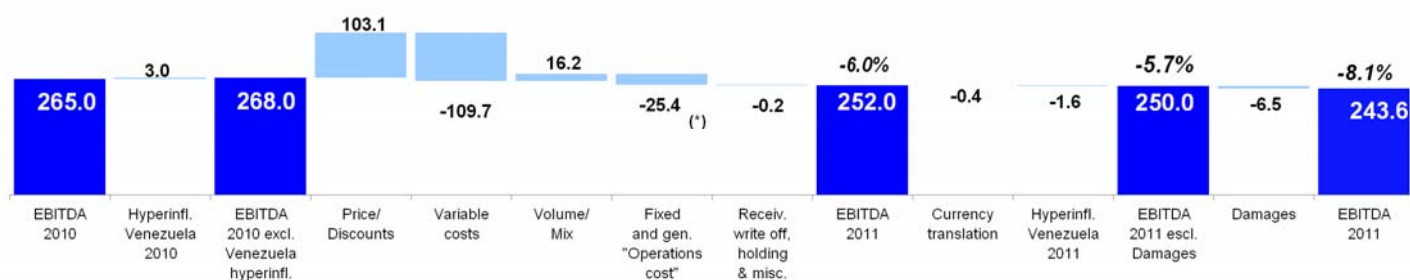
Net Revenues September 2011 vs 2010

(€ m)



EBITDA September 2011 vs 2010

(€ m)



(\*) The variance of the Venezuelan SBU, mainly due to inflation phenomena, amounts to -13.6 million euros.

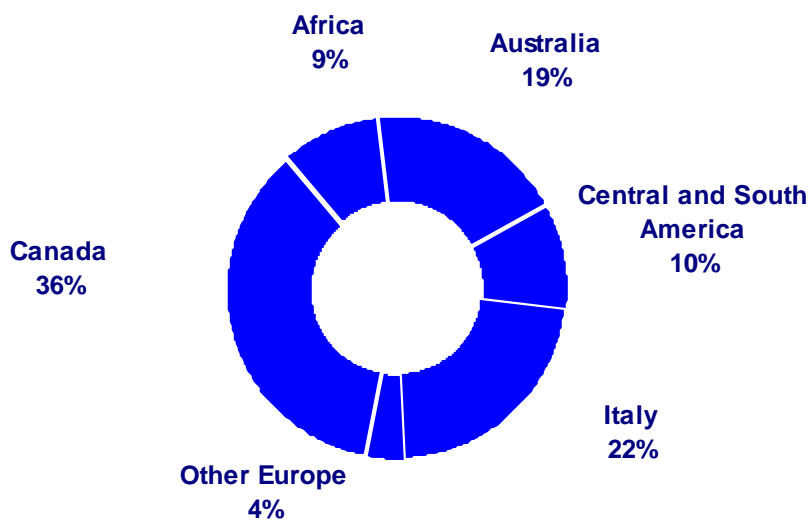
## Data by Geographic Region

Region	Cumulative at September 30, 2011			Cumulative at September 30, 2010		
	Revenues	EBITDA	EBITDA %	Revenues	EBITDA	EBITDA %
Italy	730.7	61.1	8.4	717.0	74.3	10.4
Other Europe	114.8	6.1	5.3	111.3	9.9	8.9
Canada	1,171.8	108.0	9.2	1,162.2	106.5	9.2
Africa	303.5	29.2	9.6	298.2	25.6	8.6
Australia	613.3	31.1	5.1	524.3	46.0	8.8
Central and South America	326.5	24.5	7.5	304.9	14.5	4.8
Other <sup>1</sup>	(1.3)	(16.5)	n.s.	(0.9)	(11.9)	n.s.
<b>Group</b>	<b>3,259.3</b>	<b>243.6</b>	<b>7.5</b>	<b>3,117.0</b>	<b>265.0</b>	<b>8.5</b>

Regions represent the consolidated countries.

1. Including Group's parent Company's costs, other no core companies and eliminations between regions.

## Net Revenues by Region



## Data by Product Division

<i>(in millions of euros)</i>						
	Cumulative at September 30, 2011			Cumulative at September 30, 2010		
Division	Revenues	EBITDA	EBITDA %	Revenues	EBITDA	EBITDA %
Milk <sup>1</sup>	1,933.4	95.6	4.9	1,851.6	134.4	7.3
Fruit base drink <sup>2</sup>	208.9	30.3	14.5	195.9	29.2	14.9
Milk Derivative <sup>3</sup>	1,037.3	117.3	11.3	992.6	111.4	11.2
Other <sup>4</sup>	79.7	0.4	0.5	76.9	(10.0)	(13.0)
<b>Group</b>	<b>3,259.3</b>	<b>243.6</b>	<b>7.5</b>	<b>3,117.0</b>	<b>265.0</b>	<b>8.5</b>

<sup>1</sup> Include milk, cream and béchamel.

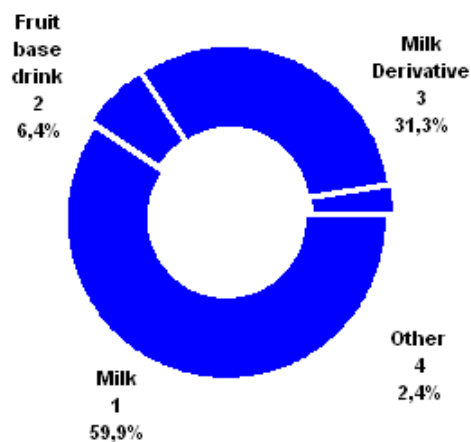
<sup>2</sup> Include fruit base drink and tea.

<sup>3</sup> Include yoghurt, dessert, cheese.

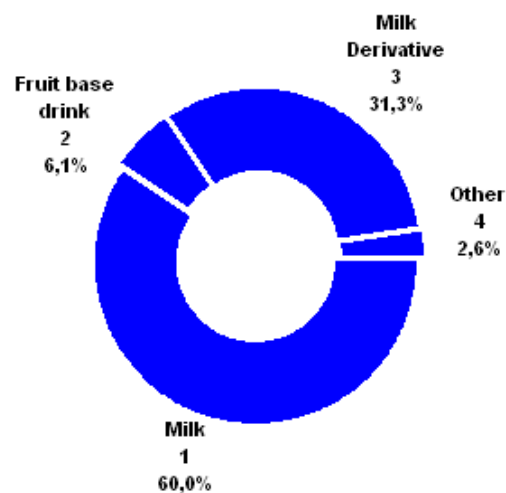
<sup>4</sup> Include other products, hyperinflation in Venezuela and Group's Parent Company costs.

## Net Revenues by Product Division

Cumulative at September 30, 2011



Cumulative at September 30, 2010



<sup>1</sup> Include milk, cream and béchamel.

<sup>2</sup> Include fruit base drink and tea.

<sup>3</sup> Include yoghurt, dessert, cheese.

<sup>4</sup> Include other products and hyperinflation in Venezuela.

## Italy

The economic recovery remains tentative, with a slight increase in the rate of inflation that reflects pressure on the price of food products and energy during the first half of the year. Tax increases to reduce government debt and widespread uncertainty about the outcome of the financial crisis that is affecting the euro zone are additional factors that constrains the propensity to consume on the part of households.

### Markets and Products

The market for milk with extended shelf life continued to grow at a faster rate on a value basis than in volume terms, due to the effect of higher raw milk prices. In this environment, Parmalat consolidated its market leadership position, thanks to the performance of its Zymil brand.

In the market for fresh milk, growth was also greater on value basis than on a volume basis. Parmalat retained its market standing, but its market share fell slightly both on value and volume basis, as private labels reported a modest gain in market share due to price increases by brand-name products.

The market for UHT cream held relatively steady, with Parmalat's Chef brand growing its market share both in terms of value and volume (34.9%).

The yogurt market grew at a healthy pace on a value basis and more slowly on a volume basis, with Parmalat maintaining its market position.

In the market for fruit beverages, demand increased slightly in the third quarter of 2011, thanks to favorable weather conditions. Parmalat reported a modest reduction of its market share, but retained the leadership position with its Santal brand.

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

Product	Value market share
UHT milk	34.1%
Pasteurized milk <sup>1</sup>	24.9%
Yogurt	5.5%
Fruit beverages	14.7%

*Source: Nielsen – IRI Total Italy no Discount*

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

<i>(in millions of euros)</i>	<b>Cumulative at September 30, 2011</b>	<b>Cumulative at September 30, 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>730.7</b>	<b>717.0</b>	<b>13.6</b>	<b>+1.9%</b>
<b>EBITDA</b>	<b>61.1</b>	<b>74.3</b>	<b>(13.2)</b>	<b>-17.8%</b>
<i>EBITDA %</i>	<i>8.4</i>	<i>10.4</i>	<i>-2.0 ppt</i>	

<i>(in millions of euros)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>241.1</b>	<b>238.9</b>	<b>2.2</b>	<b>+0.9%</b>
<b>EBITDA</b>	<b>21.5</b>	<b>24.5</b>	<b>(3.0)</b>	<b>-12.2%</b>
<i>EBITDA %</i>	<i>8.9</i>	<i>10.2</i>	<i>-1.3 ppt</i>	

In the first nine months of 2011, sales volumes were in line with those reported the previous year. Sales of pasteurized milk, which accounted for 34% of total unit sales, were down 3.0%, while those of UHT milk, which accounted for 43% of total unit sales, were up 1% year over year.

EBITDA decreased by 13.2 million euros, due mainly to the following factors:

- Higher raw milk costs (up about 11% compared with the previous year), that were matched with list price increases only in the second half of the year;
- The damage caused by a fire, in August 2010, at the production facility of Centrale del Latte di Roma (net of partial insurance settlements). Centrale del Latte di Roma resumed normal production in the second quarter of 2011.

## Other Countries in Europe

<i>(in millions of euros)</i>	Cumulative at September 30, 2011	Cumulative at September 30, 2010	Variance	Varian.%
<b>Revenues</b>	<b>114.8</b>	<b>111.3</b>	<b>3.5</b>	<b>+3.1%</b>
<b>EBITDA</b>	<b>6.1</b>	<b>9.9</b>	<b>(3.8)</b>	<b>-38.3%</b>
<i>EBITDA %</i>	<i>5.3</i>	<i>8.9</i>	<i>-3.6 ppt</i>	

<i>(in millions of euros)</i>	III Quarter 2011	III Quarter 2010	Variance	Varian.%
<b>Revenues</b>	<b>37.9</b>	<b>38.8</b>	<b>(0.9)</b>	<b>-2.2%</b>
<b>EBITDA</b>	<b>2.9</b>	<b>3.4</b>	<b>(0.5)</b>	<b>-15.2%</b>
<i>EBITDA %</i>	<i>7.5</i>	<i>8.7</i>	<i>-1.2 ppt</i>	

### Russia

Net revenues totaled 67.9 million euros in 2011, increased by 9.8% compared with the previous year; in local currency the increase is of 11.7%.

The local currency (ruble) decreased in value by 1.7% compared with the exchange rate applied in the same period last year. The negative impact of this change on revenues and EBITDA was 1.2 million euros and 0.1 million euros, respectively.

Overall, unit sales were in line with those of the previous year. More specifically, shipments of UHT milk, which together with flavored milk accounted for 38% of total unit sales, were about the same as in 2010. The gain in revenues reflects primarily the impact of price-list increases implemented in the second half of 2010. The local SBU performed particularly well in the UHT cream segment, but sales of fruit juices were down, consistent with a contraction in overall market demand.

The profitability of the Russian subsidiary improved thanks to higher sales prices, which more than offset the impact of increases in raw milk costs and overhead.

### Portugal

Net revenues totaled 40.3 million euros in 2011, down 5.9% compared with the previous year, due mainly to a contraction in sales volumes, which decreased by 6.7% compared with the previous year.

In Portugal, the macroeconomic scenario continues to be extremely challenging, due mainly to the high level of the country's debt, which caused the local government to adopt restrictive measures, including higher taxes and lower government spending. Such a situation is draining resources away from households and reduces their spending ability. Parmalat continues to be affected by this difficult market scenario, which particularly penalizes its high value-added products, such as flavored milk and dairy products (cream and béchamel). In this environment, private labels are continuing to expand, both in the fruit beverage and flavored milk segments.

The profitability of the local subsidiary contracted compared with the previous year, due both to a decrease in sales volume and its inability to increase its sales prices sufficiently to absorb the impact of higher production costs.

## Romania

Parmalat Romania sells exclusively fruit beverages distributed under the Santal brand. With this brand, the Group is present in the nectar, juice and still drink segments, in each of which it is positioned in the Premium Price group.

At 6.6 million euros, the local subsidiary's net revenues were in line with the previous year, as was the case for sales volume.

The local subsidiary was less profitable than the previous year, due in part to the greater impact of raw materials purchasing costs.

## Canada

The Canadian economy continued to grow at a moderate pace, in line with the trend in the other advanced economies. However, the level of debt owed by households is causing an increase in their propensity to save and reduces their willingness to consume.

### Market and Products

The dairy market is characterized by relatively stable consumption in all of its main segments, with strong price competition.

The pasteurized milk market contracted on a volume basis. This decrease in consumption affected Parmalat as well, causing its market share to decrease slightly

The yogurt market grew on a volume basis and on a value basis, with both the “spoonable” segment and the “drinkable” segment performing better than the previous year. Parmalat, which ranked second in English Canada and third in Québec, significantly expanded its market share in the “spoonable” segment, but lost market share in the “drinkable” segment.

The growth in the cheese market was driven mainly by gains in the snack cheese and shredded cheese segments. However, consumption was down in the natural cheese segment. Parmalat retained its market position in all segments and is still the leader in the snack cheese segment.

The butter market has been growing steadily and Parmalat is the national leader in this market, with a 23.8% value market share.

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

Product	Value market share
Milk	19.5%
Spoonable yogurt	15.6%
Drinkable yogurt	8.3%
Snack cheese	36.6%
Butter	23.8%
Natural cheese	15.6%

*Source: ACNielsen, MarketTrack, National Grocery Banner+Drug+Mass Merch, Latest 12 and 52 weeks ending September 24th, 2011*



<i>(in millions of euros)</i>	<b>Cumulative at September 30, 2011</b>	<b>Cumulative at September 30, 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>1,171.8</b>	<b>1,162.2</b>	<b>9.6</b>	<b>+0.8%</b>
<b>EBITDA</b>	<b>108.0</b>	<b>106.5</b>	<b>1.5</b>	<b>+1.4%</b>
<i>EBITDA %</i>	<i>9.2</i>	<i>9.2</i>	<i>0.1 ppt</i>	

#### **Local currency figures**

<i>(local currency millions)</i>	<b>Cumulative at September 30, 2011</b>	<b>Cumulative at September 30, 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>1,610.8</b>	<b>1,584.1</b>	<b>26.8</b>	<b>+1.7%</b>
<b>EBITDA</b>	<b>148.5</b>	<b>145.2</b>	<b>3.3</b>	<b>+2.3%</b>
<i>EBITDA %</i>	<i>9.2</i>	<i>9.2</i>	<i>0.1 ppt</i>	

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

<i>(in millions of euros)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>409.0</b>	<b>413.0</b>	<b>(4.0)</b>	<b>-1.0%</b>
<b>EBITDA</b>	<b>38.6</b>	<b>41.7</b>	<b>(3.2)</b>	<b>-7.6%</b>
<i>EBITDA %</i>	<i>9.4</i>	<i>10.1</i>	<i>-0.7 ppt</i>	

#### **Local currency figures**

<i>(local currency millions)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>565.6</b>	<b>555.0</b>	<b>10.7</b>	<b>+1.9%</b>
<b>EBITDA</b>	<b>53.3</b>	<b>56.2</b>	<b>(2.9)</b>	<b>-5.1%</b>
<i>EBITDA %</i>	<i>9.4</i>	<i>10.1</i>	<i>-0.7 ppt</i>	

The Canadian dollar decreased in value by 0.9% compared with the exchange rate applied in the first nine months of 2010, with a negative impact on revenues and EBITDA of 10.0 million euros and 0.9 million euros, respectively.

Sales volumes were down 4.4% year-over-year. More specifically, unit sales decreased by 3.8% for pasteurized milk, which together with flavored milk accounted for 59% of total sales, while cheese volumes held at about the same level as the previous year. Yogurt sales bucked this trend, rising by 6.7%, owing in part to increased investments in promotions and advertising.

EBITDA for the period increased by 2.3%, thanks to a more effective sales policy and a skillful management of the product portfolio.

## Africa

<i>(in millions of euros)</i> <sup>1</sup>	Cumulative at September 30, 2011	Cumulative at September 30, 2010	Variance	Varian.%
<b>Revenues</b>	<b>303.5</b>	<b>298.2</b>	<b>5.3</b>	<b>+1.8%</b>
<b>EBITDA</b>	<b>29.2</b>	<b>25.6</b>	<b>3.6</b>	<b>+14.0%</b>
<i>EBITDA %</i>	<i>9.6</i>	<i>8.6</i>	<i>1.0 ppt</i>	

<i>(in millions of euros)</i>	III Quarter 2011	III Quarter 2010	Variance	Varian.%
<b>Revenues</b>	<b>101.8</b>	<b>106.2</b>	<b>(4.4)</b>	<b>-4.1%</b>
<b>EBITDA</b>	<b>9.6</b>	<b>8.4</b>	<b>1.1</b>	<b>+13.4%</b>
<i>EBITDA %</i>	<i>9.4</i>	<i>7.9</i>	<i>1.5 ppt</i>	

<sup>1</sup> Consolidated data for South Africa, Mozambique, Zambia, Botswana and Swaziland.

## South Africa

The South African economy has been growing at a modest pace. However, consistent with the global trend, the rate of expansion slowed and has fallen below the level reported in most emerging countries. Moreover, the high level of unemployment continues to affect consumption.

### Market and Products

The UHT milk market enjoyed significant growth, thanks mainly to stable prices. In this environment, Parmalat was able to maintain its market share.

The cheese market was relatively stable on a volume basis but grew on a value basis, reflecting a positive performance by higher-priced packaged brand-name products. Parmalat South Africa retained its leadership position, with a 35.5% market share.

In the yogurt market, there was healthy growth both on a value and volume basis, with the largest gains occurring in volume terms, driven by the launch of lower-priced products. The local subsidiary continued to increase its market share thanks to carefully targeted activities to reposition its products.

The market for flavored milk, while still small, enjoyed significant growth both in volume and value terms and Parmalat retained the leadership position with a 39.9% value market share.

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

Product	Value market share
UHT milk	17.7%
Cheese	35.5%
Yogurt	17.8%
Flavored milk	39.9%

*Source: Synovate: Defined Retail Market*

<i>(in millions of euros)</i>	<b>Cumulative at September 30, 2011</b>	<b>Cumulative at September 30, 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>258.0</b>	<b>254.9</b>	<b>3.1</b>	<b>+1.2%</b>
<b>EBITDA</b>	<b>24.8</b>	<b>22.8</b>	<b>2.0</b>	<b>+8.8%</b>
<i>EBITDA %</i>	<i>9.6</i>	<i>8.9</i>	<i>0.7 ppt</i>	

#### **Local currency figures**

<i>(local currency millions)</i>	<b>Cumulative at September 30, 2011</b>	<b>Cumulative at September 30, 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>2,533.3</b>	<b>2,503.7</b>	<b>29.5</b>	<b>+1.2%</b>
<b>EBITDA</b>	<b>243.1</b>	<b>223.6</b>	<b>19.6</b>	<b>+8.7%</b>
<i>EBITDA %</i>	<i>9.6</i>	<i>8.9</i>	<i>0.7 ppt</i>	

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

<i>(in millions of euros)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>84.9</b>	<b>90.1</b>	<b>(5.2)</b>	<b>-5.8%</b>
<b>EBITDA</b>	<b>7.5</b>	<b>7.1</b>	<b>0.4</b>	<b>+5.8%</b>
<i>EBITDA %</i>	<i>8.9</i>	<i>7.9</i>	<i>1.0 ppt</i>	

#### **Local currency figures**

<i>(local currency millions)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>856.1</b>	<b>854.6</b>	<b>1.5</b>	<b>+0.2%</b>
<b>EBITDA</b>	<b>76.2</b>	<b>67.0</b>	<b>9.1</b>	<b>+13.6%</b>
<i>EBITDA %</i>	<i>8.9</i>	<i>7.8</i>	<i>1.1 ppt</i>	

The value of the local currency (rand) was little changed compared with the exchange rate applied in the same period last year, with no material translation impact on revenues and EBITDA.

Total sales volume increased by 2.1% and revenues were up 1.2% compared with the first nine months of 2010.

EBITDA benefited from a favorable trend in raw milk prices and from the effects of a strategy focused on brands with higher profit margins.

## Other Countries in Africa

The net revenues of the other African countries (Swaziland, Mozambique, Botswana and Zambia), computed with intra-Group transactions within the Africa region, totaled 54.9 million euros, up 2 million euros compared with the previous year (52.9 million euros). EBITDA, net of consolidation adjustments, grew to 4.0 million euros, or 1.1 million euros more than the 2.9 million euros reported in 2010.

Sales volumes held relatively steady overall, compared with the previous year, as the effect of lower sales in Mozambique and Botswana was offset by gains in other countries.

In **Zambia**, where Parmalat enjoys absolute leadership positions, with revenues of 27.2 million euros, the local operations reported increases both in unit sales (+6%) and net revenues (+19%). Steady condition in the local market are providing an opportunity to consolidate the positions achieved.

In **Botswana**, net revenues totaled 13.3 million euros, substantially in line with the previous year, even though sales volumes decreased.

In **Swaziland**, both unit sales and revenues, which totaled 8.1 million euros, were up sharply compared with the previous year, thanks mainly to an effective management of marketing and distribution activities.

In **Mozambique**, the local subsidiary reported net revenues of 6.5 million euros. A significant reduction in unit sales accounts for the revenue decrease compared with 2010. The Group's activities in Mozambique are affected by fluctuations in foreign exchange rates, as products are imported from South Africa.

## Australia

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

### Market and Products

The flavored milk market is continuing to grow at a sustained pace, with Parmalat further improving its market share both on a volume and a value basis.

The white milk market posted an impressive gain in volume terms (+5.3%), but contracted by 3.2% in value terms, due to the steady growth of private labels and of the price gap between these and brand-name products. In this environment, Parmalat, like all other producers, is continuing to lose market share, particularly in the basic product segment.

Consumption was up in the yogurt market and Parmalat's market share increased, despite the entry of a new competitor in the first half of 2011.

The dessert market has been growing again on a value basis and Parmalat regained market share (+0.6 points) compared with the previous year.

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

Product	Value market share
Pasteurized white milk	20.6%
Flavored milk	31.4%
Yogurt	13.9%
Desserts	17.5%

*Source: Aztec information Systems - Grocery Scan sales*

<i>(in millions of euros)</i>	<b>Cumulative at September 30, 2011</b>	<b>Cumulative at September 30, 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>613.3</b>	<b>524.3</b>	<b>89.0</b>	<b>+17.0%</b>
<b>EBITDA</b>	<b>31.1</b>	<b>46.0</b>	<b>(14.9)</b>	<b>-32.4%</b>
<i>EBITDA %</i>	<i>5.1</i>	<i>8.8</i>	<i>-3.7 ppt</i>	

#### **Local currency figures**

<i>(local currency millions)</i>	<b>Cumulative at September 30, 2011</b>	<b>Cumulative at September 30, 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>830.3</b>	<b>769.1</b>	<b>61.2</b>	<b>+8.0%</b>
<b>EBITDA</b>	<b>42.0</b>	<b>67.4</b>	<b>(25.4)</b>	<b>-37.6%</b>
<i>EBITDA %</i>	<i>5.1</i>	<i>8.8</i>	<i>-3.7 ppt</i>	

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

<i>(in millions of euros)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>213.4</b>	<b>182.5</b>	<b>30.8</b>	<b>+16.9%</b>
<b>EBITDA</b>	<b>17.6</b>	<b>13.2</b>	<b>4.4</b>	<b>+33.0%</b>
<i>EBITDA %</i>	<i>8.2</i>	<i>7.2</i>	<i>1.0 ppt</i>	

#### **Local currency figures**

<i>(local currency millions)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>287.2</b>	<b>261.3</b>	<b>25.9</b>	<b>+9.9%</b>
<b>EBITDA</b>	<b>23.7</b>	<b>18.8</b>	<b>5.0</b>	<b>+26.5%</b>
<i>EBITDA %</i>	<i>8.3</i>	<i>7.2</i>	<i>1.1 ppt</i>	

The value of the Australian dollar increased by 7.7% compared with the exchange rate applied in the same period last year. The positive impact of this change on revenues and EBITDA was 47.3 million euros and 2.4 million euros, respectively.

The local SBU reported higher unit sales. More specifically, unit sales of pasteurized milk, which, including flavored milk, accounted for 84% of the total sales volume, were up 18.3%, owing in part to new production for private labels. Unit sales of yogurt increased by 13.2%, thanks in part to the launch of new products in this segment and the effect of planned support activities.

The decrease in EBITDA reflects the pressure on sales prices caused by private labels, the effects of the Queensland floods, the higher price of raw milk and an increase in advertising investments carried out to support the more profitable product categories, i.e., yogurt and flavored milk. The local SBU's profitability was up sharply in the third quarter of 2011.

## Central and South America

<i>(in millions of euros)</i>	Cumulative at September 30, 2011	Cumulative at September 30, 2010	Variance	Varian.%
<b>Revenues</b>	<b>326.5</b>	<b>304.9</b>	<b>21.6</b>	<b>+7.1%</b>
<b>EBITDA</b>	<b>24.5</b>	<b>14.5</b>	<b>10.0</b>	<b>+69.0%</b>
<i>EBITDA %</i>	<i>7.5</i>	<i>4.8</i>	<i>2.8 ppt</i>	

<i>(in millions of euros)</i>	III Quarter 2011	III Quarter 2010	Variance	Varian.%
<b>Revenues</b>	<b>109.6</b>	<b>111.7</b>	<b>(2.1)</b>	<b>-1.9%</b>
<b>EBITDA</b>	<b>7.6</b>	<b>3.1</b>	<b>4.5</b>	<b>+144.5%</b>
<i>EBITDA %</i>	<i>6.9</i>	<i>2.8</i>	<i>4.1 ppt</i>	

### Venezuela

Even though the Venezuelan economy benefited from oil prices that were higher than last year, the extremely high rate of inflation continues to have a strong negative effect on consumption.

#### Market and Products

Consumption trends during the reporting period show that sales volumes contracted sharply in the markets for dairy products and fruit beverages. The distribution system is still based mainly on traditional retailers, who account for most of the SBU's sales.

Parmalat Venezuela was able, for the most part, to maintain its value market share in the fruit beverage and milk beverage categories and improve it in the yogurt category. However, it lost market share in the powdered milk segment, due to difficulties in obtaining imported product.

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

Product	Value market share
Pasteurized fruit beverages	28.9%
Shelf stable fruit beverages	7.2%
Milk beverages	32.1%
Powdered milk	10.9%
Yogurt	25.4%

*Source: ACNielsen; January 2011 – September 2011*

The data presented in the table below are stated in accordance with inflation accounting principles.

<i>(in millions of euros)</i>	<b>Cumulative at September 30, 2011</b>	<b>Cumulative at September 30, 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>212.8</b>	<b>194.0</b>	<b>18.9</b>	<b>+9.7%</b>
<b>EBITDA</b>	<b>19.4</b>	<b>8.8</b>	<b>10.6</b>	<b>+120.7%</b>
<i>EBITDA %</i>	<i>9.1</i>	<i>4.5</i>	<i>4.6 ppt</i>	

#### **Local currency figures**

<i>(local currency millions)</i>	<b>Cumulative at September 30, 2011</b>	<b>Cumulative at September 30, 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>1,286.9</b>	<b>1,097.5</b>	<b>189.3</b>	<b>+17.2%</b>
<b>EBITDA</b>	<b>117.3</b>	<b>49.8</b>	<b>67.6</b>	<b>+135.9%</b>
<i>EBITDA %</i>	<i>9.1</i>	<i>4.5</i>	<i>4.6 ppt</i>	

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

<i>(in millions of euros)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>70.3</b>	<b>72.2</b>	<b>(1.9)</b>	<b>-2.6%</b>
<b>EBITDA</b>	<b>5.0</b>	<b>0.8</b>	<b>4.2</b>	<b>+512.0%</b>
<i>EBITDA %</i>	<i>7.1</i>	<i>1.1</i>	<i>6.0 ppt</i>	

#### **Local currency figures**

<i>(local currency millions)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>427.1</b>	<b>402.1</b>	<b>25.0</b>	<b>+6.2%</b>
<b>EBITDA</b>	<b>30.6</b>	<b>4.2</b>	<b>26.4</b>	<b>+624.8%</b>
<i>EBITDA %</i>	<i>7.2</i>	<i>1.0</i>	<i>6.1 ppt</i>	

Total unit sales were in line with those reported the previous year. Specifically, unit sales were up 2.3% for fruit beverages, which accounted for 47% of the SBU's total sales volume, grew by 2.5% for pasteurized milk, but were down 3.5% for yogurt, compared with the previous year.

The resolution of some critical situations that characterized 2010, such as shortages of electric power and the renewal of labor contracts at the main production facilities, helped the SBU improve its profitability.

The improvement in EBITDA reflects, in addition to the factors mentioned above, the impact of an effective management of sales price dynamics.



## Colombia

The Colombian economy continued to enjoy positive growth. However, a gradual increase in interest rates implemented by the Central Bank during the first half of the year and a stubborn double-digit unemployment rate are factors that have a dampening effect on consumption.

### Market and Products

In the dairy market, the internal dynamics reported at the end of 2010 continued in the first nine months 2011. Specifically, a shift in consumption patterns is occurring in the milk category, with consumers migrating from fresh pasteurized milk to products with an extended shelf life packaged in aseptic plastic pouches.

The yogurt market continued to grow, both on a volume and a value basis. The local subsidiary confirmed its competitive position in the main market categories.

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

Product	Value market share
Pasteurized milk <sup>1</sup>	6.0%
UHT milk	18.0%
Yogurt	4.0%

Source: ACNielsen

<i>(in millions of euros)</i>	Cumulative at September 30, 2011	Cumulative at September 30, 2010	Variance	Varian.%
<b>Revenues</b>	<b>94.6</b>	<b>93.0</b>	<b>1.6</b>	<b>+1.7%</b>
<b>EBITDA</b>	<b>4.7</b>	<b>5.5</b>	<b>(0.7)</b>	<b>-13.1%</b>
<i>EBITDA %</i>	<i>5.0</i>	<i>5.9</i>	<i>-0.9 ppt</i>	

### Local currency figures

<i>(local currency millions)</i>	Cumulative at September 30, 2011	Cumulative at September 30, 2010	Variance	Varian.%
<b>Revenues</b>	<b>242,499</b>	<b>233,793</b>	<b>8,706</b>	<b>+3.7%</b>
<b>EBITDA</b>	<b>12,150</b>	<b>13,719</b>	<b>(1,569)</b>	<b>-11.4%</b>
<i>EBITDA %</i>	<i>5.0</i>	<i>5.9</i>	<i>-0.9 ppt</i>	

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

<i>(in millions of euros)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>32.6</b>	<b>32.9</b>	<b>(0.4)</b>	<b>-1.1%</b>
<b>EBITDA</b>	<b>2.3</b>	<b>1.9</b>	<b>0.5</b>	<b>+25.4%</b>
<i>EBITDA %</i>	<i>7.1</i>	<i>5.6</i>	<i>1.5 ppt</i>	

#### **Local currency figures**

<i>(local currency millions)</i>	<b>III Quarter 2011</b>	<b>III Quarter 2010</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>82,578.2</b>	<b>78,324.9</b>	<b>4,253.3</b>	<b>+5.4%</b>
<b>EBITDA</b>	<b>5,912.8</b>	<b>4,384.8</b>	<b>1,528.1</b>	<b>+34.8%</b>
<i>EBITDA %</i>	<i>7.2</i>	<i>5.6</i>	<i>1.6 ppt</i>	

The local currency (peso) decreased in value by 2.0% compared with the exchange rate applied in the same period last year. The impact of this negative change on revenues and EBITDA was 1.9 million euros and 0.1 million euros, respectively.

In this environment, total unit sales decreased by 2.9% compared with the previous year, with shipments of liquid milk, which accounted for more than 80% of the total sales volume, falling by 5.4%. However, unit sales of yogurt and powdered milk increased by 9% and 9.6%, respectively.

The profitability of the local subsidiary was penalized primarily by external factors, such as a higher asset tax and an increase in the price of raw milk.

## **Other Countries in Central and South America**

The Group's SBU in **Ecuador** markets primarily UHT milk packaged in aseptic plastic pouches (APP) and Tetra Brick containers. It reported net revenues of 10.8 million euros and EBITDA of 0.4 million euros, in line with last year's results.

The Group's SBU in **Paraguay** reported net revenues of 8.4 million euros, up compared with 2010, and EBITDA of 0.2 million euros.

## Financial Performance

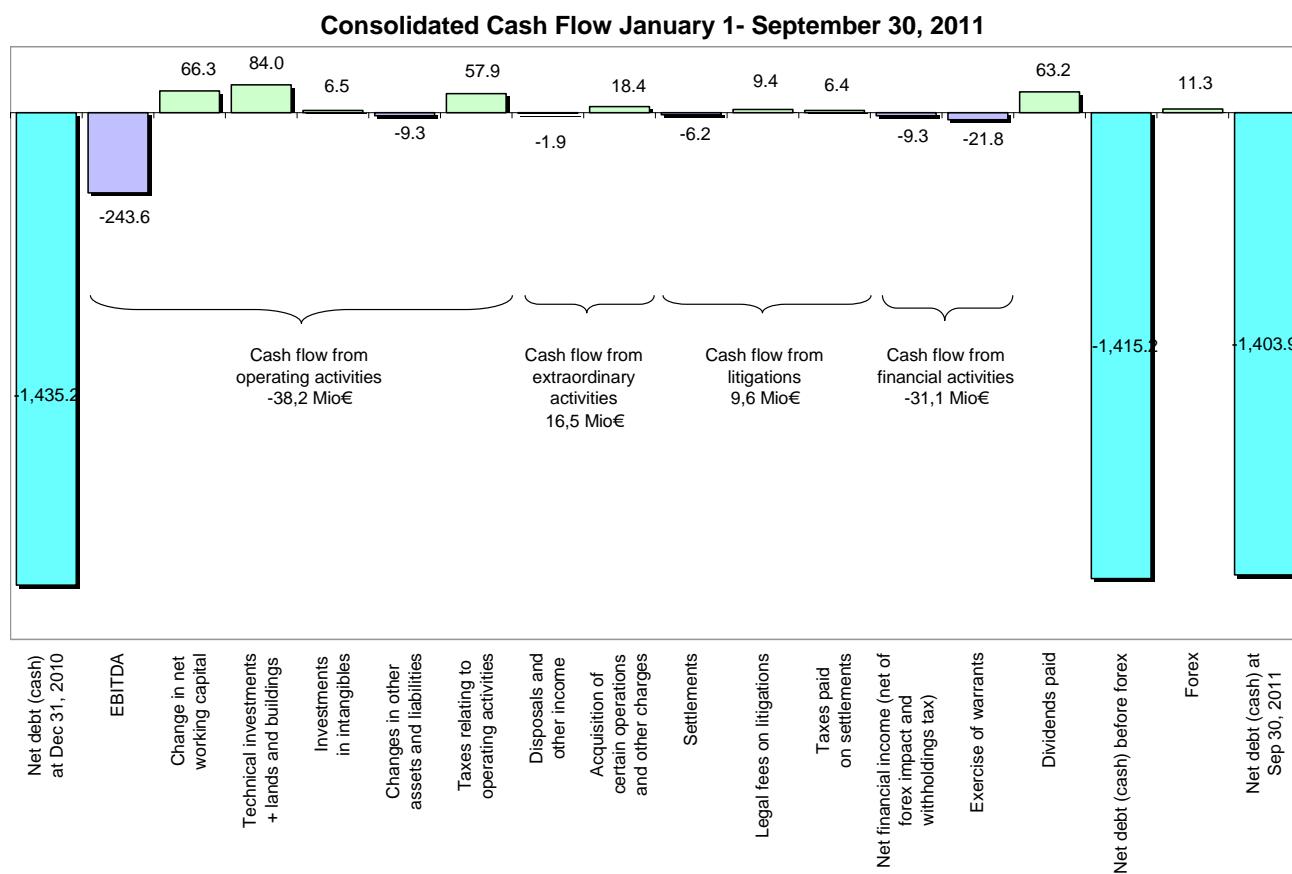
At September 30, 2011, the Group's net financial assets totaled 1,403.9 million euros, compared with 1,435.2 million euros at December 31, 2010.

The cash flow from operating activities, which reflects the payment in the first quarter of 2011 of capital expenditures made by the Canadian subsidiary at the end of 2010, totaled 38.2 million euros and the cash flow used for nonrecurring transactions amounted to 16.5 million euros.

Litigation activities had a negative effect of 9.6 million euros on the net financial position. This amount is the net result of legal costs totaling 9.4 million euros and income taxes on settlements amounting to 6.4 million euros, offset in part by settlement proceeds of 6.2 million euros.

The cash flow from financial transactions totaled 31.1 million euros, including about 21.8 million euros generated by the exercise of warrants.

Lastly, dividends totaling 63.2 million euros were paid to shareholders and the negative translation effect amounted to 11.3 million euros.



## Human Resources

### Group Staffing

The table below provides a breakdown by geographic region of the employees of Group companies at September 30, 2011 and a comparison with the data at June 30, 2011 and December 31, 2010.

<b>Total payroll by geographic region</b>			
<b>Geographic region</b>	<b>9/30/11</b>	<b>6/30/11</b>	<b>12/31/10</b>
Italy	2,068	2,117	2,130
Other countries in Europe	1,457	1,457	1,402
Canada	2,907	2,946	2,884
Africa	2,440	2,399	2,405
Australia	1,740	1,761	1,771
Central and South America	3,294	3,285	3,338
<b>Total</b>	<b>13,906</b>	<b>13,965</b>	<b>13,930</b>

In the third quarter of 2011, the Group's staff decreased by 59 employees compared with June 30, 2011. Contracts with temporary and seasonal workers that expired and were not renewed by the Canadian SBU and Italian SBU are the main reason for this reduction.

## Capital Expenditures

Overview of the capital expenditures of the Parmalat Group at September 30, 2011

<i>(in millions of euros)</i>				
	September 2011		September 2010	
Region	Amount	% of the total	Amount	% of the total
Italy	16.9	20.2%	31.7	37.3%
Other countries in Europe	9.6	11.4%	5.8	6.9%
Canada	24.8	29.6%	19.1	22.5%
Africa	8.4	10.0%	3.6	4.2%
Australia	19.2	22.8%	18.1	21.3%
Central and South America	5.1	6.0%	6.7	7.8%
<b>Total for the Group</b>	<b>84.0</b>	<b>100.0%</b>	<b>85.0</b>	<b>100.0%</b>

In the first nine months of 2011, the Group's capital expenditures totaled 84 million euros.

The main investment projects are reviewed below:

- **Italy (16.9 million euros):** New packaging line and activities to recondition assets after a fire at the Rome facility and improve production quality and the safety of food production processes.
- **Other countries in Europe (9.6 million euros):** Final phase in the construction of the Moscow logistics center, which, once completed by the end of this year, will enable the local SBU to expand its range of action in the distribution of fresh products.
- **Canada (24.8 million euros):** Activities to strengthen the SBU's warehouse network and its manufacturing organization, in addition to projects carried out to comply with regulatory requirements and revamp the distribution network.
- **Africa (8.4 million euros):** Projects to increase milk and cheese storage capacity, update and upgrade production lines, recondition assets and comply with new regulations.
- **Australia (19.2 million euros):** Projects to increase the capacity and efficiency of production facilities, recondition assets and upgrade the marketing and distribution area to support growth.
- **Central and South America (5.1 million euros):** Projects to increase the efficiency and capacity of production lines, recondition assets and comply with new regulations.

The capital expenditures described above do not include the cost of licensing and implementing information systems (6.5 million euros in the first nine months of 2011), incurred mainly in Italy, Canada and Venezuela.

# Review of Operating and Financial Performance

## Parmalat Group

**Net revenues** increased by 4.6% compared with the first nine months of 2010, due mainly to growing sales volumes in Australia and Africa, higher sales prices in Canada and Venezuela and a decline in the value of the euro versus the Australian dollar.

**EBITDA** totaled 243.6 million euros, or 21.4 million euros less (-8.1%) than the 265.0 million euros reported at September 30, 2010. This decrease is chiefly the result of higher raw milk prices in the Group's main countries, the increase of labor costs, mainly of the Venezuelan company and external factors, i.e., the floods in the Queensland region of Australia and a fire at the production facilities of Centrale del Latte di Roma in August 2010. When the data are restated without the impact of the abovementioned damage events, the EBITDA amount is 250.0 million euros, 5.7% less than in the first nine months of 2010.

However, third quarter EBITDA were up 4.2% compared with the same period last year, due primarily to strong performances in Australia, Africa and Venezuela.

**EBIT** amounted to 195.3 million euros, down 58.0 million euros compared with 253.3 million euros in the first nine months of 2010. Lower proceeds from litigation settlements reached during the period are the main reason for this decrease.

Depreciation, amortization and writedowns of non-current assets totaled 91.9 million euros (87.7 million euros in the first nine months of 2010). Writedowns include 12.7 million euros recognized as a result of impairment tests.

**Group interest in net profit** amounted to 152.2 million euros, or 46.3 million euros less than the 198.5 million euros earned in the first nine months of 2010. This decrease is mainly the net result of a reduction in the contribution provided by litigation settlements, which generated total proceeds of 34.3 million euros after taxes (57.3 million euros in the first nine months of 2010), offset in part by a decrease in interest paid for the repayment in 2010 of financial debt owed by the Canadian and Australian subsidiaries.

**Operating working capital** grew to 376.3 million euros, or 47.7 million euros more than at December 31, 2010, when it amounted to 328.6 million euros. This increase is due mainly to a reduction in trade payables and reflects payments for investments in property, plant and equipment carried out by the Canadian subsidiary at the end of 2010 and reflects also the increase of commercial credits of the subsidiary itself due to temporary events.

**Net invested capital** amounted to 2,163.2 million euros, for an increase of 66.6 million euros compared with 2,096.6 million euros at December 31, 2010. The change in operating working capital accounts for most of this gain.

**Net financial assets** totaled 1,403.9 million euros, or 31.3 million euros less than the 1,435.2 million euros reported at December 31, 2010. This decrease reflects primarily the combined impact of the following factors: the cash flow from operating and nonrecurring activities (21.7 million euros), the cash flow used for litigation-related activities (9.6 million euros), the cash flow from financing activities (31.1 million euros), dividend payments (63.2 million euros) and the impact of the translation of the net financial assets of companies that operate outside the euros zone (11.3 million euros).

**Group interest in shareholders' equity** increased to 3,542.4 million euros, or 37.1 million euros more than at December 31, 2010 (3,505.3 million euros), due mainly to the Group interest in net profit (152.2 million euros) and the exercise of warrants (21.8 million euros), offset in part by the effect of the 2010 dividend (62.6 million euros) declared by the Ordinary Shareholders' Meeting of June 28, 2011 and the translation of the financial statements of companies that operate outside the euro zone (86.7 million euro).

## Parmalat Group

### RECLASSIFIED CONSOLIDATED INCOME STATEMENT

<i>(in millions of euros)</i>	Cumulative at September 30, 2011	Cumulative at September 30, 2010
<b>REVENUES</b>	<b>3,294.1</b>	<b>3,153.9</b>
Net revenues	3,259.3	3,117.0
Other revenues	34.8	36.9
<b>OPERATING EXPENSES</b>	<b>(3,044.6)</b>	<b>(2,876.3)</b>
Purchases, services and miscellaneous costs	(2,619.4)	(2,483.9)
Labor costs	(425.2)	(392.4)
<b>Subtotal</b>	<b>249.5</b>	<b>277.6</b>
Writedowns of receivables and other provisions	(5.9)	(12.6)
<b>EBITDA</b>	<b>243.6</b>	<b>265.0</b>
Depreciation, amortization and writedowns of non-current assets	(91.9)	(87.7)
Other income and expenses:		
- Litigation-related legal expenses	(5.2)	(7.8)
- Miscellaneous income and expenses	48.8	83.8
<b>EBIT</b>	<b>195.3</b>	<b>253.3</b>
Net financial income (expense)	20.2	(2.6)
Interest in the results of companies valued by the equity method	0.1	(0.7)
Other income from (charges for) equity investments	0.2	0.3
<b>PROFIT BEFORE TAXES</b>	<b>215.8</b>	<b>250.3</b>
Income taxes	(63.2)	(49.5)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>	<b>152.6</b>	<b>200.8</b>
Net profit (loss) from discontinued operations	-	-
<b>NET PROFIT FOR THE PERIOD</b>	<b>152.6</b>	<b>200.8</b>
Minority interest in net (profit)	(0.4)	(2.3)
Group interest in net profit	152.2	198.5
<b>Continuing operations:</b>		
<b>Basic earnings per share</b>	<b>0.0873</b>	<b>0.1149</b>
<b>Diluted earnings per share</b>	<b>0.0857</b>	<b>0.1126</b>

## Parmalat Group

### RECLASSIFIED CONSOLIDATED BALANCE SHEET

<i>(in millions of euros)</i>	<b>9/30/11</b>	<b>12/31/10</b>
<b>NON-CURRENT ASSETS</b>	<b>2,055.5</b>	<b>2,073.6</b>
Intangibles	1,063.6	1,116.4
Property, plant and equipment	844.9	864.3
Non-current financial assets	67.9	10.9
Deferred-tax assets	79.1	82.0
<b>AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES</b>	<b>0.0</b>	<b>0.5</b>
<b>NET WORKING CAPITAL</b>	<b>453.9</b>	<b>393.2</b>
Inventories	371.2	390.5
Trade receivables	475.8	484.0
Trade payables (-)	(470.7)	(545.9)
<b>Operating working capital</b>	<b>376.3</b>	<b>328.6</b>
Other current assets	218.8	222.3
Other current liabilities (-)	(141.2)	(157.7)
<b>INVESTED CAPITAL NET OF OPERATING LIABILITIES</b>	<b>2,509.4</b>	<b>2,467.3</b>
<b>PROVISIONS FOR EMPLOYEE BENEFITS (-)</b>	<b>(85.8)</b>	<b>(97.2)</b>
<b>PROVISIONS FOR RISKS AND CHARGES (-)</b>	<b>(255.5)</b>	<b>(268.7)</b>
<b>PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS</b>	<b>(4.9)</b>	<b>(4.8)</b>
<b>NET INVESTED CAPITAL</b>	<b>2,163.2</b>	<b>2,096.6</b>
<i>Covered by:</i>		
<b>SHAREHOLDERS' EQUITY</b>	<b>3,567.1</b>	<b>3,531.8</b>
Share capital	1,754.8	1,732.9
Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	153.7	153.7
Other reserves and retained earnings	1,481.7	1,336.7
Interim dividend	0.0	0.0
Profit for the period	152.2	282.0
Minority interest in shareholders' equity	24.7	26.5
<b>NET FINANCIAL ASSETS</b>	<b>(1,403.9)</b>	<b>(1,435.2)</b>
Loans payable to banks and other lenders	39.9	33.6
Loans payable to investee companies	4.5	4.5
Other financial assets (-)	(463.4)	(1,155.3)
Cash and cash equivalents (-)	(984.9)	(318.0)
<b>TOTAL COVERAGE SOURCES</b>	<b>2,163.2</b>	<b>2,096.6</b>



## Parmalat S.p.A.

**Net revenues** totaled 615.0 million euros, or 1.3% more than the 607.1 million euros booked in the first nine months of 2010. The production activities carried out in support of the Centrale del Latte di Roma subsidiary earlier in the year are largely responsible for the increase in unit sale. Insofar as revenues are concerned, the Company is currently repositioning its price lists following an increase in the price of raw milk. The benefits of this realignment will continue to be felt in the final quarter of the year.

**EBITDA** amounted to 43.0 million euros, for a decrease of 14.1 million euros compared with the 57.1 million euros earned in the first nine months of 2010. This negative change is due mainly to an increase in the price of raw milk that could be reflected only in part on list prices, given consumer attitudes that favor low-price products (discount channel and private labels) or product promotions. On the other hand, the allowance for doubtful accounts was reduced by 4.3 million euros compared with the first nine months of 2010.

**EBIT** amounted to 36.8 million euros, or 25.8 million euros less than the 62.6 million euros reported at September 30, 2010. This negative change, in addition to reflecting the reduction in EBITDA, is due mainly to the smaller number of settlements reached compared with the same period last year.

**The net profit for the period** totaled 64.5 million euros, for a decrease of 25.7 million euros compared with the 90.2 million euros earned in the first nine months of 2010. This decrease is chiefly due to the reduction in proceeds from settlements mentioned above (net of the applicable tax effect) and to lower dividends from investee companies (35.5 million euros, down from 42.4 million euros in the first nine months of 2010), offset in part by higher net financial income (+6.6 million euros).

**Net invested capital** rose to 1,552.0 million euros, or 37.0 million euros more than at December 31, 2010 (1,515.0 million euros). The net change in investments in non-current financial assets accounts for this increase.

**Net financial assets** grew from 1,345.0 million euros at December 31, 2010 to 1,347.2 million euros at September 30, 2011, for a gain of 2.2 million euros. The reason for this relatively minor change is to be found in the fact that the total amount generated by dividends from investee companies, VAT refunds, the exercise of warrants and settlements was virtually the same as total sum disbursed for dividends to shareholders, income taxes (balances due and estimated payments) and registration fees (paid in 2011, but recognized in 2010).

The Company's **shareholders' equity** totaled 2,899.2 million euros, or 39.2 million euros more than at December 31, 2010, when it amounted to 2,860.0 million euros. This change is the net result of the dividend appropriation of the 2010 net income, offset in part by the net profit for the period, a change in the fair value of an available-for-sale equity investment and the exercise of warrants during the first nine months of 2011.

## Parmalat S.p.A.

### RECLASSIFIED INCOME STATEMENT

<i>(in millions of euros)</i>	Cumulative at September 30, 2011	Cumulative at September 30, 2010
<b>REVENUES</b>	<b>641.8</b>	<b>636.5</b>
Net revenues	615.0	607.1
Other revenues	26.8	29.4
<b>OPERATING EXPENSES</b>	<b>(595.1)</b>	<b>(571.4)</b>
Purchases, services and miscellaneous costs	(514.7)	(491.5)
Labor costs	(80.4)	(79.9)
<b>Subtotal</b>	<b>46.7</b>	<b>65.1</b>
Writedowns of receivables and other provisions	(3.7)	(8.0)
<b>EBITDA</b>	<b>43.0</b>	<b>57.1</b>
Depreciation, amortization and writedowns of non-current assets	(22.7)	(32.4)
Other income and expenses:		
- Legal expenses to pursue actions to void and actions for damages	(5.2)	(7.8)
- Additions to provision for losses of investee companies	(15.6)	(15.2)
- Miscellaneous income and expenses	37.3	60.9
<b>EBIT</b>	<b>36.8</b>	<b>62.6</b>
Net financial income (expense)	16.4	9.8
Other income from (charges for) equity investments	35.5	42.4
<b>PROFIT BEFORE TAXES</b>	<b>88.7</b>	<b>114.8</b>
Income taxes	(24.2)	(24.6)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>	<b>64.5</b>	<b>90.2</b>
Net profit from discontinuing operations	-	-
<b>NET PROFIT FOR THE PERIOD</b>	<b>64,5</b>	<b>90.2</b>

## Parmalat S.p.A.

### RECLASSIFIED BALANCE SHEET

<i>(in millions of euros)</i>	<b>9/30/11</b>	<b>12/31/10</b>
<b>NON-CURRENT ASSETS</b>	<b>1,502.0</b>	<b>1,466.7</b>
Intangibles	376.8	378.5
Property, plant and equipment	147.7	155.9
Non-current financial assets	939.0	892.8
Deferred-tax assets	38.5	39.5
<b>AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES</b>	<b>0.0</b>	<b>0.0</b>
<b>NET WORKING CAPITAL</b>	<b>145.8</b>	<b>144.5</b>
Inventories	47.5	42.6
Trade receivables	163.1	188.9
Trade payables (-)	(160.0)	(184.5)
<b>Operating working capital</b>	<b>50.6</b>	<b>47.0</b>
Other current assets	137.8	143.2
Other current liabilities (-)	(42.6)	(45.7)
<b>INVESTED CAPITAL NET OF OPERATING LIABILITIES</b>	<b>1,647.8</b>	<b>1,611.2</b>
<b>PROVISIONS FOR EMPLOYEE BENEFITS (-)</b>	<b>(24.9)</b>	<b>(25.3)</b>
<b>PROVISIONS FOR RISKS AND CHARGES (-)</b>	<b>(66.4)</b>	<b>(66.5)</b>
<b>PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS</b>	<b>(4.5)</b>	<b>(4.4)</b>
<b>NET INVESTED CAPITAL</b>	<b>1,552.0</b>	<b>1,515.0</b>
<i>Covered by:</i>		
<b>SHAREHOLDERS' EQUITY</b>	<b>2,899.2</b>	<b>2,860.0</b>
Share capital	1,754.8	1,732.9
Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	153.7	153.7
Other reserves and retained earnings	926.2	845.1
Interim dividend	0.0	0.0
Profit for the period	64.5	128.3
<b>NET FINANCIAL ASSETS</b>	<b>(1,347.2)</b>	<b>(1,345.0)</b>
Loans payable to banks and other lenders	2.6	4.4
Loans payable to investee companies	(102.3)	(80.5)
Other financial assets (-)	(445.8)	(1,134.4)
Cash and cash equivalents (-)	(801.7)	(134.5)
<b>TOTAL COVERAGE SOURCES</b>	<b>1,552.0</b>	<b>1,515.0</b>

## Key Events in the Third Quarter of 2011

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

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

### Final Outcome of the Tender Offer

The voluntary, all inclusive tender offer (the "Offer") launched on April 26, 2011 for the common shares of Parmalat S.p.A. (the "Issuer") by Sofil S.a.s. (the "Offeror") directly and on behalf of B.S.A. S.A. ("BSA") and Groupe Lactalis S.A. ("Groupe Lactalis"), for the purpose of acquiring 1,234,460,667 common shares of Parmalat S.p.A., par value 1.00 euro each, equal to 71.031% of the Issuer's share capital and corresponding to all of the common shares of Parmalat S.p.A. outstanding on the date of the Offer Document, after deducting the 503,465,048 common shares of Parmalat S.p.A. (equal to 28.969% of the share capital) already owned by BSA and Groupe Lactalis, and up to 63,725,992 common shares of Parmalat S.p.A. that may be issued and awarded during the Offer's tender period, ended in July 2011.

As of the closing date of the Offer, a total of 944,749,093 common shares of Parmalat S.p.A., equal to 54.361% of the Issuer's subscribed and paid-in share capital and to 76.531% of the common shares of Parmalat S.p.A. subject of the Offer, for a total value of 2,456,347,641.80 euros, were tendered.

Therefore, based on the Offer's final data and counting the 503,465,048 common shares of Parmalat S.p.A., equal to 28.969% of the Issuer's share capital, already owned by BSA and Groupe Lactalis (broken down as follows: 486,050,048 common shares of Parmalat S.p.A., equal to 27.967% of the share capital, owned by BSA and 17,415,000 common shares of Parmalat S.p.A., equal to 1.002% of the share capital, owned by Groupe Lactalis), on the Offer price payment date (July 15, 2011), the Offeror, together with BSA and Groupe Lactalis, owned a total of 1,448,214,141 common shares of Parmalat S.p.A., equal to 83.330% of the subscribed and paid-in share capital of Parmalat S.p.A.

Additional details about the Tender Offer and its outcome may be found in the disclosure provided in the Semiannual Report at June 30, 2011, which is available on the [www.parmalat.com](http://www.parmalat.com) website, Investor Relations page → Financial statements and reports (page 52).

### Yvon Guérin Appointed Chief Operating Officer of Parmalat S.p.A.

On July 12, 2011, the Board of Directors, acting pursuant to Article 2386 of the Italian Civil Code, appointed Yvon Guérin to the post of Chief Executive Officer, replacing Olivier Savary, who resigned.

Yvon Guérin, General Manager of Lait Crèmerie & Nutrition, a Division of LACTALIS that handles the production and distribution of packaged milk produced by the LACTALIS Group, one of the largest in Europe with revenues of 3.3 billion euros, was named Chief Executive Officer of Parmalat S.p.A. The Nominating and Compensation Committee, to which, on July 1, 2011, the Board of Directors of Parmalat S.p.A. appointed the Director Daniel Jaouen, who serves as chairman, the Director Antonio Sala and the Independent Director Gaetano Mele, recommended that the Board of Directors appoint Yvon Guérin to the post of Chief Executive Officer in view of his vast experience in managing activities engaged in the production and distribution of packaged milk and his ability to integrate organizations that are different but also complementary.

The Board of Directors received favorably this recommendation and appointed Yvon Guérin to the post of Chief Executive Officer of Parmalat S.p.A.

### **Arbitration proceedings in Canada**

Arbitration proceedings are currently under way in Canada pursuant to a filing by the Ontario Teachers' Pension Plan Board ("OTPPB"), a pension fund that provided a financing facility (later repaid) to the Group's Canadian subsidiary in 2004. The OTPPB is now claiming a substantial compensation amount, which it alleges it is owed due to a change in control. Parmalat's position is that nothing is due. An arbitration award will be probably handed down in the first quarter of 2012.

## **Events Occurring After September 30, 2011**

### **Cash Pooling Transaction**

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

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

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

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

The cash pooling system is of the zero-balance type, pursuant to which credit and debit balance in the individual current accounts of Group companies are transferred daily to one or more bank current accounts established in the name of BSA Finances, the system's central company.

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

## Principles for the Preparation of the Interim Report on Operations at September 30, 2011

The Interim Report on Operations at September 30, 2011 was prepared in accordance with the provisions of Article 154-ter “Financial Reporting” of the Uniform Financial Code introduced with Legislative Decree No. 195 of November 6, 2007, by which the Italian legislature implemented Directive 2004/109/EC (so-called Transparency Directive) on periodic financial reporting.

The accounting principles applied in the Interim Report on Operations at September 30, 2011 are the same as those used to prepare the Annual Report at December 31, 2010. Consequently, the former should be read in conjunction with the latter.

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

*Amendments to IAS 32 – Classification of Rights Issues*

*Amendments to IAS 24 – Related Party Disclosures*

*Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement*

*Amendments to IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments*

*Minor amendments to the IFRSs (“IFRS Improvements” – 2010 Release)*

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

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

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

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

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

This Interim Report on Operations at September 30, 2011 was not audited.

The Board of Directors authorized the publication of this Interim Report on Operations on November 10, 2011.

## Scope of Consolidation

During the third quarter of 2011, the Group's scope of consolidation did not change significantly compared with June 30, 2011.

## Venezuela

The income statement and statement of financial position data of the Venezuelan subsidiaries, when stated in the local currency, are affected by a rate of inflation that, over the past three years, exceeded the cumulative threshold of 100%, which triggered the adoption of the adjustments required by *IAS 29 – Financial Reporting in Hyperinflationary Economies*, starting in 2009. According to this principle, the financial statements of an entity whose functional currency is 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 financial statement amounts was carried out using Venezuela's consumer price index (INPC). On the date of this Interim Report on Operations, the index was 250.9 (198.4 at September 30, 2010) and the year-over-year change in the index was 26.46%.

## Business Outlook

### 2011 Guidance

Estimates of net revenues in excess of 4,400 million euros, at constant exchange rates, and EBITDA of 365 million euros can be confirmed.

#### **Disclaimer**

*This report contains forward looking statements, particularly in the section entitled "Business Outlook." Projections for 2011 extrapolate the performance in the third quarter of 2011 and take into account the trends in October 2011. The Group's performance is affected by changing conditions in the global economy, with an high degree of instability. The potential effects of the developments described above are currently difficult to quantify.*

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

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

Signed: Pierluigi Bonavita  
Corporate Accounting Documents Officer



**Parmalat S.p.A.**

Via delle Nazioni Unite 4  
43044 Collecchio (Parma) - Italy  
Tel. +39.0521.808.1

[www.parmalat.com](http://www.parmalat.com)

Share capital: 1,754,792,550 euros fully paid-in

Parma R.E.A. No. 228069

Parma Company Register No. 04030970968

Tax I.D. and VAT No. 04030970968

