



Centrale del Latte di Torino & C. S.p.A.

Interim report on operations at 30 september 2010

Centrale del Latte di Torino & C. S.p.A.

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Share capital: € 20,600,000 fully paid-up

Turin Chamber of Commerce (C.C.I.A.A.) no. 520409

Turin Court no. 631/77

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1 Consolidated accounting schedules

1.1 Reclassified consolidated statement of financial and equity position

	30-sept-10		30-sept-09		31-dec-09	
Technical fixed assets	61,198		62,344		62,454	
Current technical fixed assets	90		828		659	
Intangible fixed assets	14,987		16,545		16,155	
Equity investments and securities	28		28		73	
Total fixed assets	76,303	96.9%	79,745	98.8%	79,342	96.4%
Trade receivables	18,444		17,121		19,705	
Inventories	3,648		3,136		3,193	
Other short-term assets	7,352		6,892		6,883	
Receivables from affiliates	185		-		300	
Financial assets held for sale	-		188		-	
Trade payables	(20,328)		(19,429)		(20,692)	
Other payables	(5,373)		(5,735)		(5,209)	
Tax liabilities	(1,472)		(1,735)		(1,227)	
Net working capital	2,457	3.1%	250	0.3%	2,954	3.6%
LIABILITIES & EQUITY	78,760	100.0%	80,184	100.0%	82,296	100.0%
Employee severance indemnity	4,247		3,891		3,913	
Other provisions	553		971		931	
Provision for deferred taxes	5,251		5,887		5,677	
Total long-term liabilities and provision	10,051	12.8%	10,749	13.3%	10,521	12.8%
Cash, banks and securities	(11,440)		(9,333)		(7,195)	
Payables to banks	2,936		6,437		8,081	
Current share of payables to other lenders	764		774		783	
Current share of medium/long-term loans	8,472		4,323		4,648	
Medium/long-term payables to other lenders	6,479		7,302		7,081	
Medium/long-term loans	20,344		18,661		16,607	
Net finanzielle position	27,554	35.0%	28,163	34.9%	30,005	36.5%
Share Capital	20,600		20,600		20,600	
Reserves	20,097		18,925		18,780	
Net profit (loss)	(*) 459		(*) 123		(*) 800	
Totale net equity	41,155	52.3%	39,648	49.4%	40,180	48.8%
Minority share capital and reserves	-	0.0%	1,624	2.0%	1,590	1.9%
LIABILITIES AND EQUITY	78,760	100.0%	80,184	100.0%	82,296	100.0%

(*) profit (loss) after tax

1.2 Reclassified consolidated statement of comprehensive income

	QRT 3 10		QRT 3 09		30-sept-10		30-sept-09	
Revenue from sales and services	24,203	99.0%	22,896	99.2%	73,610	97.9%	72,644	99.1%
Change in inventories	71	0.3%	6	0.0%	174	0.2%	(117)	-0.2%
Other revenue and income	172	0.7%	184	0.8%	1,439	1.9%	743	1.0%
Value of production	24,445	100.0%	23,086	100.0%	75,223	100.0%	73,270	100.0%
Services	(6,327)	-25.9%	(5,985)	-25.9%	(19,433)	-25.8%	(19,847)	-27.1%
Raw materials	(13,209)	-54.0%	(11,141)	-48.3%	(37,997)	-50.5%	(35,107)	-47.9%
Other operating costs	(178)	-0.7%	(259)	-1.1%	(682)	-0.9%	(713)	-1.0%
Added value	4,731	19.4%	5,701	24.7%	17,110	22.7%	17,603	24.0%
Personnel costs	(3,218)	-13.2%	(3,176)	-13.8%	(10,625)	-14.1%	(10,799)	-14.7%
Gross operation margin	1,513	6.2%	2,526	10.9%	6,485	8.6%	6,804	9.3%
Provision for bad debts	(10)	0.0%	(22)	-0.1%	(86)	-0.1%	(115)	-0.2%
Depreciation of tangible fixed assets	(1,017)	-4.2%	(999)	-4.3%	(3,019)	-4.0%	(2,955)	-4.0%
Amortisation of intangible fixed assets	(389)	-1.6%	(390)	-1.7%	(1,168)	-1.6%	(1,170)	-1.6%
Allocations for risks	(1)	0.0%	(153)	-0.7%	(48)	-0.1%	(153)	-0.2%
Operating result	97	0.4%	962	4.2%	2,164	2.9%	2,412	3.3%
Adjustments to equity investments	12	0.0%	-		52	0.1%	-	0.0%
Financial income	(431)	-1.8%	91	0.4%	(1,032)	-1.4%	265	0.4%
Financial charges	-	-0.0%	(280)	-1.2%	-	-0.0%	(1,186)	-1.6%
Pre tax result	(322)	-1.3%	773	3.3%	1,184	1.6%	1,492	2.0%
Income taxes	(202)	-0.8%	(298)	-1.3%	(1,154)	-1.5%	(1,795)	-1.7%
(deferred) prepaid taxes	106	0.5%	58	0.2%	429	0.6%	331	0.4%
Total net profit (loss)	(418)	-1.7%	533	2.3%	459	0.6%	28	0.0%
Minority result	-	0.0%	(18)	-0.1%	-	0.0%	(95)	-0.1%
Net profit (loss) of period	(*) (418)	-1.7%	(*) 551	2.4%	(*) 459	0.6%	(*) 123	0,2%

(*) net profit (loss) after tax

2. Comments to the accounting schedules

2.1 Introduction

This Interim report on operations at 30 September 2010 has been prepared in accordance with Article 82 of CONSOB Resolution No. 11971 of 14 May 1999 and Schedule 3 D, amended by Resolution No. 12475 of 6 April 2000.

2.1 Scope of consolidation and valuation standards

The scope of consolidation includes: "Centrale del Latte di Torino & C. S.p.A." as parent company, "Centro Latte Rapallo S.p.A.", "Centrale del Latte di Vicenza S.p.A.". Frascheri S.p.A. is consolidated according to the equity method on the basis of the interest held in the company (40%).

2.2 Valuation and accounting standards

International accounting standards (IASs/IFRSs) are applied in drawing up the interim accounts prepared by the subsidiaries and thus in drawing up the consolidated interim accounts.

2.3 Comment on comprehensive income

During Q3, thanks to the first signs of recovery, there was a rise 5.3% rise in turnover compared to the same period of the previous year, and a global turnover increase of 1.3% at 30 September 2010. This situation was offset by a rise in raw material costs, deriving from the conclusion of the negotiations on the purchase price of raw milk. Market tensions and the difficulties encountered by producers influenced the negotiations, the average price that emerged from which was 20% higher than the price applied during the same quarter of the previous year.. This inevitably had a negative impact on profit margins, especially in Q3. It is therefore clear that over the coming months, sale prices will have to be increased in order to at least partially cover the rise in raw material prices.

The results for Q3 are therefore strongly affected by the events mentioned above, and are illustrated in the table below:

The third quarter of 2010 has been compared with the same period of the previous year.

	30-sept-10	30-sept-09	QRT 3 10	QRT 3 09	31-dic-09
Value of production	75,223	73,270	24,445	23,086	99,265
Gross operating margin	6,845 8.6%	6,804 9.3%	1,513 6.2%	2,526 10.9%	9,599 9.7%
Operating results	2,164 2.9%	2,412 3.3%	97 0.4%	962 4.2%	3,650 3.7%
After taxes result	459 0.6%	123 0.2%	(418) -1.7%	551 2.4%	2,350 2.4%

The Group's consolidated turnover came to € 73,610 thousand in the third quarter of 2010 compared to the € 72,644 thousand in the same period of 2009, marking an increase of 1.3%.

Thanks to the start-up of new product lines in the Vicenza facility, and to the end of the promotional offers made by our main competitors – which had penalised sales in a number of areas where our presence is strong, the fresh milk segment marked an increase of 3.7% compared to the first nine months of last year.

The UHT segment reported an increase of 2.4% compared to the end of September 2009, driven by targeted marketing operations.

Falls were registered in the yoghurt and fresh vegetables sector and in other products sold.

The following table breaks down sales performance by product line:

(Euro/000)	QRT 3 10	QRT 3 09	Change on the period		Total 30-sept-10	Total 30-sept-09	Change on the period	
Fresh milkLatte fresco	11,016	10.074	942	9.%	33,637	32.453	1,185	3.7%
UHT milk	4,591	4.406	185	4.%	14,095	13.767	329	2.4%
Yogurt	1,728	1.799	(71)	-3.%	5,210	5.623	(413)	-7.3%
Fresh vegetables	1,603	1.735	(131)	-7.6%	5,019	5.155	(136)	-2.6%
Bulk milk and cream	730	543	187	34.%	2,297	1.913	385	20.1%
Other packaged products	4,534	4.339	195	4.%	13,354	13.735	(382)	-2.8%
Total	24,203	22.896	1,07	5.7%	73,610	72.644	966	1.3%

Geographical breakdown

The table below shows turnover at 30 september 2010, divided up into geographical area.

(Euro/1000)	Fresh milk	UHT Milk	Yogurt	Fresh vegetables	Bulk milk and cream	Other packaged products	Total
Piedmont							
30-sept-10	17,499	9,303	1,470	2,278	335	3,340	34,226
30-sept-09	17,240	9,175	1,601	1,614	366	3,431	33,427
Change %	1,5%	1,4%	-8,2%	41,1%	-8,5%	-2,6%	2,4%
31-dec-09	23.785	12.629	2.078	2.079	443	4.743	45.756
Liguria							
30-sept-10	9,688	1,589	560	2,342	242	6,889	21,310
30-sept-09	9,802	1,574	601	2,578	103	7,499	22,156
Change %	-1,2%	1,0%	-6,7%	-9,2%	135,4%	-8,1%	-3,8%
31-dec-09	13.515	1.995	722	3.032	362	9.736	29.363
Veneto							
30-sept-10	6,450	3,202	3,179	399	324	3,125	16,679
30-sept-09	5,411	3,018	3,421	428	307	2,895	15,478
Change %	19,2%	6,1%	-7,1%	-6,8%	5,6%	7,9%	7,8%
31-dec-09	7.502	4.180	4.429	536	393	3.719	20.759
Other							
30-sept-10	-	-	-	-	1,396	-	1,396
30-sept-09	-	-	-	534	1,137	-	1,671
Change %	-	-	-	-100%	22,8%	-	-16,5%
31-dec-09	-	-	-	648	1.815	-	2.463
30-sept-10	33,637	14,095	5,210	5,019	2,297	13,354	73,610
30-sept-09	32,453	13,767	5,623	5,155	1,912	13,736	72,644
Change %	3,7%	2,4%	-7,3%	-2,6%	20,1%	-2,8%	1,3%
31-dec-09	44,802	18,805	7,229	6,295	3,012	18,198	98,341

2.4 Consolidated financial position

The Group's net financial position at 30 September 2010 was negative for 27,55 thousands Euro versus Euro 28,163 thousand at 30september 2009.

(Euro/1000)	30-sept-10	30-june-10	31-dec-09	30-sept-09
Cash and cash equivalents	11,440	7,010	7,194	8,740
Securities held for trading	-	-	-	593
Total current financial assets	11,440	7,010	7,194	9,333
Payables to Banks	(2,936)	(330)	(8,081)	(6,437)
Current share of medium/long-term loans	(8,472)	(6,274)	(4,648)	(4,323)
Current share of payables to other lenders	(764)	(766)	(783)	(774)
Total current financial liabilities	(12,172)	(7,370)	(13,512)	(11,534)
Payables for medium/long-term loans	(20,344)	(20,282)	(16,607)	(18,661)
Medium and long term payables to other lenders	(6,479)	(6,742)	(7,081)	(7,302)
Total non-current financial liabilities	(26,823)	(27,024)	(23,688)	(25,962)
Total financial liabilities	(38,995)	(34,393)	(37,200)	(37,496)
Net financial position	(27,554)	(27,383)	(30,005)	(28,163)

3. Remarks concerning the performances of companies within the scope of consolidation

Centro Latte Rapallo S.p.A.

The subsidiary Centro Latte Rapallo closed the third quarter of 2010 with a after-tax loss of € 37 thousand (profit of € 111 thousand at 30 September 2009). The overall turnover, gross of intra-group sales, amounted to € 17,965 thousand, compared to € 18,891 thousand at the end of Q3 2009.

Centrale del Latte di Vicenza S.p.A.

Centrale del Latte di Vicenza S.p.A. closed the third quarter of 2010 with a after-tax loss of € 510 thousand compared to a loss of € 1,561 thousand at 30 September 2009. The overall turnover, gross of intra-group sales, amounted to € 18,386 thousand, compared to € 17,026 thousand at the end of Q3 2009.

Frascheri S.p.A.

The Company closed the third quarter of 2010 with a after-tax profit of € 113 thousand (compared to a profit after tax of € 463 thousand in september 2009). The overall turnover, gross of intra-group sales, amounted to € 8,332 thousand, compared to € 8,247 thousand at the end of Q3 2009.

The joint venture is consolidated proportionally due to the interest held (40%).

4. BUSINESS OUTLOOK

The significant rises in raw material costs will have a negative impact on Q4 results, in a market where the sales performance of the Group companies remains positive.

5. ACCOUNTING SCHEDULES OF THE PARENT COMPANY

5.1 Reclassified statement of financial and equity position

(Euro/1000)	30-sept-10	30-sept-09	31-dec-09
Technical fixed assets	15,266	15,680	15,964
Intangibles fixed assets	326	365	356
Equity investments and securities	48,334	38,368	38,368
Financial receivables from subsidiaries	-	4,000	4,000
Total fixed assets	63,926 102.1%	58,413 100.7%	58,688 99.1%
Trade receivables	10,211	10,055	12,486
Inventories	1,562	1,389	1,331
Other short-term assets	4,693	3,898	3,465
Trade payables	(13,506)	(11,222)	(12,900)
Other payables	(3,075)	(3,314)	(3,001)
Tax liabilities	(1,185)	(1,200)	(829)
Net working capital	(1,300) -2.1%	(395) -0.7%	552 0.9%
LIABILITIES & EQUITY	62,627 100.0%	58,019 100.0%	59,240 100.0%
Employee severance indemnity	2,146	2,008	2,011
Other provisions	120	234	680
Provision for deferred taxes	680	721	120
Total long-term liabilities and provision	2,946 4.7%	2,963 5.1%	2,811 4.7%
Cash, banks and securities	(6,808)	(4,863)	(3,139)
Payables to banks	2,000	-	557
Current share of payables to other lenders	105	133	4,025
Current share of medium/long-term loans	7,653	3,752	133
Medium/long-term payables to other lenders	154	281	8,187
Medium/long-term loans	9,433	10,087	262
Net finanzielle position	12,537 20.0%	9,390 16.2%	10,024 16.9%
Share Capital	20,600	20,600	20,600
Reserves	25,805	27,167	27,164
Net profit (loss)	(*) 738	(*) (2,102)	(*) (1,359)
Totale net equity	47,144 75.3%	45,665 78.7%	46,405 78.3%
LIABILITIES AND EQUITY	62,627 100.0%	58,019 100.0%	59,240 100.0%

(*)net profit (loss) after tax

Net financial position

(Euro/1000)	30-sept-10	30-june-10	31-dec-09	30-sept-09
Cash and cash equivalents	6,808	2,576	3,139	4,270
Securities held for trading	-	-	-	593
Total curent financial assets	6,808	2,576	3,139	4,863
Payables to Banks	(2,000)	-	(557)	-
Current share of medium/long-term loans	(7,653)	(5,454)	(4,025)	(3,752)
Current share of payables to other lenders	(105)	(102)	(133)	(133)
Total current financial liabilities	(9,758)	(5,556)	(4,715)	(3,885)
Payables for medium/long-term loans	(9,433)	(9,372)	(8,188)	(10,087)
Medium and long term payables to other lenders	(154)	(223)	(262)	(281)
Total non-current financial liabilities	(9,587)	(9,595)	(8,450)	(10,368)
Total financial liabilities	(17,345)	(15,151)	(13,165)	(14,253)
Net financial position	(12,537)	(12,574)	(10,025)	(9,390)

5.2 Riclassified statement of comprehensive income

(Euro/1000)	QRT 3 10		QRT 3 09		30-sept-10		30-sept-09	
Revenue from sales and services	13,405	98.0%	12,674	99.2%	42,638	97.9%	42,102	99.1%
Change in inventories	179	1.3%	81	0.6%	263	0.6%	41	0.1%
Other revenue and income	92	0.7%	16	0.1%	649	1.5%	358	0.8%
Value of production	13,676	100.0%	12,772	100.0%	43,551	100.0%	42,502	100.0%
Services	(3,371)	-24.7%	(3,050)	-23.9%	(10,512)	-24.1%	(10,402)	-24.5%
Raw materials	(7,680)	-56.2%	(6,615)	-51.8%	(22,628)	-52.0%	(21,258)	-50.0%
Other operating costs	(102)	-0.7%	(184)	-1.4%	(387)	-0.9%	(409)	-1.0%
Added value	2,523	18.4%	2,922	22.9%	10,024	23.0%	10,433	24.5%
Personnel costs	(1,662)	-12.2%	(1,790)	-14.0%	(5,798)	-13.3%	(6,156)	-14.5%
Gross operation margin	860	6.3%	1,132	8.9%	4,226	9.7%	4,277	10.1%
Provision for bad debts	-	-	5	0.0%	(41)	-0.1%	(44)	-0.1%
Depreciation of tangible fixed assets	(463)	-3.4%	(446)	-3.5%	(1,379)	-3.2%	(1,320)	-3.1%
Amortisation of intangible fixed assets	(10)	-0.1%	(10)	-0.1%	(30)	-0.1%	(30)	-0.1%
Allocations for risks	-	-	-	-	-	-	-	-
Operating result	387	2.8%	681	5.3%	2,776	6.4%	2,884	6.8%
Adjustments to equity investments	-	-	-	0.0%	(805)	-1.8%	(3,680)	-8.7%
Financial income	3	0.0%	82	0.6%	122	0.3%	259	0.6%
Financial charges	(229)	-1.7%	(70)	-0.5%	(470)	-1.1%	(505)	-1.2%
Pre tax result	161	1.2%	693	5.4%	1,624	3.7%	(1,043)	-2.5%
Income taxes	(155)	-1.1%	(163)	-1.3%	(885)	-2.0%	(1,066)	-2.5%
(deferred) prepaid taxes	(12)	-0.1%	-	0.0%	-	-	7	0.0%
Net profit (loss) of period	(*) (6)	0.0%	(*) 530	4.2%	(*) 738	1.7%	(*) (2,102)	-4.9%

(*) net profit (loss) after taxes

6. EVENTS AFTER THE CLOSE FO THE QUARTER

In the month of October, the NAS (Italian food hygiene inspection unit) of Turin conducted an inspection within the Group as a result of supposed irregularities regarding the labelling of a number of products. No objections or observations were raised regarding the quality of the products. The Company is convinced that it has always acted in complete compliance with the relevant national and European legislation, and if necessary will defend those convictions through the appropriate channels.

On 28 October 2010, the Board of Directors approved—with minutes drafted in public form and by virtue of the powers as per article 12 of the corporate by-laws—the amendments to articles 8, 9, 10, 11, 20, and 21 of the corporate by-laws in order to adjust them to the rules introduced by legislative decrees nos. 27 and 39/2010.

Turin, 11 november 2010

The Chairman of the Board of Directors
Luigi LUZZATI

Pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Law, the Executive in charge of drafting corporate accounts, Mr. Vittorio Vaudagnotti, stated that the accounting information herein contained tallies with the company's documentary evidence, ledgers and accounts.

Turin, 11 November 2010

The Executive in charge of drafting financial statements

Vittorio VAUDAGNOTTI