

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

Report on corporate governance and company structure (art. 123-*bis* of the Consolidated Finance Law) at 31 December 2009.

REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE (art. 123-bis of Legislative Decree 58 Consolidated Finance Law).

1. ISSUER'S PROFILE

The company produces, treats, processes and sells treated milk and food and dairy products in general. The Company may also undertake all transactions involving trade, finance, industry, securities and real estate that are necessary or useful to achieving the Company's object, including the acquisition of equity investments in companies having similar objects or that are instrumental to its business (also comprising the issue of personal guarantees or collateral for third parties and the contracting of loans and mortgages), but excluding trust and professional services reserved under the law, the solicitation of investment from the public and the provision of all services that qualify as "financial activity" to the public.

The company is run by a Board of Directors composed of ten members, appointed by resolution of the Shareholders' Meeting. The Directors are chosen from a list of candidates.

2. INFORMATION ON THE COMPANY STRUCTURE (as per article 123 bis paragraph 1 of TUF) at 11 March 2010

Share capital structure (as per article 123-bis, paragraph 1, letter a), TUF)

The share capital of Centrale del Latte di Torino & C. S.p.A. amounts to € 20,600,000, fully subscribed and paid-up, and is divided into 10,000,000 common shares with a par value of € 2.06 each. All the shares of the Company are listed on the Star segment of the Electronic Stock Market (MTA) organised and managed by Borsa Italiana S.p.A.

Common shares are registered, freely transferrable, in electronic format and centrally managed by Monte Titoli S.p.A.

Each common share confers the right to one vote at the Company's ordinary and extraordinary shareholders' meetings, in addition to other financial and administrative rights provided under applicable laws and corporate by-laws.

SHARE CAPITAL STRUCTURE				
	No. of shares	% on SC	Listed	Rights and obligations
Common shares	10,000,000	100%	Borsa Italiana FTSE Italia STAR	Right to vote in ordinary and extraordinary meetings
Shares with limited voting rights	-	-		
Shares with no voting rights	-	-		

Other financial instruments

There are no other financial instruments that confer the right to subscribe for newly issued shares, including bonus shares, or share-based incentive schemes that involve

Share-based incentive scheme

At the date of approval of this Report, there were no share-based incentive schemes involving bonus issues or other forms of share capital increase.

Restrictions on security transfer (as per article 123-bis, paragraph 1, letter b), TUF)

There are no restrictions on transfers of the securities of the Company.

Major shareholders (as per article 123-bis, paragraph 1, letter c), TUF)

According to the information available at 31 December 2009, 3,196 shareholders are registered on the shareholders' register of Centrale del Latte di Torino & C. S.p.A.

The holders of more than 2% of common shares are:

MAJOR SHAREHOLDERS			
Declaring party	Direct shareholder	% on ordinary capital	% on voting capital
Adele Artom	Finanziaria Centrale del Latte di Torino S.p.A.	51.78%	51.78%
Adele Artom	Lavia s.s.	5.90%	5.90%
B&E Equities S.p.A.	B&E Equities S.p.A.	2.13%	2.13%

Securities granting special rights (as per article 123-bis, paragraph 1, letter d), TUF)

No securities granting special controlling rights have been issued.

Employee shareholder system (as per article 123-bis, paragraph 1, letter e), TUF)

The Articles of Association of the Company contain no particular instructions regarding the voting rights of employee shareholders.

Restrictions on voting rights

There are no restrictions on voting rights.

Restrictions on security transfer (as per article 123-bis, paragraph 1, letter f), TUF)

There are no restrictions on transfers of the securities of the Company.

Shareholders' agreements (as per article 123-bis, paragraph 1, letter g), TUF)

There are no agreements among shareholders known to the issuer, pursuant to art. 122 of the TUF.

Change-of-control clauses (as per article 123-bis, paragraph 1, letter h), TUF)

Neither the issuer nor its subsidiaries have entered into significant agreements which become effective, are amended or cease to be valid in the event of a change of control as regards the contracting company.

Proxies for share capital increases and share buy-back authorisations (as per article 123-bis, paragraph 1, letter m), TUF)

The company directors have not been entrusted with proxies for share capital increases or for the issue of financial instruments or the purchase of treasury shares. The question is regulated by the corporate by-laws. On 28 April 2008 the Shareholders' Meeting resolved upon the authorisation to purchase and sell treasury shares, pursuant to articles 2357 and 2357ter of the Italian Civil Code for a period of 18 months and therefore until 28 October 2008.

Management and coordination (as per article 2497 et seq. of the Italian Civil Code)

Pursuant to articles 36 and 37 of the Consob Regulation no. 16191/2007, regarding the publication of information prescribed by paragraphs 12 and 13 of article 2.6.2 of the Regulation of Borsa Italiana, it is hereby certified that Centrale del Latte di Torino & C. S.p.A.:

- is not controlled by companies set up and governed by the law of countries not belonging to the European Union;
- is not subject to management and coordination activities on the part of the ultimate parent company Finanziaria Centrale del Latte di Torino S.p.A., because the main aim of the company is the direct management of civil buildings and does not have a structure able to control and/or channel decisions of an operational nature.

3. COMPLIANCE (as per article 123-bis, paragraph 2, letter a), TUF)

Compliance with codes of practice

Centrale del Latte di Torino & C. S.p.A., with regard to the codes of practice on corporate governance promoted by Borsa Italiana S.p.A., has adopted the following:

Self-Regulatory Corporate Governance Code. The Company has adopted a self-regulatory Code in the application of its Corporate Governance, i.e. the system of rules by which a company is managed and controlled. The latest version of the Code, approved by the Board of Directors on 13 February 2007, and the annual report on Corporate Governance are available on the company's website:

http://www.centralelatte.torino.it/ita/finanza/documenti/codice_autodisciplina_2007.pdf

and on the website of Borsa Italiana S.p.A.:

<http://www.borsaitaliana.it/borsa/azioni/elenco-completo-corporate-governance.html?isin=IT0003023980&lang=it>

Code of practice for internal dealing. The Company has adopted the Code of practice aimed at governing obligations regarding information, and has drawn up a register of those people who have access to confidential information, in compliance with the provisions of articles 2.6.3, 2.6.4 and 2.6bis of the "Regulation of Markets organised and managed by Borsa Italiana S.p.A.", approved by Consob resolution no. 13655 of 9 July 2002 and with articles 152*bis-ter-quater-quinquies-sexies-septies-octies* of the Consob Regulation for issuers, regarding the operations as per article 2.6.4 of the Borsa Italiana regulation carried out by relevant individuals as defined in article 2 of the Code of practice on internal. The latest version of the Code of practice for internal dealing, approved by the Board of Directors on 13 February 2007, is available on the company's website:

http://www.centralelatte.torino.it/ita/finanza/documenti/codice_internal_dealing_2007.pdf

and on the website of Borsa Italiana S.p.A.:

<http://www.borsaitaliana.it/borsa/quotazioni/azioni/elenco-completo-internal-dealing.html?isin=IT0003023980&lang=it>

4. BOARD OF DIRECTORS

Appointment and replacement of directors (as per article 123-bis, paragraph 1, letter I), TUF)

The company is managed by a Board of Directors made up of three to eleven members, appointed by resolution of the Shareholders' Meeting. The Directors are chosen from a list of candidates. Lists may be filed only by those shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting. Each shareholder cannot file, either through a third party or by trusts, more than one list or vote for different lists. Each candidate may be appointed in only one list, under penalty of ineligibility. Candidates may not be admitted to the lists if they already hold directorships in other five companies or entities whose stocks are liable for trading on a regulated market featured on the list provided for by articles 63 and 67 of Legislative Decree no. 58/1998. The minority list that has obtained the greatest number of votes and that is in no way connected, directly or indirectly, to the list that has received the most votes, has the right to appoint a member of the Board of Directors. The lists shall be filed with the registered office at least fifteen days before the date set for the meeting in first call. By the same deadline, statements must be filed along with each list in which each candidate accepts the nomination, and declares, undertaking full responsibility, that there are no reasons for which they are incompatible or could not be appointed, and that they fulfil the requirements set forth by the bylaws and current regulations for each office. Where a list does not meet the above requirements, its submission shall be considered null. Where a single list is submitted, this represents the entire Board of Directors. In the event no list is submitted, the shareholders' meeting shall resolve by majority vote. Abstentions shall not be taken into account. The directors shall remain in office for a period of no more than three financial years and their term of office shall end on the date of the meeting convened to approve the financial statements for the last financial year of their term. Directors may be re-appointed.

Before directors are appointed, the shareholders' meeting shall determine the number of Board members and the duration of their term. Where the number of Directors determined is lower than the maximum number provided for, the shareholders' meeting, during the Board's term of office, may increase this number. The term of Directors thus appointed shall expire together with those serving on the Board at the time of their appointment.

Structure of the Board of Directors and Committees

At the closing date of FY 2009 the Board of Directors was made up of ten directors. The Board has not defined general criteria regarding the maximum number of management and auditing offices held in other companies that can be considered compatible with the effective performance of the role of company director.

The structure of the Board of Directors is indicated in the enclosed chart 1).

Role of the Board of Directors

The Board of Directors exercises the powers, functions and competences regarding the ordinary and extraordinary management of the company, with the sole exception of those competences that are attributed to the shareholders' meeting, either by law or by the corporate by-laws.

The Board of Directors also has the power to resolve upon the following:

- mergers in the cases provided for under articles 2505 and 2505 bis of the Italian Civil Code;
- transfer of the Company's registered office within Italy;
- the setting up or closure of secondary offices;

- the indication of which directors – in addition to the Chairman, the Vice Chairman and the Managing Directors – and executives may represent the company, in accordance with the following articles 17 and 18 of the corporate by-laws;
- reduction of the share capital in the event of the withdrawal of a shareholder;
- adjustments to the corporate by-laws in accordance with regulatory provisions.

The Board of Directors met 6 times during 2009, in order to discuss and resolve upon the following:

- the draft financial statements and the draft consolidated financial statements and pertinent reports and notes at 31 December 2008;
- the annual report on corporate governance for 2008;
- the plan for merger by incorporation of Salads & Fruits Srl into Centrale del Latte di Torino & C. S.p.A.;
- the call for the Shareholders' Meeting;
- the proposal presented to the Shareholders' Meeting to increase the board members from nine to eleven and to appoint Mr. Nicola Codispoti as Director;
- the approval of the merger by incorporation of Salads & Fruits Srl into Centrale del Latte di Torino & C. S.p.A.;
- the resignation of Director Alessandro Marina and appointment of the new Director Luciano Roasio;
- verification of the independence requisites of the following independent directors: Luciano Roasio, Alberto Tazzetti and Germano Turinetto;
- appointment of director Luciano Roasio as an independent member of the Internal Audit Committee of Centrale del Latte di Torino & C. S.p.A.;
- confirmation of the directors' remuneration Committee, made up as follows: Guido Artom, Alberto Tazzetti and Germano Turinetto;
- Interim reports at 31 March 2009 and 30 September 2009 of Centrale del Latte di Torino & C. S.p.A.;
- Consolidated half-yearly report at 30 June 2009 of Centrale del Latte di Torino & C. S.p.A.;
- Half-yearly report at 30 June 2009 of Salads & Fruits Srl;
- appointment of Director Nicola Codispoti to the position of Managing Director, thereby granting him wider powers of ordinary and extraordinary administration, with the exclusion of the sale and purchase of real estate, company equity investments and trademarks;
- approval of the gross annual remuneration of the Managing Director Nicola Codispoti as decided by the directors' remuneration Committee for a total of € 270,000.00 (two hundred and seventythousand/00);
- creation of the Salads & Fruits division, operating out of the facility in Casteggio (Pavia) and managed by Mr. Denis Avanzi, whose competences are confirmed by the power of attorney drawn on 19 May 2008 by Notary Galleano;
- acknowledgement of the resignation of powers relating to Centrale del Latte di Vicenza S.p.A. by Managing Director Nicola Codispoti, who continues to act as Director;
- acknowledgement on the part of the Board of Directors of the subsidiary Centrale del Latte di Vicenza S.p.a. of the appointment of Mr. Alberto Bizzotto as General Manager;
- acknowledgement of the 2009 - 2013 business plan of Centrale del Latte di Vicenza S.p.A., prepared and drafted by the administration and sales departments of the subsidiary;
- integration of the plants of the Salads & Fruits division comprised within the rural development plan of the Lombardy region - Reg. CE n. 1257/99 - measure g (1.7);
- integration into the organisational, management and control model as per Legislative Decree no. 231/2001;
- resolutions regarding safety pertaining to the delegation to the Managing Director Nicola Codispoti of functions and responsibilities attributed to employers on the basis of current and future regulations regarding the prevention of accidents and the protection of health and safety in the workplace;

When the nature of the matters on the agenda so required, Directors and Statutory Auditors were provided in advance with documentation pertaining to the matters to be considered.

Article 11 of the Company's Self-Regulatory Code deals with the question of relationships and economic transactions with related parties. The Code recommends that in the case of transactions conducted with related parties, those directors that have an interest – including a potential or indirect interest – in the transaction should provide timely, exhaustive notification thereof to the board regarding such interest and the circumstances of the same, and should leave the board meeting when the pertinent resolutions are made.

Should the nature, value, or other characteristics of the transaction so require, in order to avoid terms being set that would not be in keeping with those normally agreed upon by non-related parties, the Board of Directors arranges for it to be carried out with the assistance of independent experts, in order to determine the value of the assets or of the pertinent financial, legal, or technical profiles.

CONSOB has given a specific indication of subjects that may be deemed related parties, as described in IAS 24; these include those that control the issuer, those that are controlled by the issuer and those that are linked to the issuer, as defined by IAS 28.

Between the parent company and the subsidiaries Centro Latte Rapallo S.p.A. (CLR), Centrale del Latte di Vicenza S.p.A. (CLAV) and Frascheri S.p.A., transactions have been conducted at normal market conditions, with regard both to the production of branded products and to bulk milk. The sales prices applied have been verified and monitored by the person appointed for the purpose to the Company's Monitoring Committee. This activity, in which no censurable practice was evident, has been amply reported to the Board of Directors.

Other executive directors.

There are no executive directors other than those indicated in table 1).

Independent directors.

The Board of Directors has assessed whether the Directors appointed by the Shareholders' Meeting and indicated in table 1) fulfil the requirements of independence following the verification carried out by the Board of Statutory Auditors..

Share-based incentive scheme

On the date of approval of this report there were no share-based incentive schemes.

Compensation due to directors in the event of resignation, dismissal or severance.

No agreements are provided for with a view to paying compensation to directors in the event of resignation, dismissal or severance.

Regulations applicable to the appointment and replacement of directors and audit and supervisory committees

The regulations for the appointment and replacement of directors and monitoring and supervisory committees are described in the by-laws, in the Self-Regulatory Corporate Governance Code and in the pertinent annual reports.

5. HANDLING OF COMPANY INFORMATION.

All directors and auditors must maintain confidentiality on documents and information acquired in the course of carry out their task, and must comply with the procedures for conveying such documents and price-sensitive information to persons outside the company.

Acting on a proposal by the Managing Directors, the Board, during the meeting held on 18 December 2000 resolved to limit to the Chairman and the Managing Directors the right to provide persons outside the company with details on documents and information regarding the company, with particular reference to price-sensitive information. They may use the services of the consultancy firm to which financial information is entrusted to.

6. BOARD'S INTERNAL COMMITTEES.

Remuneration Committee

Within the Board of Directors, a remuneration committee has been set up. It is composed of 3 executive directors, the majority of which are independent.

The remuneration committee presents the Board with:

- proposals for the remuneration of the Chairman, the Managing Directors and the Directors that hold particular offices, monitoring the application of the decisions adopted by the Board;
- periodic assessments of the criteria adopted for the remuneration of managers with strategic responsibilities, overseeing their application based on information provided by the managing directors, and formulating general recommendations on the subject for the Board of Directors.

No director takes part in the meetings of the remuneration committee in which proposals are formulated regarding his own remuneration.

The Remuneration Committee is made up of the following members:

Guido Artom	Director
Alberto Tazzetti	Independent Director

Germano Turinetta Independent Director

During FY 2009, the Committee met once, with two of the three members present. The meeting lasted for 1 hour.

7. DIRECTORS' REMUNERATION.

A significant proportion of the remuneration due to the Executive Directors is linked to the economic results achieved by the Issuer. Variable remuneration is calculated by applying a schedule of percentages on the value of the Group's consolidated Ebitda.

Executive Directors are entitled to an attendance fee of € 750 for each board meeting and committee meeting they take part in.

8. INTERNAL AUDIT COMMITTEE.

The Board of Directors has formed the Internal Audit Committee, which is intended to serve in an advisory and proactive capacity, consisting of four members, three of whom are non-executive directors (two of whom are independent), and one of whom is a member of the Audit Committee.

The members of the Board of Statutory Auditors and the representative of the auditing firm are invited to attend the working sessions of the Committee.

The Internal Audit Committee:

- a) assesses the correct use of accounting standards and their consistency for the purposes of drafting the consolidated financial statements, together with the executive appointed to draft corporate accounts and the auditing firm;
- b) assesses, and expresses opinions on specific issues related to the identification of the main company risks;
- c) assesses the bids made by the auditing firm to obtain the assignment, as well as the work schedule prepared for the audit and the results set forth in the report and advisory letter, if present;
- d) ensures that the auditing process is effective;
- e) performs additional duties assigned by the Board of Directors;
- f) periodically reports to the Board of Directors – at least every six months – on the activities performed and on the appropriateness of the internal audit system.

The Internal Audit Committee of Centrale del Latte di Torino & C. S.p.A. and its subsidiaries is authorised to supply advice and submit proposals. The committee is made up of four members, three of whom are non-executive directors (two of whom are independent) plus the person in charge of the audit committee..

The person in charge of the audit committee appointed, Mr Giancarlo MORETTO, does not operate under any figure in charge of the operational areas, and answers to the managing directors, the internal audit committee and the auditors.

The other members of the Audit Committee are:

- Antonella Forchino Director
- Luciano Roasio Independent Director
- Alberto Tazzetti Independent Director

During 2009 the person in charge of the audit committee carried out inspections on the following:

- the appropriateness and the correct application of the internal procedures manual adopted by the Group Companies, with the aim of identifying areas potentially subject to greater risk and of indicating corrective action where necessary;
- the existence of problems regarding the presence, monitoring and management of company risks linked to disputes regarding labour, fiscal issues and IT security;
- the completeness and reliability of accounting information and the even application of the accounting principles currently in force;
- the existence of any breaches of the Code of Ethics;
- the main changes that have occurred in the organisational structure and the IT systems;
- the activity carried out by the independent auditors;
- compliance of company practice with laws, regulations, directives and Group procedures.
- whether relationships with related parties comply with normal trading conditions;

In the course of these inspections, carried out in the Parent Company, subsidiaries and affiliates, no situations or practices were identified that are in contrast with the procedures; no areas subject to risk or inefficiencies were identified, and in particular, no indication was found of censurable or irregular conduct in dealings with related parties.

The person in charge of the audit committee was present at all the meetings of the Board of Statutory Auditors of Centrale del Latte di Torino & C. S.p.A., during which a representative of the auditing firm was always in attendance.

The half-yearly reports of the Audit Committee provided ample information to the Board of Directors.

Members of the Board of Statutory Auditors and the representative of the Auditing firm accepted the invitation to attend the working sessions of the Committee.

9. ORGANISATION MODEL AS PER LEGISLATIVE DECREE 231/2001.

Risk management and internal audit systems.

Centrale del Latte di Torino & C. S.p.A. and its subsidiaries believe that the adoption of the Model as per the Decree is a further means of raising awareness among directors, employees and all other third parties that have dealings with CLT, so that, in carrying out their activities, their conduct is correct, transparent and in line with the ethical and social values that inspire CLT in the pursuit of its business purpose and prevent the risk of offences set out in Legislative Decree no. 231/2001 from being committed.

The adoption and spread of the model is aimed at rendering potential offenders fully aware that they may in fact be committing an offence and at carrying out constant observation and monitoring of activities so as to ensure CLT is able to adopt preventive measures or to intervene swiftly in order to stop offences being committed.

The aim of the Model is to:

- identify offences that may give rise to administrative liability;
- identify the areas vulnerable to the commission of offences provided for by former Legislative Decree no. 231/2001;
- indicate procedures;
- establish information obligations vis-à-vis the Supervisory Body;
- illustrate the disciplinary system set up to deal with failure to comply with company procedures and regulations.

The Model is a structured, coherent system of procedures and monitoring activities able to prevent risks, composed of manuals and codes of practice adopted by the company. These documents, which are regularly added to and updated in order to keep pace with changes to laws, regulations and the conditions in which the company operates, are an integral part of the Model, and the relevant parts contain the protocols that all individuals who carry out their activity in and/or for the company must comply with and ensure the application of..

The manuals and the codes of practice comprise:

- the accounting and administration procedures manual
- the quality system assurance procedures manual, in compliance with standards UNI EN ISO 9001 and *UNI EN ISO 22000*;
- the code of practice for internal dealing;
- the self-regulatory code for the application of Corporate Governance;
- the Code of Ethics;

The versions of the manuals and codes of practice, duly added to and updated, are quickly made available to all the interested parties, and thereby replace the current Model.

Activities in the context of which it is theoretically possible for offences relevant to Legislative Decree No. 231/2001 to be committed in the interest or to the benefit of CLT are:

- dealings with the Public Administration (hereinafter P.A.) or other Public Institutions (hereinafter P.I.);
- transactions and communications of an accounting, economic and financial nature;
- *offences against industry and commerce*;
- *IT offences and illegal processing of data*;
- selection of personnel and establishment of working relations;
- activities governed by the regulations regarding the prevention of accidents in the workplace and the safeguarding of workplace health and hygiene.

The organisational management and control model pursuant to former Legislative Decree no. 231/2001 is available on the Company's website http://www.centralelatte.torino.it/ita/finanza/documenti/modello_dlgs_231_2001.pdf

10. AUDITING COMPANY.

KPMG S.p.A. Engaged on 28 April 2006; engagement expires with the approval of the 2014 financial statements.

11. EXECUTIVE IN CHARGE OF DRAFTING CORPORATE ACCOUNTS.

The Board of Directors, after having heard the opinion of the board of statutory auditors, appoints or removes the executive in charge of drafting accounts, who must be in possession of the appropriate professional skills pertaining to administration, accounting and finance.

The executive in charge of drafting corporate accounts establishes the appropriate administrative and accounting procedures to draft the financial statements, the consolidated financial statements and all other communication documents of a financial nature. The executive is granted the powers and means necessary to carry out the tasks assigned to him/her.

The executive in charge of drafting corporate accounts, in a specific report provided as an annex to the financial statements and, where provided for, to the consolidated financial statements, attests to the appropriateness and the effective application of the procedures and declares that the financial statements tally with the accounting books and records.

The Board of Directors has appointed Mr. Vittorio VAUDAGNOTTI, administrative and financial manager of the Company, as the executive in charge of drafting corporate accounts.

12. KEY TRAITS OF THE CRITERIA FOR THE RISK MANAGEMENT AND INTERNAL AUDIT SYSTEMS IN PLACE IN RELATION TO THE FINANCIAL REPORTING PROCESS AT THE SEPARATE AND CONSOLIDATED LEVEL

The internal audit system of the Centrale del Latte di Torino Group is made up of the set of company rules and procedures designed, through an appropriate process of identifying the main risks connected to the setting out and communication of financial information, to meet the company's aim to provide reliable, accurate and timely information..

The accounting reports, including consolidated accounting reports, must provide users with a clear and correct picture of management, allow for the issue of statements and declarations required by law attesting to the fact that the documents and details provided to the market by the Parent Company regarding accounting information, including interim reports, tally with the accounting books and records, as well as to the appropriateness and effective application of the administrative and accounting procedures during the period the accounting documents (financial statement, half-yearly and quarterly report) refer to, and the fact that they have been drafted in compliance with the relevant international accounting standards.

Centrale del Latte di Torino Group has implemented, and regularly updates, a system of administrative and accounting procedures able to guarantee a reliable financial reporting process. This system comprises both the procedures and guidelines by means of which the Parent Company ensures an efficient exchange of data with the consolidated companies and conducts the necessary coordination activities, and the operating regulations established by the consolidated companies.

The assessment, updating or monitoring of the internal audit system linked to financial reporting involves identifying and evaluating the risk of significant errors, including those caused by fraud, in the elements that make up the financial report, assessing whether the existing monitoring measures are able to identify such errors and verifying the efficacy of the monitoring process.

The measures in place in the Group aimed at preventing significant errors in the preparation and publication of the financial report substantially regard the following:

measures applied at group or individual consolidated company level, such as the allocation of responsibilities, powers and proxies, the division of tasks and allocation of privileges and rights of access to IT applications;

measures applied at process level, such as the issue of authorisations and the carrying out of reconciliation and the performance of consistency checks.

The efficacy of these measures is regularly verified by the executive in charge of drafting corporate accounts.

13. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES.

Transactions with related parties are carried out in line with the proper criteria in terms of both substances and procedure.

For transactions involving related parties, the directors who have even a potential or indirect interest in the operation:

- a) provide the Board of Directors with exhaustive, timely notification of the existence of this interest and the circumstances of the same;
- b) withdraw from Board meetings at the time of resolution.

Should the nature, value, or other characteristics of the transaction so require, in order to avoid terms being set that would not be in keeping with those normally agreed upon by non-related parties, the Board of Directors arranges for it to be carried out with the assistance of independent experts, in order to determine the value of the assets or of the pertinent financial, legal, or technical profiles.

14. APPOINTMENT OF AUDITORS.

The Board of Statutory Auditors is composed of three Statutory Auditors and three Alternate Auditors who hold office for three years and may be re-elected. The minority group is entitled to elect one Statutory Auditor and one Alternate Auditor. The Board of Statutory Auditors is appointed on the basis of lists submitted by shareholders, in which the candidates are indicated by a progressive number. List is composed of two sections: one for candidates for the office of Statutory Auditor and another for candidates for the office of Alternate Auditor. Lists may be filed only by those shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting. Each shareholder cannot file, either through a third party or by trusts, more than one list or vote for different lists. Each candidate may be appointed in only one list, under penalty of ineligibility. Candidates may not be admitted to the lists if they already hold directorships in other five companies or entities whose stocks are liable for trading on a regulated market featured on the list provided for by articles 63 and 67 of Legislative Decree no. 58/1998, or if they are not in possession of the requirements of honourability, professionalism and independence established by the pertinent regulations. The lists shall be filed with the registered office at least fifteen days before the date set for the meeting in first call and this shall be indicated in the notice of meeting. By the same deadline, statements must be filed along with each list in which each candidate accepts the nomination, and declares, undertaking full responsibility, that there are no reasons for which they are incompatible or could not be appointed, and that they fulfil the requirements set forth by the bylaws and current regulations for each office. Where a list does not meet the above requirements, its submission shall be considered null. Election of statutory auditors takes place as follows:

- two statutory and two alternate members shall be taken from the list obtaining the highest number of votes in the Meeting, according to the progressive order in which the candidates are listed in the sections.
- the remaining statutory and the other alternate member shall be taken from the second list obtaining the highest number of votes in the Meeting, according to the progressive order in which the candidates are listed in the sections.

The first candidate on the minority list obtaining the highest number of votes will be the Chairman. Should the Auditor no longer be in possession of the requisites established by the regulations and the by-laws, s/he shall be removed from office. Should a statutory auditor be replaced, the latter shall be replaced by the alternate auditor from the same list.

Resolutions are passed by an absolute majority of the votes of those in attendance.

The above rulings regarding the election of Auditors do not apply to meetings held, pursuant to the law, to appoint Statutory and/or Alternate Auditors and the Chairman required to complete the Board of Statutory Auditors following the replacement or expiry of the term of an Auditor. In such cases, the meeting shall resolve by relative majority, without prejudice to the clause at paragraph two of this article. Where one list only is submitted, the entire Board of Statutory Auditors shall be appointed from said list. In the event no list is submitted, the shareholders' meeting shall resolve by majority vote. Abstentions shall not be taken into account.

The remuneration of the Statutory Auditors is established by the Shareholders' Meeting.

The Board of Statutory Auditors may also meet by telecommunication means, provided the following conditions are met:

- a) participants must be able to view, receive or transmit all the necessary documentation;
- b) it must be possible to participate in the discussion in real time, in compliance with the board standards.

Meetings are held at the location of the Chairman, or in the absence of the Chairman, of the most senior Auditor in terms of age.

15. AUDITORS.

The make-up of the Board of Statutory Auditors, the date of appointment and the expiry of their engagement are indicated in table 3). Their office expires with the approval of the 2011 financial statements. The appointment took place during the Meeting of 24 April 2009. The auditors elected were indicated in the only list filed by the shareholder Finanziaria Centrale del Latte di Torino S.p.A.. It obtained the vote of 100% of the voting shares.

During FY 2009, the Board of Statutory Auditors met four times, with meetings lasting 1 hour on average.

16. RELATIONS WITH SHAREHOLDERS.

The Company has set up a dedicated section on its website, easily identifiable and accessible under the heading "Investor Relations", where shareholders can access information regarding the Company.

17. SHAREHOLDERS' MEETINGS.

Mechanisms governing the Shareholders' Meeting.

A shareholders' meeting can be ordinary or extraordinary. The ordinary shareholders' meeting is called by the Chairman, the Vice Chairman or one of the Vice Chairmen or one of the Managing Directors, at least once a year and within 120 days of the closure of the corporate year, in order to deal with the matters provided for by law.

Where the law so provides for, the ordinary shareholders' meeting may be called after the 120-day period, provided it takes place within 180 days from the end of the corporate year. The extraordinary shareholders' meeting is called to deal with matters provided for by law or by these by-laws.

The shareholders' meeting is called at the company headquarters, or elsewhere, provided it is held in Italy, with notice to be published under the terms and by the means provided for by current regulations, either in the Official Gazette of the Republic of Italy or in the daily newspaper "LA STAMPA", specifying the day, time and place of the meeting and the matters to be dealt with.

The notice of the call may also indicate the date of further calls.

In order to be admitted to the shareholders' meeting, shareholders must present the certification attesting to inclusion in the centralised dematerialisation management system, issued for the purposes of participating in the shareholders' meeting no later than two days before the meeting by an authorised representative. The shares represented by the certification remain unavailable until the end of the shareholders' meeting. Any shareholder entitled to take part in the meeting may be represented by a third party by written delegation of authority, in accordance with the law.

The setting up of the shareholders' meeting and the validity of the resolutions therein adopted are regulated by the law, with the exception of the appointment of Directors, for which the following paragraph applies, and for the appointment of the Board of Statutory Auditors, for which the provisions of article 20 apply.

The shareholders' meeting may be held in more than one location, close to or distant from each other, linked by both audio and video, under the following conditions, which must be indicated in the minutes:

- the Chairman and the Secretary, who draft the minutes, must be in attendance at the same location;
- the Chairman is able to determine the identity and entitlement of participants, control the proceedings and determine and announce the results of each vote;
- the Secretary is able to take proper note of the events that take place during the meeting;
- participants may take part in the discussion and vote simultaneously on the issues on the agenda, and may view, receive or transmit documents;
- the notice of the call must indicate the locations with which the company has set up an audio/video link and that participants may attend; the meeting shall be held to have taken place in the location where the Chairman and Secretary are present;
- an attendance sheet must be filled out at each location.

The shareholders' meeting is chaired by the Chairman of the Board, or if s/he is absent or unable to attend, by the most senior Vice Chairman in terms of each, or, should the latter be absent or unable to attend, by another person appointed for the purpose by the shareholders' meeting. The Chairman is assisted by a Secretary or a Notary.

The Chairman, also with the assistance of persons appointed for the purpose:

- verifies the identity and entitlement of those present;
- verifies whether the shareholders' meeting has been regularly set up and that the quorum for passing resolutions has been reached;
- leads and governs the shareholders' meeting;
- establishes voting procedures and announces the results thereof.

Turin, 11 March 2010

The Chairman of the Board of Directors
Luigi Luzzati

**TABLE 1:
STRUCTURE OF THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE, INDICATING THE INVESTOR RELATOR**

Office	Members	In office from	In office up to	List	Executive	Non-executive	Indep. according to Code	Indep. according to TUF	% (**)	Audit Committee	Remuneration Committee	Supervisory Body	No. of other offices
Chairman	LUZZATI Luigi	28/04/2008	Approval of 2010 Financial Statements	M	YES				100%				3
Executive Vice Chairman and Managing Director	POZZOLI Riccardo	28/04/2008	Approval of 2010 Financial Statements	M	YES				100%				
Managing Director	CODISPOTI Nicola	24/04/2009	Approval of 2010 Financial Statements	M	Yes				100%				
Director	ARTOM Adele	28/04/2008	Approval of 2010 Financial Statements	M		YES			83%				
Director	ARTOM Guido	28/04/2008	Approval of 2010 Financial Statements	M		YES			86%		YES		
Director	FORCHINO Antonella	28/04/2008	Approval of 2010 Financial Statements	M		YES			100%	YES		YES	
Director	ROASIO Luciano	14/05/2009	Approval of 2009 Financial Statements	M		YES	YES	YES	100%	YES		YES	
Director	RESTANO Ermanno	28/04/2008	Approval of 2010 Financial Statements	M		YES			83%				
Director	TAZZETTI Alberto	28/04/2008	Approval of 2010 Financial Statements	M		YES	YES	YES	70%	YES	YES	YES	1
Director	TURINETTO Germano	28/04/2008	Approval of 2010 Financial Statements	M		YES	YES	YES	100%		YES		2

(*) M: Majority list
m: Minority list

(**) % of attendance to Boards and Committees

Quorum required for the submission of lists for the last appointment: the shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting.

DIRECTORS LAPSED DURING FY 2009

Office	Members	In office from	In office up to	List	Executive	Non-executive	Indep. according to Code	Indep. according to TUF	% (**)	Audit Committee	Remuneration Committee	Supervisory Body	No. of other offices
Director	MARINA Alessandro	28/04/2008	08/05/2009	M	NO	YES			100%	YES			

	Boards of Directors	Internal Audit Committee	Remuneration Committee	Supervisory Body
Number of meetings held during the period	6	3	1	3

TABLE 2: OTHER OFFICES OF THE DIRECTORS

Office	Members	Other office held	In LISTED COMPANIES (foreign too)	In BANKING OR INSURANCE COMPANIES
Chairman	Luigi LUZZATI	Chairman Vice Chairman Director	Acque Potabili S.p.A. – Turin Mediterranea delle acque S.p.A. - Genoa	Banco di San Giorgio S.p.A. - Genoa
Director	Alberto TAZZETTI	Director		Leasint S.p.A.
Director	Germano TURINETTO	Chairman		Terfinance S.p.A.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Office	Members	In office from	In office up to	List	Indep. according to Code	% (**)	No. of other offices
Chairman	BALOSSO Marco Maria	24/04/2009	Approval of 2011 Financial Statements	M	YES	100%	5
Statutory auditor	RAYNERI Giovanni	24/04/2009	Approval of 2011 Financial Statements	M	YES	100%	34
Statutory auditor	ROSSOTTO Vittoria	24/04/2009	Approval of 2011 Financial Statements	M	YES	100%	9
Alternate auditor	D'AMELIO Giovanni	24/04/2009	Approval of 2011 Financial Statements	M	YES		
Alternate auditor	GRISONI Paolo Pierangelo	24/04/2009	Approval of 2011 Financial Statements	M	YES		
Alternate auditor	RAYNERI Michela	24/04/2009	Approval of 2011 Financial Statements	M	YES		

(*) M: Majority list
m: Minority list

(**) % of attendance to Boards and Committees

Quorum required for the submission of lists for the last appointment: the shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting.

AUDITORS LAPSED DURING FY 2009

Office	Members	In office from	In office up to	List	Indep. according to Code	% (**)	No. of other offices
Statutory auditor	D'AMELIO Giovanni	24/04/2006	24/04/2009	M	YES	100%	