



**Interim Report  
on Operations**

**at September 30, 2008**



## Mission

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

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

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



## Countries of Operation

### Direct Presence

#### Europe

Italy, Portugal, Romania and Russia

#### Rest of the World

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

### Presence Through Licensees

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

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# Financial Highlights

## Income Statement Highlights

*(in millions of euros)*

GROUP	Cumulative at September 30, 2008	Cumulative at September 30, 2007	Third quarter of 2008	Third quarter of 2007
- Net revenues	2,876.1	2,797.4	973.7	987.1
- EBITDA	219.9	254.1	78.8	90.9
- EBIT	674.2	339.6	231.2	56.0
- Net profit	640.1	276.9	213.2	32.6
- EBIT/Revenues (%)	23.3	12.1	23.6	5.6
- Net profit/Revenues (%)	22.1	9.8	21.8	3.3
<b>COMPANY</b>				
- Net revenues	677.5	646.1	219.2	219.2
- EBITDA	40.1	52.5	15.2	17.6
- EBIT	551.1	186.6	175.3	(3.9)
- Net profit	614.2	199.4	167.1	1.2
- EBIT/Revenues (%)	79.2	28.1	77.7	(1.7)
- Net profit/Revenues (%)	88.3	30.1	74.1	0.5

## Balance Sheet Highlights

*(in millions of euros)*

GROUP	9/30/08	6/30/08	12/31/07
- Net financial assets	986.4	901.0	855.8
- ROI (%) <sup>1</sup>	48.3	47.6	38.0
- ROE (%) <sup>1</sup>	30.6	31.1	28.5
- Equity/Assets	0.6	0.6	0.6
- Net financial position/Equity	(0.3)	(0.3)	(0.3)
<b>COMPANY</b>			
- Net financial assets	1,432.6	1,324.0	1,231.3
- ROI (%) <sup>1</sup>	116.1	112.2	73.6
- ROE (%) <sup>1</sup>	31.7	34.8	25.1
- Equity/Assets	0.8	0.8	0.8
- 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 balance sheet. The ROI was computed taking into account the impact of nonrecurring events.

## Operating Performance

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

### Group

Group revenues totaled 2,876.1 million euros in the first nine months of 2008, or 2.8% more than in the same period last year. Restated to eliminate the impact of the appreciation of the euro versus other major currencies (131.5 million euros), revenues show a gain of 7.5%. This positive performance is the combined result of the increases in list prices, implemented to offset a sharp rise in the cost of raw materials, and of a further improvement in the sales mix, made possible by programs that focused the Group's efforts and investments on products with a high value added.

EBITDA, which amounted to 219.9 million euros, or 34.2 million euros less than in the first nine months of 2007, were equal to 7.6% of revenues. Restated to eliminate the impact of the appreciation of the euro versus other major currencies (8.7 million euros), EBITDA improve to 228.6 million euros, for a decrease of 25.5 million euros (-10.0%). Lower unit sales, caused by a decrease in consumption and strong market competition from private labels, and a rise in fixed production costs attributable almost entirely to inflationary pressure in South Africa and Central and South America account for most of the EBITDA shortfall.

### Total Continuing

€ ml	Sep'07	Sep'08	VARIANCE	VAR. %
<b>Net Sales</b>	<b>2.797,4</b>	<b>2.876,1</b>	<b>78,7</b>	<b>+2,8%</b>
<b>EBITDA</b>	<b>254,1</b>	<b>219,9</b>	<b>(34,2)</b>	
<i>EBITDA %</i>	<i>9,1</i>	<i>7,6</i>	<i>-1,4 ppt</i>	

### III QUARTER

€ ml	p.y.	c.y.	VARIANCE	VAR. %
<b>Net Sales</b>	<b>987,1</b>	<b>973,7</b>	<b>(13,4)</b>	<b>-1,4%</b>
<b>EBITDA</b>	<b>90,9</b>	<b>78,8</b>	<b>(12,0)</b>	
<i>EBITDA %</i>	<i>9,2</i>	<i>8,1</i>	<i>-1,1 ppt</i>	

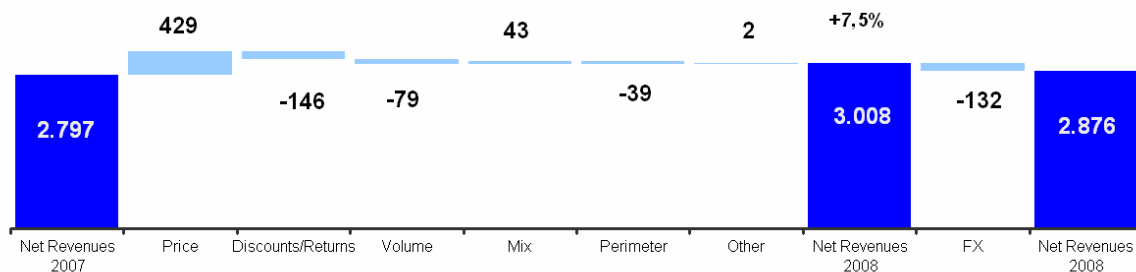
When compared with the same period last year, the income statement data for the third quarter of 2008 reflect the impact of the negative performance of the African SBU. In the other regions in which the Group operates, reported results improved in Europe and held relatively steady in Italy, Canada and Australia.



## Like-for-like Net Revenues and EBITDA

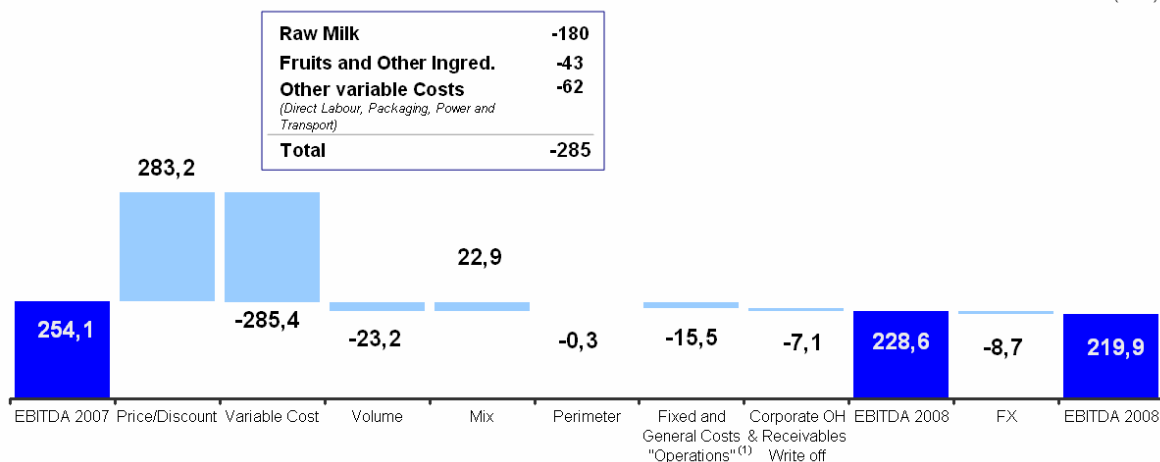
### Net Revenues September 08 vs 07

(€ ml)



### EBITDA September 08 vs 07

(€ ml)



(1) The increase in fixed costs is attributable almost entirely to inflationary pressure in South Africa and Central and South America.

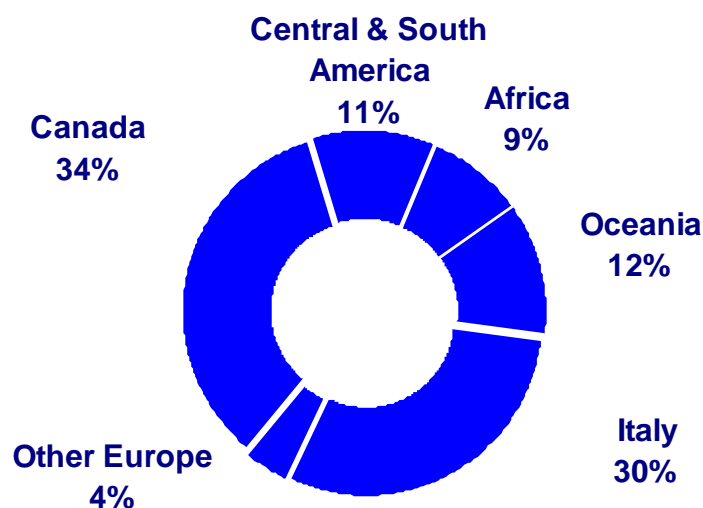
## Data by Geographic Region

September '07			Areas	September '08		
Net Sales	EBITDA	EBITDA%	€ ml	Net Sales	EBITDA	EBITDA%
845,1	81,3	9,6	Italy	864,9	81,6	9,4
110,5	15,8	14,3	Other Europe	123,1	18,3	14,9
981,8	91,6	9,3	Canada	981,4	88,9	9,1
254,7	27,9	11,0	Africa	247,1	9,0	3,6
323,9	24,8	7,7	Australia	339,2	13,6	4,0
283,0	26,8	9,5	Central & South America	323,0	31,1	9,6
(1,6)	(14,1)	n.s.	Others *	(2,5)	(22,5)	n.s.
<b>2.797,4</b>	<b>254,1</b>	<b>9,1</b>	<b>Group</b>	<b>2.876,1</b>	<b>219,9</b>	<b>7,6</b>

The areas represent the consolidated data for the corresponding countries.

(\*) The negative change of 8.4 million euros in EBITDA reflects a rise in Holding Company costs that is the result of higher labor costs, lower royalty income and an increase in consulting expenses.

## Revenues by Geographic Region



## Data by Product Division

€ml	September '07			September '08		
	Net Sales	EBITDA	EBITDA%	Net Sales	EBITDA	EBITDA%
Milk (1)	1.654,7	128,5	7,8	1.702,7	115,0	6,8
Fruit Base Drink (2)	198,6	39,0	19,7	211,7	39,4	18,6
Milk Derivative (3)	892,9	92,5	10,4	909,4	82,1	9,0
Other (4)	51,1	(5,9)	(11,5)	52,3	(16,6)	(31,7)
<b>Group</b>	<b>2.797,4</b>	<b>254,1</b>	<b>9,1</b>	<b>2.876,1</b>	<b>219,9</b>	<b>7,6</b>

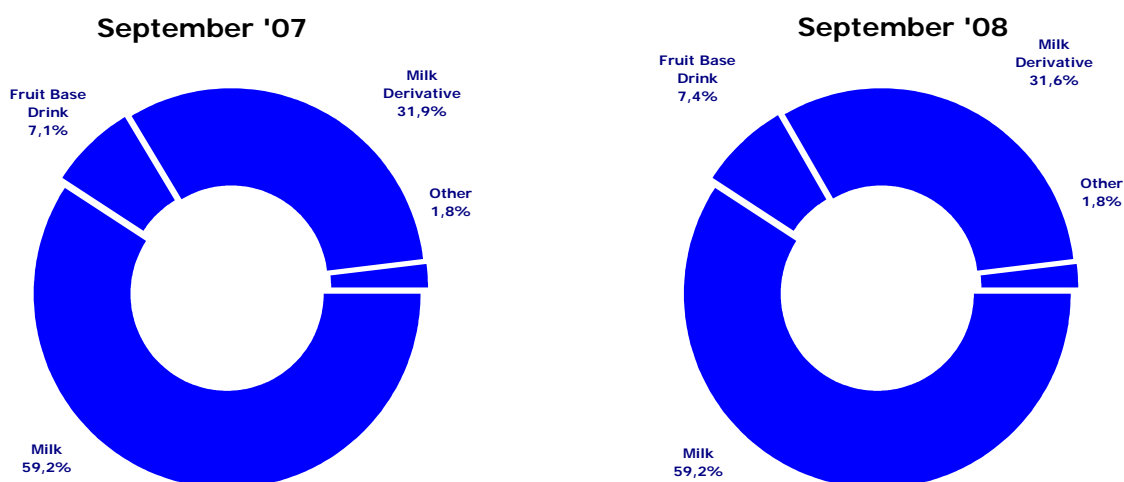
(1) Includes Milk, Cream and Béchamel.

(2) Fruit Juices and Tea.

(3) Includes Yogurt, Desserts and Cheese.

(4) In addition to Holding Company costs, it includes the revenues and EBITDA generated by other products in Canada (in 2008, revenues of 21.6 million euros and EBITDA of 4.6 million euros from sales of whey, soy beverages and other ingredients) and Italy (in 2008, revenues of 21.3 million euros and EBITDA of 0.6 million euros from sales of salads and other products).

## Net Revenues by Product Division



## Capital Expenditures

In the first nine months of 2008, capital expenditures, including land and buildings, totaled 92.5 million euros. The largest amounts were invested in Italy (24.7 million euros), Canada (22.9 million euros), South Africa (17.0 million euros) and Central and South America (11.8 million euros).

## Business Units

### Italy

€ ml	Sep'07	Sep'08	VARIANCE	VAR. %
<b>Net Sales</b>	<b>845,1</b>	<b>864,9</b>	<b>19,8</b>	<b>+2,3%</b>
<b>EBITDA</b>	<b>81,3</b>	<b>81,6</b>	<b>0,2</b>	
<i>EBITDA %</i>	<i>9,6</i>	<i>9,4</i>	<i>-0,2 ppt</i>	

#### III QUARTER

€ ml	p.y.	c.y.	VARIANCE	VAR. %
<b>Net Sales</b>	<b>286,2</b>	<b>265,0</b>	<b>(21,2)</b>	<b>-7,4%</b>
<b>EBITDA</b>	<b>25,5</b>	<b>25,6</b>	<b>0,1</b>	
<i>EBITDA %</i>	<i>8,9</i>	<i>9,7</i>	<i>0,8 ppt</i>	

Because Newlat was sold in May 2008, in order to provide a more meaningful year-over-year comparison, the table below shows the data of the Italian SBU for the first nine months of 2007 and 2008 restated without Newlat's contribution.

### Italy without Newlat

€ ml	Sep'07	Sep'08	VARIANCE	VAR. %
<b>Net Sales</b>	<b>780,1</b>	<b>821,6</b>	<b>41,6</b>	<b>+5,3%</b>
<b>EBITDA</b>	<b>79,4</b>	<b>77,4</b>	<b>(2,0)</b>	
<i>EBITDA %</i>	<i>10,2</i>	<i>9,4</i>	<i>-0,8 ppt</i>	

#### III QUARTER

€ ml	p.y.	c.y.	VARIANCE	VAR. %
<b>Net Sales</b>	<b>262,5</b>	<b>265,0</b>	<b>2,5</b>	<b>+0,9%</b>
<b>EBITDA</b>	<b>25,4</b>	<b>25,6</b>	<b>0,3</b>	
<i>EBITDA %</i>	<i>9,7</i>	<i>9,7</i>	<i>0,0 ppt</i>	

In 2008, Italian households reduced consumption of food products across the board and sales patterns shifted, producing an increase in sales volumes of lower-priced items. As a result, the competitive scenario changed drastically, with private labels enjoying strong growth, especially in the fresh milk segment, thanks to extremely aggressive pricing policies. At the same time, an increase in variable production costs (those of raw milk and energy, above all) compared with 2007 could be offset only in part by raising list prices and reducing overhead. Nevertheless, EBITDA for the third quarter of 2008 were in line with the figure for the same period last year.

## **Markets and Products**

The main development that characterized the fresh milk market in 2008 was an aggressive drive by private labels that targeted virtually all supermarket chains, a market segment where price is a key factor in purchasing decisions.

As a result, unit sales of branded products decreased for the market as a whole. Against this background, Parmalat was able to contain the reduction in unit sales, thanks to a positive performance by “Blu Premium” in the extended shelf life segment and the successful launch of low-cost Parmalat Pasteurized Milk in the traditional channel. In the UHT milk segment, unit sales of Parmalat branded milk grew more than the market average, strengthening the Company’s leadership position.

In the yogurt segment, aggressive promotional programs and the launch of new functional yogurts (Zymil, Omega 3 and Fibresse), introduced consistent with a brand extension strategy, enabled Parmalat to increase unit sales faster than the market as a whole and expand its market share. As for fruit beverages, market demand was down slightly due to unfavorable weather conditions. The Santal brand retained comfortably the leadership position in this market, where price increases were lower than in other segments

## **Raw Materials**

Following a period of sharp increases that started in the second half of 2007 and continued during the first six months of 2008, the price of raw milk appears to have stabilized in the second half of this year. This was due mainly to the higher supply available in the international markets, which caused International Spot Milk prices to decrease substantially. The price paid by Parmalat for raw milk during the first nine months of 2008 increased by about 13% compared with the same period last year.

## Other Countries in Europe

€ ml	Sep'07	Sep'08	VARIANCE	VAR. %
<b>Net Sales</b>	<b>110,5</b>	<b>123,1</b>	<b>12,6</b>	<b>+11,4%</b>
<b>EBITDA</b>	<b>15,8</b>	<b>18,3</b>	<b>2,6</b>	
<i>EBITDA %</i>	<i>14,3</i>	<i>14,9</i>	<i>0,6 ppt</i>	

### III QUARTER

€ ml	p.y.	c.y.	VARIANCE	VAR. %
<b>Net Sales</b>	<b>38,1</b>	<b>41,3</b>	<b>3,2</b>	<b>+8,3%</b>
<b>EBITDA</b>	<b>4,7</b>	<b>7,4</b>	<b>2,7</b>	
<i>EBITDA %</i>	<i>12,4</i>	<i>17,9</i>	<i>5,5 ppt</i>	

## Russia

Total unit sales were up 1.8% compared with the first nine months of 2007. More specifically, shipments of UHT milk increased by 3.9% compared with 2007, while sales of pasteurized milk decreased by 8.6% and those of fruit juices grew by 4.4%. The SBU's profitability improved in 2008, despite a market environment characterized by lower consumer demand. The average price paid to purchase raw milk, which had risen substantially during the second half of 2007 due to limited market availability, began to trend lower in 2008.

## Portugal

Net revenues were up slightly compared with the first nine months of 2007, even though unit sales decreased by 10.5%. A positive performance by flavored milk, béchamel and cream sold under the Parmalat brand more than offset the impact of lower fruit juice sales. In the milk market, strong gains by private labels caused profit margins to decrease. In this market, the local SBU has been able to minimize the impact of a decrease in unit sales thanks to the positive contribution provided by its Ucal chocolate-flavored milk.

## Romania

Unit sales of fruit juices, which account for virtually all of the SBU's turnover, were up 6.8% compared with the first nine months of 2007. Despite this improvement, the profitability of the Romanian SBU decreased compared with the previous year, reflecting mainly the impact of higher production costs (raw materials, energy and sundry items) and of an increase in marketing investments. The strong competitive pressure that developed in the market following Romania's entry into the European Union made it impossible to fully transfer these cost increases to list prices.

## Canada

€ ml	Sep'07	Sep'08	VARIANCE	VAR.%
<b>Net Sales</b>	<b>981,8</b>	<b>981,4</b>	<b>(0,5)</b>	<b>-0,0%</b>
<b>EBITDA</b>	<b>91,6</b>	<b>88,9</b>	<b>(2,8)</b>	
<i>EBITDA %</i>	<i>9,3</i>	<i>9,1</i>	<i>-0,3 ppt</i>	

### III QUARTER

€ ml	p.y.	c.y.	VARIANCE	VAR.%
<b>Net Sales</b>	<b>356,7</b>	<b>344,0</b>	<b>(12,7)</b>	<b>-3,6%</b>
<b>EBITDA</b>	<b>33,9</b>	<b>31,6</b>	<b>(2,3)</b>	
<i>EBITDA %</i>	<i>9,5</i>	<i>9,2</i>	<i>-0,3 ppt</i>	

The Canadian dollar decreased in value by 4.3% compared with the exchange rate applied in the same period last year, with a negative impact on revenues and EBITDA of 42.3 million euros and 3.8 million euros, respectively.

In order to provide a better understanding of the SBU's performance, the table below shows the data restated using the local currency.

## Canada

Local Currency ml	Sep'07	Sep'08	VARIANCE	VAR.%
<b>Net Sales</b>	<b>1.457,5</b>	<b>1.519,6</b>	<b>62,1</b>	<b>+4,3%</b>
<b>EBITDA</b>	<b>136,0</b>	<b>137,6</b>	<b>1,6</b>	
<i>EBITDA %</i>	<i>9,3</i>	<i>9,1</i>	<i>-0,3 ppt</i>	

### III QUARTER

Local Currency ml	p.y.	c.y.	VARIANCE	VAR.%
<b>Net Sales</b>	<b>514,7</b>	<b>537,9</b>	<b>23,1</b>	<b>+4,5%</b>
<b>EBITDA</b>	<b>49,0</b>	<b>49,4</b>	<b>0,4</b>	
<i>EBITDA %</i>	<i>9,5</i>	<i>9,2</i>	<i>-0,3 ppt</i>	

Unit sales and revenues were up compared with the previous year, but the increase in EBITDA was proportionately smaller, reflecting the impact of the costs incurred to launch new products and support the SBU's entry in the yogurt market in Quebec.

### Markets and Products

There are four main players in the Canadian market, with the Parmalat Group subsidiary enjoying a leadership position in some regions. In a country where per capita consumption of liquid milk is continuing to shrink, population growth is mainly the result of immigration, and where some regions are experiencing difficult economic conditions, consumers appear to be less inclined to purchase premium products, choosing instead less expensive items. Despite this environment, the Canadian SBU reported higher unit sales by its Milk Division, with shipments of cheese and yogurt holding relatively steady compared with 2007.

### Raw Materials and Packaging

The cost of raw milk continued to be very high compared with the level in the world market. The Canadian dairy industry is regulated. The prices of other production components, particularly oil and petroleum-based products, also rose significantly, particularly during the first half of the year. The resulting increase in operating costs could not be fully passed on to consumers.

## Africa

€ ml	Sep'07	Sep'08	VARIANCE	VAR. %
<b>Net Sales</b>	<b>254,7</b>	<b>247,1</b>	<b>(7,6)</b>	<b>-3,0%</b>
<b>EBITDA</b>	<b>27,9</b>	<b>9,0</b>	<b>(18,9)</b>	
<i>EBITDA %</i>	<i>11,0</i>	<i>3,6</i>	<i>-7,3 ppt</i>	

### III QUARTER

€ ml	p.y.	c.y.	VARIANCE	VAR. %
<b>Net Sales</b>	<b>86,5</b>	<b>87,0</b>	<b>0,6</b>	<b>+0,7%</b>
<b>EBITDA</b>	<b>10,0</b>	<b>0,4</b>	<b>(9,5)</b>	
<i>EBITDA %</i>	<i>11,5</i>	<i>0,5</i>	<i>-11,0 ppt</i>	

The reporting currency of the main African Business Unit (South African rand) decreased in value by 22.1% compared with the exchange rate applied in the same period last year. The negative impact of this change on revenues and EBITDA was 47.3 million euros and 1.1 million euros, respectively.

Overall, the African SBU reported a 1.5% decrease in unit sales. A breakdown by market segment shows that shipments of UHT milk decreased by 3.0%, but unit sales were up 9.5% for cheese products and 12.6% for yogurt (10% of total sales) compared with 2007.

The business environment in this region was affected by negative conditions in the global economy, which caused growth to slow dramatically and forced consumers to drastically cut spending. This negative trend became even more pronounced in the second half of 2008.

This environment had an immediate negative effect on the performance of the Group's main African subsidiary (Parmalat South Africa), which reported lower unit sales than in the first nine months of 2007 and revenues that, when stated in South African rand, show a substantial increase due to the impact of strong inflationary pressure.

## South Africa

The South African market is characterized by contracting demand by consumers, who are responding to a loss in purchasing power by increasingly turning to low-price commoditized products. In addition, strong competition, particularly from private labels, is causing a consolidation among market players, with negative consequences for smaller and weaker operators. The local SBU, supported by the Group's Parent Company, is responding decisively to this challenge, with the goal of returning in the very near future to the performance levels achieved in previous years.

### Markets and Products

A review of the individual product categories shows that the SBU enjoys a strong position and satisfactory, albeit decreasing, profit margins in the cheese market. It also reported healthy unit sales and revenues in the yogurt segment, but, here, too, profit margins were below expectations due to general market conditions.



## Australia

€ ml	Sep'07	Sep'08	VARIANCE	VAR. %
<b>Net Sales</b>	<b>323,9</b>	<b>339,2</b>	<b>15,3</b>	<b>+4,7%</b>
<b>EBITDA</b>	<b>24,8</b>	<b>13,6</b>	<b>(11,2)</b>	
<i>EBITDA %</i>	<i>7,7</i>	<i>4,0</i>	<i>-3,7 ppt</i>	

### III QUARTER

€ ml	p.y.	c.y.	VARIANCE	VAR. %
<b>Net Sales</b>	<b>114,6</b>	<b>116,0</b>	<b>1,4</b>	<b>+1,2%</b>
<b>EBITDA</b>	<b>10,2</b>	<b>10,0</b>	<b>(0,2)</b>	
<i>EBITDA %</i>	<i>8,9</i>	<i>8,6</i>	<i>-0,3 ppt</i>	

The local currency (Australian dollar) decreased in value by 1.9% compared with the exchange rate applied in the same period last year, with a negative impact on revenues and EBITDA of 6.5 million euros and 0.3 million euros, respectively.

The results of the Australian SBU were penalized by an increase in the cost of raw milk, caused by mandatory purchase price adjustments in the Australian market. In addition, strong competition from private labels caused unit sales to decrease by 9.1% compared with the same period in 2007.

In response to the volatility that characterized the prices of raw milk and other raw materials in 2007 and continued during the first half of 2008, exerting pressure on sales volumes and margins, Parmalat Australia focused on carefully managing its operating costs. It also curtailed discretionary spending by all departments and succeeded in significantly reducing overhead. The impact of this cost cutting effort was bolstered by an aggressive program of efficiency boosting initiatives and continuous improvement projects. In the third quarter of 2008, the SBU reported significantly better results than in the first two quarters of the year.

### Markets and Products

The Australian domestic market is highly competitive with three main national producers and numerous small regional operators. The retail segment is also fiercely competitive, with a highly concentrated market in which the two largest wholesale chains control 75% of the market.

The Australian subsidiary is focusing its production on items with a high value added, such as flavored milk, functional products and products that address food intolerances, with the goal of improving its sales mix.

### Raw Materials and Packaging

The SBU's performance was adversely affected by changes in the average cost of raw milk, which increased sharply in 2008, due to the problems that occurred during the second half of 2007 (drought and scarcity of dairy products) and, more directly, mandatory price adjustments (step up process) that were also applied to milk purchased the previous year. Increases in the prices of other production materials (other ingredients and packaging materials) were offset by improving efficiency with projects focused specifically on purchasing.

## Central and South America

€ ml	Sep'07	Sep'08	VARIANCE	VAR. %
<b>Net Sales</b>	<b>283,0</b>	<b>323,0</b>	<b>40,1</b>	<b>+14,2%</b>
<b>EBITDA</b>	<b>26,8</b>	<b>31,1</b>	<b>4,4</b>	
<i>EBITDA %</i>	<i>9,5</i>	<i>9,6</i>	<i>0,2 ppt</i>	

### III QUARTER

€ ml	p.y.	c.y.	VARIANCE	VAR. %
<b>Net Sales</b>	<b>103,6</b>	<b>120,9</b>	<b>17,3</b>	<b>+16,7%</b>
<b>EBITDA</b>	<b>11,2</b>	<b>10,3</b>	<b>(0,9)</b>	
<i>EBITDA %</i>	<i>10,8</i>	<i>8,5</i>	<i>-2,3 ppt</i>	

### Venezuela

Unit sales decreased by 6.4% compared with the previous year, but shipments of fruit juices, which are the SBU's most profitable product, held relatively steady compared with 2007. In the case of pasteurized milk, which is sold at a controlled price, sales volumes were down 25.9%. EBITDA improved significantly, despite sharply higher raw material costs and an increase in overhead caused by strong inflationary pressure. Even though it operates in a complex political, economic and financial environment, the Venezuelan SBU is committed to pursuing growth through the development of new products.

### Colombia

Overall, unit sales decreased by 17.4% compared with the previous year, with shipments of pasteurized milk, which account for 76% of the total sales volume, down 21.6%. As revenues grew at a pace substantially consistent with the rate of inflation, the higher costs incurred to purchase raw materials and the advertising expenses required to position new functional products had a negative impact on the SBU's profitability, which was nevertheless considerable for the first nine months of 2008.

### Nicaragua

The overall sales volume was down 14.5% compared with the previous year. More specifically, shipments of pasteurized milk, which accounts for 62% of the SBU's total sales, were 22.5% lower than in 2007. Unit sales of pasteurized cream, which is the SBU's product with the highest profit margin, increased by 25.0%.

# Financial Performance

## Performance of the Group

At September 30, 2008, the Group's net financial position showed an improvement of 130.6 million euros, with net financial assets increasing to 986.4 million euros, up from 855.8 million euros at December 31, 2007. The net financial position at September 30, 2008 reflects a positive foreign exchange effect of 3.1 million euros and includes net indebtedness of 156.7 million euros (141.6 million euros at December 31, 2007) owed by the Venezuelan subsidiaries.

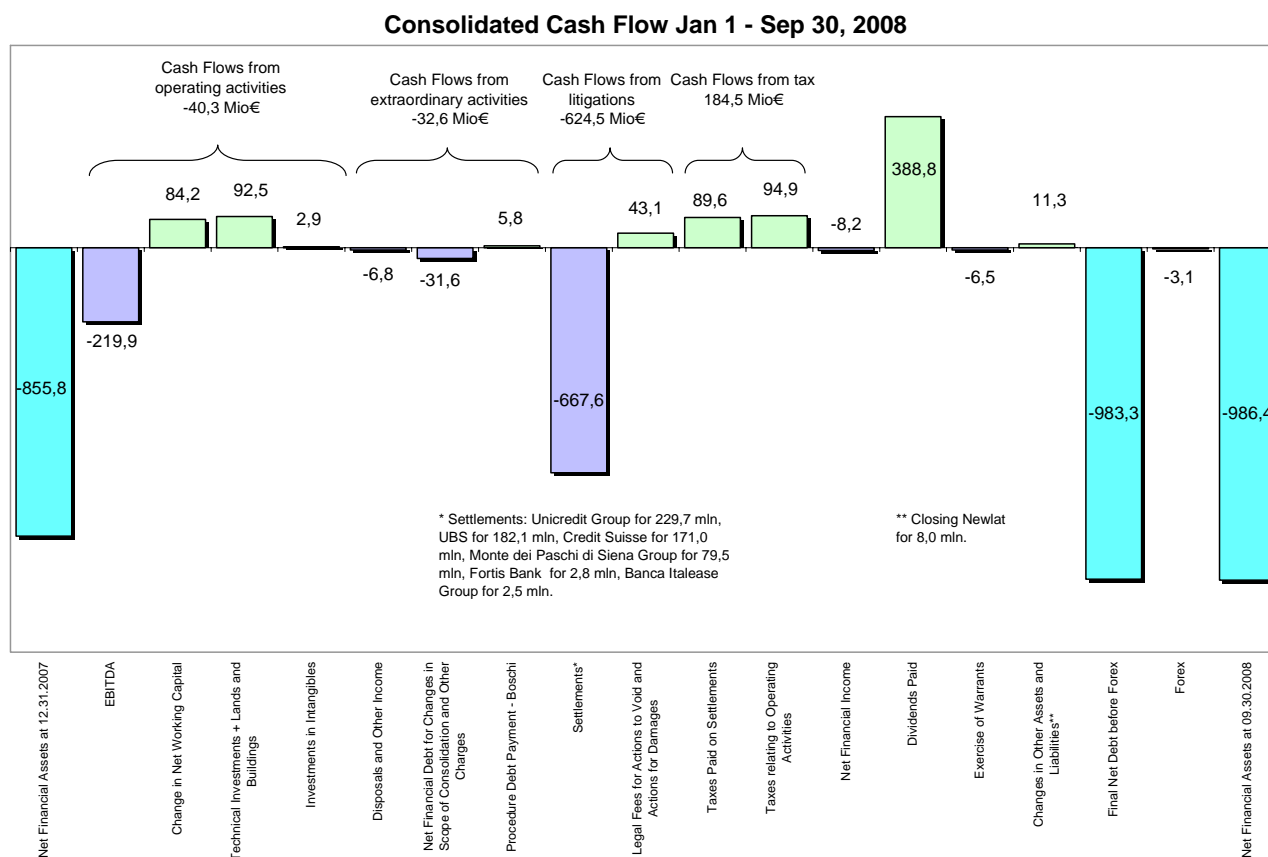
The cash flow from operations, net of changes in net operating working capital and capital expenditures, amounted to 40.3 million euros.

Net cash flow from non-recurring transactions totaled 32.6 million euros. This amount refers primarily to the deconsolidation of Newlat S.p.A. (35.1 million euros) and outlays of 5.8 million euros to settle unsecured business obligations of Boschi Luigi & Figli S.p.A.

Cash flows from litigation settlements totaled 624.5 million euros, which is the net result of legal costs amounting to 43.1 million euros and proceeds of 667.6 million euros generated by settlements reached during the first nine months of 2008 with Banca Monte dei Paschi di Siena S.p.A. (79.5 million euros), Fortis Bank (2.8 million euros), Banca Italease Group (2.5 million euros), UBS (182.1 million euros), Credit Suisse (171.0 million euros) and UniCredit (229.7 million euros).

The cash flow required for income tax payments totaled 184.5 million euros, including 94.9 million euros attributable to operating activities and 89.6 million euros attributable to litigation results.

In addition to the positive foreign exchange effect of 3.1 million euros mentioned above, other items affecting the net financial position included net financial income of 8.2 million euros, dividend payments totaling 388.8 million euros (including 261 million euros for the 2007 dividend and 126.3 million euros for the 2008 interim dividend distributed by the Group's Parent Company), proceeds of 6.5 million euros from the exercise of warrants and a net negative change of 11.3 million euros in other assets and liabilities.



# Human Resources

## Group Employees

The table below provides a breakdown by geographic region of the employees of Group companies that were consolidated line by line at September 30, 2008 and a comparison with the data at June 30, 2008 and at December 31, 2007.

<b>Total number of employees by geographic region<sup>1</sup></b>			
<b>Geographic region</b>	<b>September 30, 2008</b>	<b>June 30, 2008</b>	<b>December 31, 2007</b>
Italy	2,357	2,381	2,940
Europe excluding Italy	1,398	1,372	1,383
Canada	2,973	3,040	2,974
Central and South America	3,742	3,699	3,755
Africa	2,294	2,340	2,237
Australia	1,475	1,423	1,432
<b>Total</b>	<b>14,239</b>	<b>14,255</b>	<b>14,721</b>

<sup>1</sup> Employees of companies consolidated line by line.

During the third quarter of 2008, the Group's payroll did not change significantly compared with the previous quarter. However, the data for the first nine months of the year show that the staff decreased by 482 employees due to reorganization programs carried out by the Italian SBU and the sale of Newlat S.p.A.

## Management and Development of Human Resources

During the third quarter of 2008, the Group continued the process of recruiting and hiring key resources for its foreign subsidiaries, mainly in the areas of production, accounting, finance and control.

The Group's Human Resource Committee made further progress in implementing its activities during the third quarter of 2008. Training programs continue to be implemented taking into account the needs that exist in the different countries.

New developments at the organizational level include the establishment, as of June 2008, of an External Relations Function within the Group's Human Resources Department.

# Review of Operating and Financial Results

## Parmalat Group

**Net revenues** totaled 2,876.1 million euros, or 78.7 million euros more (+2.8%) than the 2,797.4 million euros reported at September 30, 2007. Restated to eliminate the impact of the appreciation of the euro versus the other main currencies (131.5 million euros), net revenues amount to 3,007.6 million euros, for a gain of 210.2 million euros (+7.5%). The higher list prices implemented in response to a sharp rise in the cost of raw milk and a further improvement in the product mix achieved through plans that focus efforts and investments on products with a higher value added account for this positive performance.

**EBITDA** decreased to 219.9 million euros, or 34.2 million euros less (-13.5%) than the 254.1 million euros earned in the first nine months of 2007. Restated to eliminate the impact of the appreciation of the euro versus the main currencies (8.7 million euros), EBITDA amount to 228.6 million euros, for a decrease of 25.5 million euros (-10.0%). This shortfall is chiefly the result of an increase in the cost of raw milk, lower unit sales caused by a decrease in consumption and strong competition from private labels, and a rise in overhead attributable almost entirely to inflationary pressure in South Africa and Central and South America.

**EBIT** grew to 674.2 million euros, or 334.6 million euros more than the 339.6 million euros earned in the first nine months of 2007. In addition to the contribution provided by EBITDA (219.9 million euros), reported EBIT reflects primarily proceeds from settlements of actions to void in bankruptcy and actions for damages totaling 667.6 million euros (246 million euros in 2007), offset in part by depreciation, amortization and writedowns of non-current assets amounting to 171.2 million euros (69.6 million euros in 2007) — 102.1 million euros of which (65.8 million euros for Italy, 28.9 million euros for Africa and 7.4 million euros for Australia) refer to impairment losses — and legal costs for actions to void in bankruptcy and actions for damages amounting to 42.0 million euros (43.6 million euros in 2007).

**Group interest in net profit** totaled 638.0 million euros, or 361.7 million euros more than the 276.3 million euros earned in the first nine months of 2007. In addition to the contribution provided by the increase in EBIT (+334.6 million euros), the main reasons for the year over year improvement include higher net financial income (+20.1 million euros), made possible by a reduction in indebtedness and an increase in the liquid assets invested by the Group's Parent Company, and a reduction of 50.2 million euros in income taxes, offset in part by a decline in the net profit generated by discontinuing operations (-38.0 million euros).

**Net invested capital** grew by 68.7 million euros to 1,898.2 million euros (1,829.5 million euros at December 31, 2007). This increase reflects primarily the payment of income taxes totaling 184.5 million euros (including 89.6 million euros on the proceeds generated by actions for damages), offset in part by an increase of 102.1 million euros in writedowns of intangibles recognized as a result of an impairment test and the sale of Newlat S.p.A. (46.5 million euros).

**Net financial assets** amounted to 986.4 million euros. The increase of 130.6 million euros, compared with net financial assets of 855.8 million euros at December 31, 2007, reflects primarily: the cash flow from operating activities, net of changes in operating working capital and capital expenditures (40.3 million euros); the inflow from non-recurring activities (32.6 million euros), which refers mainly to the sale of Newlat S.p.A. (35.1 million euros); the inflow from litigations (624.5 million euros, as the net result of 667.6 million euros in proceeds from settlements reached during the first nine months of 2008 and 43.1 million euros in costs incurred to pursue the corresponding legal actions); the outflow for income taxes (184.5 million euros, including 94.9 million euros for operating items and 89.6 million euros owed on proceeds from actions for damages); the payment of dividends totaling 388.8 million euros (including 261 million euros for the 2007 dividend and 126.3 million euros for the 2008 interim dividend distributed by the Group's Parent Company); and the impact of the translation into euros of the net borrowings of companies that operate outside the euro zone (3.1 million euros).

**Group interest in shareholders' equity** totaled 2,859.9 million euros, or 200.3 million euros more than the 2,659.6 million euros reported at December 31, 2007. The net profit for the period (638.0 million euros) and a capital increase of 6.6 million euros, offset in part by outlays totaling 393.6 million euros for the 2007 dividend and 2008 interim dividend declared this year and a charge of 49.7 million euros for the translation into euros of the financial statements of companies that operate outside the euro zone.

## Parmalat Group

### RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in millions of euros)

	9/30/08	9/30/07
<b>REVENUES</b>	<b>2,895.5</b>	<b>2,816.4</b>
Net revenues	2,876.1	2,797.4
Other revenues	19.4	19.0
<b>OPERATING EXPENSES</b>	<b>(2,666.9)</b>	<b>(2,553.1)</b>
Purchases, services and miscellaneous costs	(2,326.3)	(2,220.1)
Labor costs	(340.6)	(333.0)
<b>Subtotal</b>	<b>228.6</b>	<b>263.4</b>
Writedowns of receivables and other provisions	(8.7)	(9.3)
<b>EBITDA</b>	<b>219.9</b>	<b>254.1</b>
Depreciation, amortization and writedowns of non-current assets	(171.2)	(69.6)
Other income and expenses:		
- Legal fees for actions to void and actions for damages	(42.0)	(43.6)
- Miscellaneous income and expenses	667.5	198.7
<b>EBIT</b>	<b>674.2</b>	<b>339.6</b>
Financial income	65.4	45.8
Financial expense <sup>1</sup>	(42.9)	(43.4)
Interest in the result of companies valued by the equity method	-	(0.3)
Other income from (charges for) equity investments	(0.8)	3.2
<b>PROFIT BEFORE TAXES</b>	<b>695.9</b>	<b>344.9</b>
Income taxes	(55.8)	(106.0)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>	<b>640.1</b>	<b>238.9</b>
Net profit (loss) from discontinuing operations	-	38.0
<b>NET PROFIT FOR THE PERIOD</b>	<b>640.1</b>	<b>276.9</b>
Minority interest in net (profit) loss	(2.1)	(0.6)
Group interest in net profit (loss)	638.0	276.3
<b>Continuing operations:</b>		
<b>Basic earnings per share</b>	<b>0.3835</b>	<b>0.1446</b>
<b>Diluted earnings per share</b>	<b>0.3746</b>	<b>0.1397</b>

<sup>1</sup> Includes financial expense of the Venezuelan operations totaling 7.5 million euros in 2008 and 8.2 million euros in 2007.

## Parmalat Group

### RECLASSIFIED CONSOLIDATED BALANCE SHEET

<i>(in millions of euros)</i>	9/30/08	12/31/07
<b>NON-CURRENT ASSETS</b>	<b>1,794.3</b>	<b>1,968.2</b>
Intangibles	1,075.6	1,233.7
Property, plant and equipment	663.4	678.2
Non-current financial assets	8.8	9.7
Deferred-tax assets	46.5	46.6
<b>AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES</b>	<b>4.2</b>	<b>4.7</b>
<b>NET WORKING CAPITAL</b>	<b>509.5</b>	<b>324.9</b>
Inventories	400.2	387.4
Trade receivables	504.7	522.4
Other current assets	263.5	243.2
Trade payables (-)	(462.2)	(532.7)
Other current liabilities (-)	(196.7)	(295.4)
<b>INVESTED CAPITAL NET OF OPERATING LIABILITIES</b>	<b>2,308.0</b>	<b>2,297.8</b>
<b>PROVISIONS FOR EMPLOYEE BENEFITS (-)</b>	<b>(100.8)</b>	<b>(106.8)</b>
<b>PROVISIONS FOR RISKS AND CHARGES (-)</b>	<b>(297.5)</b>	<b>(338.3)</b>
<b>PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS</b>	<b>(11.5)</b>	<b>(23.2)</b>
<b>NET INVESTED CAPITAL</b>	<b>1,898.2</b>	<b>1,829.5</b>
<b>Covered by:</b>		
<b>SHAREHOLDERS' EQUITY (a)</b>	<b>2,884.6</b>	<b>2,685.3</b>
Share capital	1,667.8	1,652.4
Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	212.7	221.5
Other reserves	254.9	16.2
Retained earnings (Loss carryforward)	214.9	96.1
Interim dividend payable	(128.4)	-
Profit for the period	638.0	673.4
Minority interest in shareholders' equity	24.7	25.7
<b>NET (FINANCIAL ASSETS) BORROWINGS</b>	<b>(986.4)</b>	<b>(855.8)</b>
Loans payable to banks and other lenders <sup>1</sup>	531.2	582.8
Loans payable to investee companies	6.0	6.0
Other financial assets (-)	(397.8)	(591.7)
Cash and cash equivalents (-)	(1,125.8)	(852.9)
<b>TOTAL COVERAGE SOURCES</b>	<b>1,898.2</b>	<b>1,829.5</b>

<sup>1</sup> Includes indebtedness of the Venezuelan operations amounting to 174.3 million euros in 2008 and 161.6 million euros in 2007.

## Parmalat S.p.A.

**Net revenues** totaled 677.5 million euros, or 4.9% more than the 646.1 million euros reported at September 30, 2007.

**EBITDA** amounted to 40.1 million euros, for a decrease of 12.4 million euros (-23.6%) from the 52.5 million euros earned in the first nine months of 2007. This negative performance is the net result of: a) the higher cost of raw milk, reflected only in part in adjustments to list prices; b) higher selling expenses incurred for advertising, sales freight and commissions; and c) an increase in labor costs due mainly to new laws enacted in 2007 that produced a change in the actuarial valuation of the provisions for severance indemnities; offset in part by d) a decrease of over 1 million euros in the amount added to the allowance for doubtful accounts.

**EBIT** totaled 551.1 million euros, or 364.5 million euros more than the 186.6 million euros reported at September 30, 2007. Settlements reached with Credit Suisse (171.0 million euros), UBS (182.1 million euros), Monte dei Paschi Siena (79.5 million euros) and UniCredit (229.7 million euros), and sundry items (5.3 million euros) account for this improvement.

Reported EBIT are net of charges for impairment losses in the carrying value of equity investments (53.1 million euros, including 33.9 million euros for the African operations, 12.2 million euros for Latte Sole and 7.0 million euros for sundry companies) and in the Company's goodwill (48.0 million euros), offset in part by income from reversals of provisions that were no longer required.

**The net profit for the period** grew to 614.2 million euros, or 414.8 million euros more than the 199.4 million euros earned in the first nine months of 2007. This improvement was made possible primarily by the put-of-court settlements described above, which, net of applicable taxes, contributed 639 million euros. Most of the remaining positive contribution was provided by increases in net financial income (48.0 million euros) and dividend income from equity investments (35.1 million euros). Dividend income reflects the derecognition of the dividend that the Australian affiliate was unable to pay due to the financial pressure caused by the volatility of milk prices in the first half of 2008 (step-up mechanism). Lastly, the net profit for the period was reduced by the writedowns of goodwill and equity investments discussed earlier in this Report.

**Net invested capital** amounted to 1,266.5 million euros. The increase of 25.9 million euros, compared with 1,240.6 million euros at December 31, 2007, reflects primarily the payment of the remaining 2007 tax liability and the first 2008 estimated payment (totaling about 120 million euros), offset in part by a reduction in non-current assets (goodwill) and a decrease in trade receivables.

**Net financial assets** increased by 201.3 million euros during the first nine months of 2008, rising from 1,231.3 million euros at December 31, 2007 to 1,432.6 million euros at September 30, 2008.

This change is the net result of the collection of proceeds from settlements of lawsuits (about 668 million euros), the distribution of the 2007 dividends (261 million euros) and of the 2008 interim dividend (126.3 million euros) and the payment of taxes (about 120 million euros). The operating cash flow and dividends received from subsidiaries account for the balance.

The Company's **shareholders' equity** totaled 2,699.1 million euros. The increase of 227.2 million euros compared with December 31, 2007 (2,471.9 million euros), reflects both the net profit generated during the period and the distribution of the 2007 dividend and of 2008 interim dividend.



## Parmalat S.p.A.

### RECLASSIFIED INCOME STATEMENT

<i>(in millions of euros)</i>	<b>9/30/08</b>	<b>9/30/07</b>
<b>REVENUES</b>	<b>696.0</b>	<b>663.2</b>
Net revenues	677.5	646.1
Other revenues	18.5	17.1
<b>OPERATING EXPENSES</b>	<b>(651.8)</b>	<b>(605.5)</b>
Purchases, services and miscellaneous costs	(568.1)	(530.1)
Labor costs	(83.7)	(75.4)
<b>Subtotal</b>	<b>44.2</b>	<b>57.7</b>
Writedowns of receivables and other provisions	(4.1)	(5.2)
<b>EBITDA</b>	<b>40.1</b>	<b>52.5</b>
Depreciation, amortization and writedowns of non-current assets	(74.2)	(23.8)
Other income and expenses:		
- Legal fees for actions to void and actions for damages	(42.0)	(43.6)
- Additions to provision for losses of investee companies	(53.1)	(7.9)
- Miscellaneous income and expenses	680.3	209.4
<b>EBIT</b>	<b>551.1</b>	<b>186.6</b>
Financial income	50.2	26.6
Financial expense	(2.2)	(2.5)
Other income from (charges for) equity investments	35.1	9.1
<b>PROFIT BEFORE TAXES</b>	<b>634.2</b>	<b>219.8</b>
Income taxes	(20.0)	(54.5)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>	<b>614.2</b>	<b>165.3</b>
Net profit (loss) from discontinuing operations	-	34.1
<b>NET PROFIT FOR THE PERIOD</b>	<b>614.2</b>	<b>199.4</b>

## Parmalat S.p.A.

### RECLASSIFIED BALANCE SHEET

<i>(in millions of euros)</i>	<b>9/30/08</b>	<b>12/31/07</b>
<b>NON-CURRENT ASSETS</b>	<b>1,358.8</b>	<b>1,454.8</b>
Intangibles	408.9	468.8
Property, plant and equipment	155.7	154.1
Non-current financial assets	768.4	810.7
Deferred-tax assets	25.8	21.2
<b>AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>NET WORKING CAPITAL</b>	<b>158.1</b>	<b>70.3</b>
Inventories	43.7	41.5
Trade receivables	226.0	250.7
Other current assets	191.9	153.1
Trade payables (-)	(211.4)	(218.8)
Other current liabilities (-)	(92.1)	(156.2)
<b>INVESTED CAPITAL NET OF OPERATING LIABILITIES</b>	<b>1,516.9</b>	<b>1,525.0</b>
<b>PROVISIONS FOR EMPLOYEE BENEFITS (-)</b>	<b>(31.7)</b>	<b>(31.9)</b>
<b>PROVISIONS FOR RISKS AND CHARGES (-)</b>	<b>(209.2)</b>	<b>(231.3)</b>
<b>PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS</b>	<b>(9.5)</b>	<b>(21.3)</b>
<b>NET INVESTED CAPITAL</b>	<b>1,266.5</b>	<b>1,240.6</b>
<i>Covered by:</i>		
<b>SHAREHOLDERS' EQUITY</b>	<b>2,699.1</b>	<b>2,471.9</b>
Share capital	1,667.8	1,652.4
Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	212.7	221.5
Retained earnings (Loss carryforward) and other reserves	332.8	43.3
Interim dividend payable	(128.4)	-
Profit for the period	614.2	554.7
<b>NET (FINANCIAL ASSETS) BORROWINGS</b>	<b>(1,432.6)</b>	<b>(1,231.3)</b>
Loans payable to banks and other lenders	6.9	9.7
Loans payable to investee companies	(18.0)	(1.2)
Other financial assets (-)	(377.8)	(588.9)
Cash and cash equivalents (-)	(1,043.7)	(650.9)
<b>TOTAL COVERAGE SOURCES</b>	<b>1,266.5</b>	<b>1,240.6</b>

## Principles for the Preparation of the Interim Report on Operations at September 30, 2008

The Interim Report on Operations at September 30, 2008 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/CE (so-called Transparency Directive) on regular financial reporting.

The accounting principles applied in the Interim Report on Operations at September 30, 2008 are the same as those used to prepare the Annual Report at December 31, 2007. Consequently, the former should be read together with the latter.

The adoption by the European Union of the recently published accounting principles and interpretations listed below, which became effective on January 1, 2008 and July 1, 2008, respectively:

- IFRIC 11 – *IFRS 2 – Group and Treasury Share Transactions*;
- Amendments to IAS 39 – *Financial Instruments: Recognition and Measurement* and IFRS 7 – *Financial Instruments: Disclosures*

had no impact on the Group because they concern situations and concrete cases that are not applicable. Moreover, none of the principles approved by the European Union that will go into effect after September 30, 2008 have been adopted in advance.

The presentation formats used for the income statement and balance sheet are the same as those used in the Report on Operations section of the Annual Report.

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, require 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 on the financial statements, which include the balance sheet and the income statement, and affects the disclosures provided therein. The final amounts shown for 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. The financial statement items that require more than others a subjective input by the Directors in the development of estimates are those concerning goodwill, depreciation and amortization, deferred taxes, the provisions for risks and the reserves for creditor challenges and claims of late-filing creditors.

The income tax liability is recognized based on the best estimate of the weighted average 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.

The Interim Report on Operations at September 30, 2008 has not been audited.

The publication of the Interim Report on Operations was approved by the Board of Directors on November 14, 2008.

### ***Impairment Test***

As a rule, a comprehensive test to determine whether the value of intangible assets with an indefinite useful life has been impaired is performed only concurrently with the preparation of the annual financial statements, when a Group strategic plan for the following three years is available.

Already in the first half of 2008, changing conditions in some of the markets in which the Group operates created challenging situations in some countries (South Africa, Italy and Australia).

Consequently, working with the support of an advisor, the Company updated the fair value assigned to certain intangible assets in the semiannual financial statements, recognizing a writedown of 68.5 million euros.

Conditions in the global scenario worsened in the third quarter of 2008, as did projections of consumer demand.

In view of this deterioration, the abovementioned writedown was revised and increased to 102.1 million euros.

Concurrently with the preparation of the annual financial statements at December 31, 2008, the residual value of the abovementioned intangible assets may be the subject of further revisions, based on the updated strategic plan, which is currently being finalized.

## Scope of Consolidation

The changes in the scope of consolidation that occurred during the third quarter of 2008, compared with the consolidated financial statements at June 30, 2008, are reviewed below:

- On July 1, 2008, Parmalat S.p.A. purchased a further investment in Parmalat Romania SA, increasing its minority interest to 6.945% of the company's share capital;
- On July 22, 2008, Parmalat Colombia LTDA purchased a further investment in Procesadora de Leches S.A., increasing its minority interest to 0.0019% of the company's share capital;
- On July 24, 2008, Parmalat S.p.A. purchased the remaining interest held by minority shareholders in Boschi Luigi & Figli S.p.A., which was equal to 0.50% of the company's share capital;
- On July 30, 2008, Food Receivables Corporation S.r.l. in liquidation was merged by absorption into Dalmata Due S.r.l.;
- On August 1, 2008, Parmalat Australia Ltd and Parmalat Pacific Ltd changed their names to ACN 009 698 015 Ltd and Parmalat Australia Ltd, respectively. Subsequently, on August 3, 2008, Parmalat Australia Ltd completed the amalgamation process of its ACN 009 698 015 Ltd subsidiary;
- On September 4, 2008, the interest held in Parmacqua S.r.l. was sold to buyers outside the Group.

These changes did not have a material effect on the Interim Report on Operations at September 30, 2008.

## Key Events of the Third Quarter of 2008

### Class Action Lawsuit in the United States

On July 22, 2008, the New York Court of Appeals for the Second Circuit:

- having been informed of the settlement between the class plaintiffs and Parmalat, rejected the appeal filed by Parmalat, concluding that, absent the abovementioned settlement, Parmalat would have continued to be a party to the proceedings; and
- ruled that any decision handed down in the United States against Parmalat in connection with its bankruptcy will have to be submitted to the Italian Bankruptcy Court for final disposition.

Subsequently, on August 22, 2008, the United States District Court for the Southern District of New York before which the class action is pending:

- certified the “class” for buyers of the shares of the old Parmalat during the defined period (January 5, 1999 to December 18, 2003);
- excluded foreign buyers of Parmalat shares during the abovementioned period, finding it highly unlikely that their actions would be successful;
- excluded from the certification the buyers of old Parmalat bonds because none of the “class” promoters who requested certification was the holder of claims based on the purchase of bonds.

This decision by the Federal Court has no adverse effect on a petition pending before the courts asking for final approval of the settlement between Parmalat and a wider class and on the option of filing a petition to expand the class to include foreign members.

Lastly, on September 24, 2008, because of issues concerning the translation of the notices sent to class members by lawyers for the class, the New York Federal Court ordered the dissemination of new notices and gave non-American class members 60 days to evaluate the settlement.

### Agreement Between Parmalat and UniCredit Group

On August 1, 2008, Parmalat S.p.A. and the UniCredit Group reached agreements settling all transactions and claims between them in any way related to the period prior to the date when the Parmalat Group was declared insolvent (December 2003). As a result of these agreements:

- Parmalat S.p.A. abandoned all actions to void and actions for damages that it has filed or could possibly file in the future against the UniCredit Group against payment by the UniCredit Group of a total amount of 229.7 million euros;
- the UniCredit Group waived all claims put forth in actions filed against companies under extraordinary administration challenging or demanding the verification of claims and, more in general, any and all claims for damages, thereby minimizing the impact of the remaining disputes;
- the Extraordinary Commissioner waived any further claims or actions to void or actions for damages filed against the UniCredit Group for aiding and abetting in bringing about and/or aggravating the financial collapse of various companies of the “old” Parmalat Group and further agreed to refrain from joining as plaintiff seeking damages in any of the pending criminal proceedings.

### Pending Criminal Proceedings

Oral arguments are currently under way in the criminal proceedings pending before the Court of Milan against former Directors, former Statutory Auditors, former employees, former independent auditors, third parties and certain companies, who are being charged with stock manipulation (Article 2637), obstruction of the supervisory authorities in the performance of their functions (Article 2638) and audit fraud (Article 2624), which Parmalat Finanziaria S.p.A. under Extraordinary Administration joined as a plaintiff seeking damages only versus individuals.

In these proceedings, the filing of an amended indictment by the Public Prosecutor resulted in the establishment of a new deadline for plea bargaining. Consequently, some defendants (both individuals and companies) opted for plea bargaining. Presumably, a decision on this issue will be handed down together with the primary court decision.

The criminal proceedings pending before the Court of Parma against individuals who are charged with crimes related mainly to fraudulent bankruptcy is currently in the oral arguments phase. However, the enactment of Law No. 125/08 (so called “security package”) resulted in the establishment of a new deadline for plea bargaining, enabling some defendants to file new petitions. The position of these defendants was separated from the rest of the proceedings and will be reviewed at a hearing scheduled for December 11,

2008. The primary trial was adjourned to November 24, 2008, when a hearing will be held to address the preliminary motions.

With regard to the proceedings pending against officers and/or employees of Capitalia (formerly Banca di Roma and now the UniCredit Group) who were charged with fraudulent bankruptcy, as a result of the settlement reached by the companies of the Parmalat Group and the UniCredit Group, all of the motions filed to join the proceedings as plaintiff seeking damages against the defendants are in the process of being withdrawn and all lawsuits against the parties held civilly liable have been dropped.

In the proceedings concerning the collapse of Eurolat, in which certain former Eurolat Directors and third parties are being charged with fraudulent bankruptcy and simple bankruptcy, the motion filed to join the proceedings as plaintiff seeking damages against the defendant Cesare Geronzi will not be resubmitted due to the settlement reached with the UniCredit Group.

With regard to the proceedings pending against officers and/or employees of Citigroup for the alleged crime of aiding and abetting in fraudulent bankruptcy, further to the decision to allow the motions filed to join the proceedings as plaintiff seeking damages, the Preliminary Hearings Judge allowed lawsuits against the parties held civilly liable to proceed and, in order to allow sufficient time to serve the required summonses, adjourned the proceedings to January 27, 2009. The preliminary hearing is still pending.

In addition, the courts have issued several investigation completion notices related to cases that concern several bank officers and credit institutions, but no dates have yet been set for the corresponding preliminary hearings.

Lastly, the court filed a new notice of completion of preliminary investigations pursuant to Article 415 *bis* of the Code of Criminal Procedure, which concerns employees and/or officers of Bank of America and includes a larger number of defendants and additional alleged criminal violations than the notice filed in March 2006.

## Events Occurring After September 30, 2008

### **Parmalat vs Citigroup in the United States – Jury Decision**

On October 20, 2008, a jury at the Bergen County Court, in New Jersey, denied the claim of Parmalat under Extraordinary Administration and, upholding Citibank's counterclaim, awarded Citibank damages in the amount of \$364,228,023, plus accrued interest. At this point, the jury's decision is still not temporarily enforceable. Specifically, this decision can be the subject of a petition for a new trial filed by Parmalat. Both the jury decision and an earlier decision by the court that limited the claims put forth by Parmalat under Extraordinary Administration can be challenged before a three-judge panel in the Appellate Division. Parmalat is currently preparing both the petition to the trial judge and the appeal petition. A decision by the Appellate Court is expected in the second quarter of 2009 at the earliest.

As for the jury decision concerning Citibank's counterclaim, pursuant to a permanent injunction issued by the United States Bankruptcy Court, Citibank is required to seek enforcement of the abovementioned decision before the Parma Bankruptcy Court. Specifically, on July 20, 2007, the United States Bankruptcy Court ordered that any respondent in the New Jersey lawsuit attempting to collect payments in excess of the amount that could be offset against any amount awarded to Parmalat should seek to recover the abovementioned excess amount before the Parma Bankruptcy Court, which is the court with jurisdiction over bankruptcy and composition-with-creditor issues.

If and when Citibank files a claim before the Parma Bankruptcy Court, Parmalat under Extraordinary Administration will respond with appropriate defense arguments, including the fact that Citibank's claims have either already been verified and satisfied in accordance with the terms of the Composition with Creditors or denied (and not contested) by the bankruptcy court.

## Business Outlook for the Balance of 2008

Conditions in the global economy have had a negative impact on the Group's 2008 performance projections.

The adverse effects of this unfavorable business climate were particularly severe in the case of the Australian and South African operations, which reported worse results than in 2007, while for the rest of the Group, the results at September 30, 2008 were in line with those achieved in 2007, with some areas performing particularly well.

While the Australian subsidiary enjoyed a significant turnaround in the third quarter of 2008, bringing reported EBITDA (10 million euros) back to the previous year's level, the South African SBU continues to face severe difficulties and is in the process of developing a plan to restructure its operations and restore its profitability, which will be implemented in the closing two months of 2008 and in 2009.

As a rule, the final quarter of the year has a major positive impact on the Group's full-year results. However, as the world's central banks have indicated, there is significant and justified concern about the spending power of households and, consequently, about the amount of income that will be available for spending during the Christmas season. During the past 30 days, the International Monetary Fund further scaled back its macroeconomic projections, both for the euro zone and the dollar zone, raising the possibility of the start of a global recession.

Based on these considerations and in the absence of extraordinary events, it would seem prudent to revise the guidance to revenue growth of 7.5% compared with 2007 including the impact of currency translations (2.4% net of the impact of currency translations) and full-year 2008 EBITDA in the range of 310 million euros to 315 million euros, net of the impact of currency translations, compared to 350 million euros communicated on July 14th, 2008.

## **Additional Disclosures Pursuant to Article 36 of the Consob Market Regulations**

*Article 36 of the Market Regulations: Requirements for Stock Market Listing of Companies with Subsidiaries Established and Operating Pursuant to the Laws of Countries that Are Not Members of the European Union*

In response to recent regulatory requirements for the listing of companies that control companies established and operating pursuant to the laws of countries that are not members of the European Union that have a significant impact on the consolidated financial statements, the Company discloses that:

- i) At September 30, 2008, the abovementioned regulatory requirement applied to the following five subsidiaries of Parmalat S.p.A.: Parmalat Canada Inc., Parmalat Australia Ltd, Parmalat South Africa (Pty) Ltd, Industria Lactea Venezuelana ca and Parmalat de Venezuela ca;
- ii) The Company has already adopted adequate procedures to ensure full compliance with the abovementioned regulation, including:
  - a. making available to the public the financial statements of significant subsidiaries, consisting of a balance sheet and an income statement, which were used to prepare the consolidated financial statements;
  - b. obtaining from significant subsidiaries copies of their Bylaws and a description of the composition and powers of their governance bodies.

Parmalat is not subject to the oversight and coordination authority of another company and, consequently, Article 37 of the Consob Market Regulations is not applicable.

## **Certification Provided 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 Uniform Financial Code (Legislative Decree No. 58/1998), the Corporate Accounting Documents Officer, Luigi De Angelis, declares that the accounting disclosures provided in this Report are consistent with the data in the supporting documents and in the Company's other documents and accounting records.

Signed: Luigi De Angelis  
Corporate Accounting Documents Officer



**Parmalat S.p.A.**

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Share capital: 1,667,785,135 euros fully paid-in

Parma R.E.A. No. 228069

Parma Company Register No. 04030970968

Tax I.D. and VAT No. 04030970968

