



# Interim Report on Operations

at September 30, 2014



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



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

### Board of Directors

Chairperson Gabriella Chersicla<sup>(i)</sup>

Directors  
Patrice Gassenbach  
Laura Gualtieri<sup>(i) (2) (3)</sup>  
Paolo Francesco Lazzati<sup>(i) (1) (2)</sup>  
Umberto Mosetti<sup>(i) (1) (2) (3)</sup>  
Riccardo Perotta<sup>(i) (1)</sup>  
Antonio Sala<sup>(3)</sup>

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

### Board of Statutory Auditors

Chairman Michele Rutigliano

Statutory Auditors  
Giorgio Loli  
Alessandra Stabilini

Parmalat S.p.A. – A company subject to guidance and coordination by B.S.A. S.A.





# Financial Highlights

## Income Statement Highlights

<i>(amounts in millions of euros)</i>				
<b>PARMALAT GROUP</b>	<b>Cumulative at 9/30/14</b>	<b>Cumulative at 9/30/13</b>	<b>Third quarter of 2014</b>	<b>Third quarter of 2013</b>
- NET REVENUES	3,969.8	3,872.5	1,351.9	1,277.7
- EBITDA	299.1	292.0	114.6	97.7
- EBIT	213.3	190.8	80.6	62.8
- NET PROFIT	144.4	161.7	54.4	54.8
- EBIT/REVENUES (%)	5.3	4.9	5.9	4.9
- NET PROFIT/REVENUES (%)	3.6	4.1	4.0	4.2
<b>PARMALAT S.p.A.</b>		<b>Pro forma cumulative at 9/30/13<sup>1</sup></b>		<b>Pro forma Q3 2013<sup>1</sup></b>
- NET REVENUES	643.2	633.3	215.0	209.8
- EBITDA	47.7	40.5	18.1	14.8
- EBIT	34.4	8.6	8.8	4.1
- NET PROFIT	55.1	60.1	7.5	9.2
- EBIT/REVENUES (%)	5.1	1.3	3.9	1.9
- NET PROFIT/REVENUES (%)	8.2	9.0	3.3	4.1

## Statement of Financial Position Highlights

<i>(amounts in millions of euros)</i>			
<b>PARMALAT GROUP</b>	<b>9/30/14</b>	<b>6/30/14</b>	<b>12/31/13</b>
- NET FINANCIAL ASSETS	956.1	975.2	1,065.6
- ROI (%) <sup>2</sup>	13.5	12.9	14.6
- ROE (%) <sup>2</sup>	6.1	5.8	7.3
- EQUITY/ASSETS	0.7	0.7	0.7
- NET FINANCIAL POSITION/EQUITY	(0.3)	(0.3)	(0.3)
<b>PARMALAT S.p.A.</b>			
- NET FINANCIAL ASSETS	838.0	838.6	855.6
- ROI (%) <sup>2</sup>	8.4	9.4	4.0
- ROE (%) <sup>2</sup>	2.5	3.2	3.7
- EQUITY/ASSETS	0.9	0.9	0.9
- NET FINANCIAL POSITION/EQUITY	(0.3)	(0.3)	(0.3)

<sup>1</sup> Following the merger by absorption of Carnini S.p.A., Latte Sole S.p.A. and Parmalat Distribuzione Alimenti S.r.l. into Parmalat S.p.A. in December 2013, the pro forma income statement data for 2013 shown for comparative purpose present retrospectively the effects of the merger at September 30, 2013.

<sup>2</sup> Indices computed based on annualized income statement data and average balance sheet data for the period.





## Operating Performance

NOTE: The data are stated in millions of euros and in local currency. As a result, change and percentage amounts could reflect apparent differences caused exclusively by the rounding of figures.

### Revenues and Profitability

The advanced countries, led by the United States, continued to drive the global economy on a path of moderate expansion in the third quarter of 2014. The diverging monetary policies pursued by different western countries created a period of wide swings in the currency markets.

In the first nine months of 2014, net revenues totaled 3,969.8 million euros and EBITDA amounted to 299.1 million euros. The Group's performance was affected to a significant degree by a particularly unfavorable currency translation effect, as the currency of the main countries where the Group operates lost value versus the euro.

With data at constant exchange rates and comparable scope of consolidation, which is obtained by excluding the contribution of Balkis, a Brazilian company acquired at the end of July 2013, and Harvey Fresh, an Australian group acquired in the second quarter of 2014, net revenues and EBITDA show increases of 9.6% and 13%, respectively, thanks mainly to the positive results achieved in Latin America, Africa and Europe despite a considerable increase in the cost of raw milk in all areas where the Group operates.

The sales policy of price increases launched in the second half of the previous year, ahead of the main competitors, was implemented in several areas. The effects of this policy were an initial contraction of sales volumes followed by a full recovery of the increases in production costs.

In the third quarter of the year, the cost of raw milk began to decline, enabling the Group to regain profitability, particularly in Europe and Australia; this trend is expected to consolidate in the coming months.

### Parmalat Group

The table below shows the highlights of the Group's results in the first nine months of 2014 and a comparison with the corresponding period the previous year:

<i>(amounts in millions of euros)</i>	Cumulative at September 30		Variance	Varian.%
	2014	2013		
<b>Revenues</b>	<b>3,969.8</b>	<b>3,872.5</b>	<b>97.3</b>	<b>+2.5%</b>
<b>EBITDA</b>	<b>299.1</b>	<b>292.0</b>	<b>7.1</b>	<b>+2.4%</b>
<i>EBITDA %</i>	<i>7.5</i>	<i>7.5</i>	<i>-0.0 ppt</i>	

Net revenues totaled 3,969.8 million euros, or 2.5% more than in the corresponding period last year, and EBITDA amounted to 299.1 million euros, for a gain of 7.1 million euros (+2.4%) compared with 292.0 million euros in 2013.

The table below shows the Group's results in the third quarter of the year at current exchange rates and scope of consolidation:

<i>(amounts in millions of euros)</i>	Third Quarter		Variance	Varian.%
	2014	2013		
<b>Revenues</b>	<b>1,351.9</b>	<b>1,277.7</b>	<b>74.2</b>	<b>+5.8%</b>
<b>EBITDA</b>	<b>114.6</b>	<b>97.7</b>	<b>16.9</b>	<b>+17.3%</b>
<i>EBITDA %</i>	<i>8.5</i>	<i>7.6</i>	<i>0.8 ppt</i>	

The table below shows the Group's results for the first nine months of the year at comparable scope of consolidation and constant exchange rates and excluding the effects of hyperinflation in Venezuela. A comparable scope of consolidation is obtained by excluding the contribution provided by Balkis and Harvey Fresh.

Constant exchange rates (amounts in millions of euros)	Cumulative at September 30			
	2014	2013	Variance	Varian.%
<b>Revenues</b>	<b>4,200.8</b>	<b>3,832.4</b>	<b>368.4</b>	<b>+9.6%</b>
<b>EBITDA</b>	<b>342.1</b>	<b>302.7</b>	<b>39.4</b>	<b>+13.0%</b>
<i>EBITDA %</i>	<i>8.1</i>	<i>7.9</i>	<i>0.2 ppt</i>	

*Constant scope of consolidation, exchange rates and excluding hyperinflation impact*

Net revenues grew by 9.6%, with the operations in Latin America, Africa and North America providing a particularly strong contribution; revenues were also up in Europe and Australia, but growth rates were lower than in other areas where the Group operates.

EBITDA, with data on a comparable basis, increased by 13%, thanks to gains in Latin America, Africa and Europe and despite the effects of a contraction in Australia and, to a lesser extent, in North America, caused mainly by an increase in the cost of raw milk.

The table below shows the results for the third quarter of the year at constant exchange rates and scope of consolidation:

Constant exchange rates (amounts in millions of euros)	Third Quarter			
	2014	2013	Variance	Varian.%
<b>Revenues</b>	<b>1,393.1</b>	<b>1,258.0</b>	<b>135.1</b>	<b>+10.7%</b>
<b>EBITDA</b>	<b>130.4</b>	<b>101.4</b>	<b>29.1</b>	<b>+28.7%</b>
<i>EBITDA %</i>	<i>9.4</i>	<i>8.1</i>	<i>1.3 ppt</i>	

*Constant scope of consolidation, exchange rates and excluding hyperinflation impact*

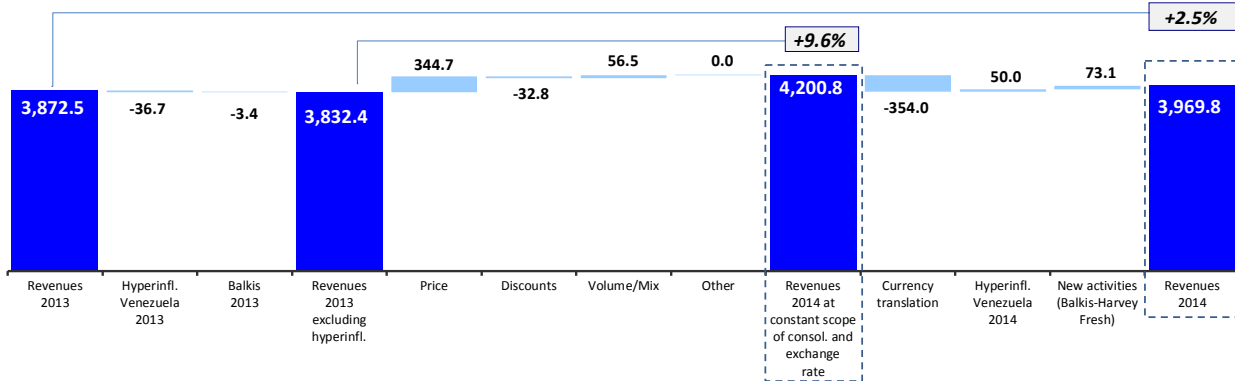
In the third quarter of 2014, at constant exchange rates and scope of consolidation, compared with the previous year, revenues and EBITDA increased of 10.7% and 28.7% respectively, thanks to the confirmation of the positive results in the Latin America region and the increase in profitability in Europe, Africa and Australia.

## Like for Like Net Revenues and EBITDA

The diagram below presents the main variables that determined the evolution of net revenues and EBITDA in the first nine months of 2014, compared with the same period the previous year.

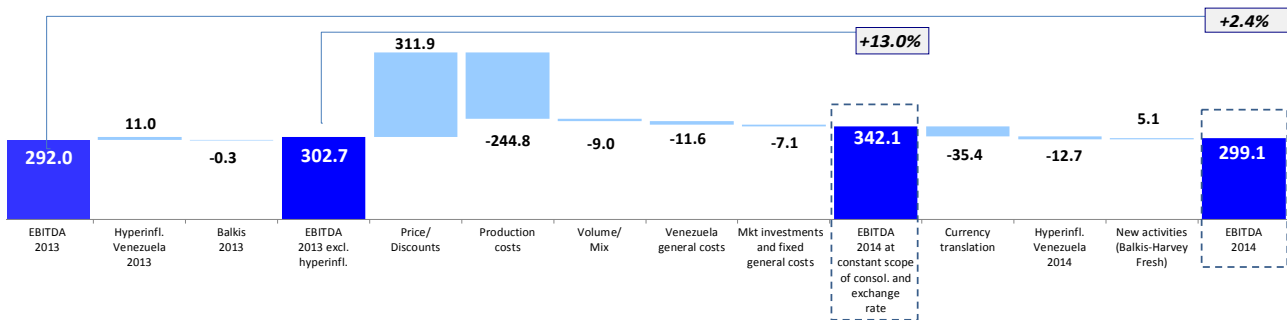
Cumulative Revenues September 2014 vs 2013

(€ m)



Cumulative EBITDA September 2014 vs 2013

(€ m)



*Balkis 2013 includes the results for two months (August and September)*

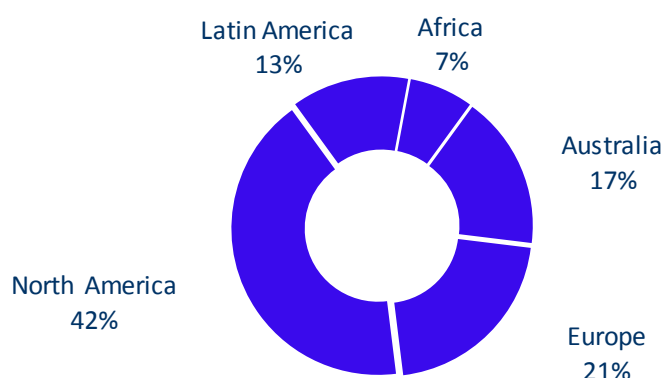
## Data by Geographic Region

(amounts in millions of euros)	Cumulative at September 30, 2014			Cumulative at September 30, 2013			Delta %	
	Revenues	EBITDA	EBITDA %	Revenues	EBITDA	EBITDA %	Revenues	EBITDA
<b>Region</b>								
<b>Europe</b>	838.3	76.5	9.1	827.9	68.7	8.3	+1.3%	+11.4%
<b>North America</b>	1,668.3	133.4	8.0	1,678.9	153.7	9.2	-0.6%	-13.2%
<b>Latin America</b>	513.9	53.0	10.3	420.7	16.1	3.8	+22.2%	+228.7%
<b>Africa</b>	279.9	20.5	7.3	288.8	18.2	6.3	-3.1%	+12.9%
<b>Australia</b>	673.6	26.9	4.0	658.1	47.8	7.3	+2.4%	-43.7%
<b>Other<sup>1</sup></b>	-4.3	-11.4	n.s.	-1.9	-12.5	n.s.	n.s.	-8.9%
<b>Group</b>	<b>3,969.8</b>	<b>299.1</b>	<b>7.5</b>	<b>3,872.5</b>	<b>292.0</b>	<b>7.5</b>	<b>+2.5%</b>	<b>+2.4%</b>

Region represent the consolidated countries

1. Includes other non-core companies, eliminations between regions and Group's Parent Company costs

## Revenues by Geographic Region



In order to improve comparability with the 2013 data, the table below presents the Group's results at constant exchange rates and comparable scope of consolidation and excluding the effects of hyperinflation in Venezuela:

(amounts in millions of euros)	Cumulative at September 30, 2014			Cumulative at September 30, 2013			Delta %	
	Revenues	EBITDA	EBITDA %	Revenues	EBITDA	EBITDA %	Revenues	EBITDA
<b>Region</b>								
<b>Europe</b>	851.0	77.5	9.1	827.9	68.7	8.3	+2.8%	+12.8%
<b>North America</b>	1,790.8	143.6	8.0	1,678.9	153.7	9.2	+6.7%	-6.6%
<b>Latin America</b>	564.3	83.9	14.9	380.6	26.8	7.0	+48.3%	+212.9%
<b>Africa</b>	323.9	23.8	7.3	288.8	18.2	6.3	+12.2%	+30.8%
<b>Australia</b>	675.2	24.7	3.7	658.1	47.8	7.3	+2.6%	-48.3%
<b>Other<sup>1</sup></b>	-4.5	-11.4	n.s.	-1.9	-12.5	n.s.	n.s.	-8.9%
<b>Group</b> (constant scope of consolid./ exchange rates) <sup>2</sup>	<b>4,200.8</b>	<b>342.1</b>	<b>8.1</b>	<b>3,832.4</b>	<b>302.7</b>	<b>7.9</b>	<b>+9.6%</b>	<b>+13.0%</b>

Regions represent the consolidated countries

1. Includes other non-core companies, eliminations between regions and Group's Parent Company costs

2. Excluding hyperinflation and activities acquired in the third quarter 2013 (Balkis) and in the second quarter 2014 (Harvey Fresh)

## Data by Product Division

<i>(amounts in millions of euros)</i>								
Division	Cumulative at September 30, 2014			Cumulative at September 30, 2013			Delta %	
	Revenues	EBITDA	EBITDA %	Revenues	EBITDA	EBITDA %	Revenues	EBITDA
Milk <sup>1</sup>	1,990.7	92.6	4.7	1,988.2	111.6	5.6	+0.1%	-17.0%
Fruit base drinks <sup>2</sup>	269.1	55.3	20.5	215.1	19.6	9.1	+25.1%	+182.6%
Milk derivative <sup>3</sup>	1,511.0	132.8	8.8	1,501.4	155.0	10.3	+0.6%	-14.3%
Other <sup>4</sup>	199.0	18.4	9.2	167.8	5.8	3.4	+18.6%	n.s.
<b>Group</b>	<b>3,969.8</b>	<b>299.1</b>	<b>7.5</b>	<b>3,872.5</b>	<b>292.0</b>	<b>7.5</b>	<b>+2.5%</b>	<b>+2.4%</b>

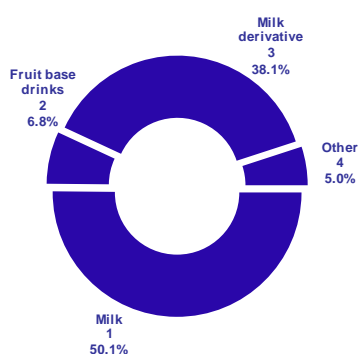
1 Includes milk, cream and béchamel

2 Includes fruit base drinks and tea

3 Includes yogurt, dessert, cheese

4 Includes other products, whey, impact of hyperinflation in Venezuela and Group's Parent Company costs

Cumulative at September 30, 2014



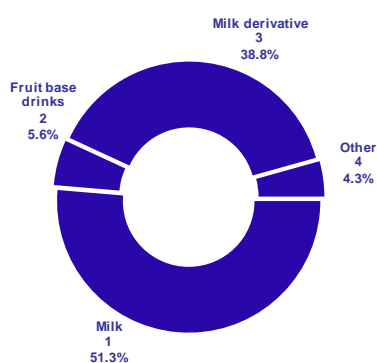
1 Includes milk, cream and béchamel

2 Includes fruit base drinks and tea

3 Includes yogurt, dessert, cheese

4 Includes other products, whey, impact of hyperinflation in Venezuela

Cumulative at September 30, 2013



In order to improve comparability with the 2013 data, the table below presents the Group's results at constant exchange rates and comparable scope of consolidation and excluding the effects of hyperinflation in Venezuela:

<i>(amounts in millions of euros)</i>								
Division	Cumulative at September 30, 2014			Cumulative at September 30, 2013			Delta %	
	Revenues	EBITDA	EBITDA %	Revenues	EBITDA	EBITDA %	Revenues	EBITDA
Milk <sup>1</sup>	2,107.6	97.4	4.6	1,988.2	111.6	5.6	+6.0%	-12.8%
Fruit base drinks <sup>2</sup>	309.0	66.6	21.6	215.1	19.6	9.1	+43.6%	+240.5%
Milk derivative <sup>3</sup>	1,626.2	147.8	9.1	1,498.0	154.7	10.3	+8.6%	-4.5%
Other <sup>4</sup>	158.0	30.3	19.2	131.1	16.8	12.8	+20.5%	n.s.
<b>Group</b> (constant scope of consolid. & exchange rates) <sup>5</sup>	<b>4,200.8</b>	<b>342.1</b>	<b>8.1</b>	<b>3,832.4</b>	<b>302.7</b>	<b>7.9</b>	<b>+9.6%</b>	<b>+13.0%</b>

1 Includes milk, cream and béchamel

2 Includes fruit base drinks and tea

3 Includes yogurt, dessert, cheese

4 Includes other products, whey and Group's Parent Company costs

5. Excluding hyperinflation impact and activities acquired in the third quarter 2013 (Balkis) and in the second quarter 2014 (Harvey Fresh)

The profitability of the Fruit Beverage Division improved thanks to the positive results achieved, particularly in Latin America.

## Europe

<i>(amounts in millions of euros)</i>	Cumulative at September 30		Variance	Varian.%
	2014	2013		
<b>Revenues</b>	<b>838.3</b>	<b>827.9</b>	<b>10.4</b>	<b>+1.3%</b>
<b>EBITDA</b>	<b>76.5</b>	<b>68.7</b>	<b>7.9</b>	<b>+11.4%</b>
<i>EBITDA %</i>	<i>9.1</i>	<i>8.3</i>	<i>0.8 ppt</i>	

<i>(amounts in millions of euros)</i>	Third Quarter		Variance	Varian.%
	2014	2013		
<b>Revenues</b>	<b>277.7</b>	<b>272.4</b>	<b>5.3</b>	<b>+1.9%</b>
<b>EBITDA</b>	<b>27.8</b>	<b>21.0</b>	<b>6.7</b>	<b>+32.1%</b>
<i>EBITDA %</i>	<i>10.0</i>	<i>7.7</i>	<i>2.3 ppt</i>	

The Europe sales region includes the subsidiaries that operate in Italy, Russia, Portugal and Romania. Italy accounts for about 85% of the net revenues of the Europe sales region.

The significant loss of value of the ruble versus the euro had a negative impact on the sales region's net revenues and EBITDA. With data at constant exchange rates, the results for the first nine months of 2014 show revenues and EBITDA improving by 2.8% and 12.8%, respectively.

The cost of raw milk decreased in the third quarter of 2013, particularly in Italy and Portugal; this development, coupled with gains in industrial efficiency and the effects of an effective sales policy, helped boost profitability in the sales region.

## Italy

The quarter just ended was characterized by persisting uncertainty with regard to the direction of the economic policy pursued in response to the current recession and a further contraction in consumer spending. In this environment, the price variable, particularly in the food product category, continues to play a major role in orienting spending decisions by households.

### Market and Products

In the Milk market, the contraction in consumption continued, mainly reflecting a negative trend in the Pasteurized Milk segment, with sharp decreases in sales volumes in all channels, but particularly in the Traditional Channel. Consumption of UHT Milk also contracted slightly, mainly due to the significant price increases implemented in recent months; in this environment, Parmalat retained the leadership position in both categories, considering all channels in the aggregate.

In the market for UHT Cream consumption continued to increase at a moderate pace and Parmalat retained its leadership position thanks in part to an effective advertising campaign.

The trend in the Yogurt market remained negative with significant declines both on a volume and value basis; Parmalat was able to hold steady its competitive position, mainly thanks to a positive performance in recent months.

The sharp decrease in consumption continued in the Fruit Beverage market in the first nine months of 2014, due in part to a summer season that was not particularly favorable. Parmalat, with its *Santàl* brand, strengthened its second-place competitive position thanks to the positive results generated by the innovations introduced in the course of the year.

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

Products	2014 value market share	2013 value market share
UHT milk <sup>1</sup>	29.6%	30.5%
Pasteurized milk <sup>2</sup>	21.7%	22.5%
UHT cream <sup>1</sup>	24.2%	24.3%
Yogurt <sup>1</sup>	4.4%	4.5%
Fruit beverages <sup>3</sup>	11.4%	11.1%

<sup>1</sup>Source: Nielsen – Total Italy from 1/1/14 to 9/28/14

<sup>2</sup>Source: Nielsen Modern Channel from 1/1/14 to 9/28/14

<sup>3</sup>Source: IRI – Total Italy from 1/1/14 to 9/28/14

Total sales volumes were in line with the previous year thanks to strong performance in the UHT Milk and Fruit Beverage categories and despite lower sales of Pasteurized Milk and Yogurt.

The Business Unit's net revenues were up 1.6% compared with the previous year, owing in part to a sales policy implemented mainly in the second half of 2013.

EBITDA for the reporting period improved thanks to a positive sales performance and a more favorable cost structure. In addition, the Business Unit increased its investments in advertising in the first nine months to support its main brands.

## Russia

Uncertainty and the economic sanctions imposed by the European Union and the United States due to the conflict with Ukraine continued to slow down the economy. The jump in the inflation rate is attributable to the weakness of the Russian ruble rather than to rising internal demand, which instead is hampered by a slowing of real wages and an increase in interest rates.

In this environment, growth slowed in all of the main markets in which the local subsidiary operates (UHT Milk, Fruit Beverages and, more importantly, Flavored Milk) compared with previous years. Nevertheless, Parmalat succeeded on holding unchanged its competitive position.

The Russian subsidiary reported higher net revenues and EBITDA, despite a significant increase in the price of raw milk, due mainly to a contraction in the available supply, and a rise in the costs for imported production materials caused by the devaluation of the ruble.

## Portugal

The positive signals recorded at the beginning of the year in terms of growth, employment and exports were reversed in recent months.

In the main segments in which it operates, Flavored Milk and Fruit Beverages, the local subsidiary succeeded in maintaining its competitive positions thanks to the performance of the *UCAL* and *Santàl* brands.

Net revenues were higher than in the previous year mainly due to an increase in sales volumes in the UHT Milk category; profitability was sharply higher compared with previous year, benefiting both from improving sales and a restructuring of the Business Unit's internal organization.

## Romania

The first nine months of the year confirmed that a further contraction in consumption is continuing in all segments of the Fruit Beverage Market, which is the only sector in which the local subsidiary operates. In this challenging market environment, Parmalat maintained unchanged its competitive position.

The profitability of the local subsidiary improved compared with the previous year thanks to a recent adjustment to list prices and the achievement of manufacturing efficiencies.



## North America

<i>(amounts in millions of euros)</i>	Cumulative at September 30		Variance	Varian.%
	2014	2013		
<b>Revenues</b>	<b>1,668.3</b>	<b>1,678.9</b>	<b>-10.6</b>	<b>-0.6%</b>
<b>EBITDA</b>	<b>133.4</b>	<b>153.7</b>	<b>-20.2</b>	<b>-13.2%</b>
<i>EBITDA %</i>	<i>8.0</i>	<i>9.2</i>	<i>-1.2 ppt</i>	

<i>(amounts in millions of euros)</i>	Third Quarter		Variance	Varian.%
	2014	2013		
<b>Revenues</b>	<b>566.1</b>	<b>556.5</b>	<b>9.6</b>	<b>+1.7%</b>
<b>EBITDA</b>	<b>50.6</b>	<b>52.6</b>	<b>-2.0</b>	<b>-3.8%</b>
<i>EBITDA %</i>	<i>8.9</i>	<i>9.4</i>	<i>-0.5 ppt</i>	

The North America sales region includes the subsidiaries that operate in the United States and Canada; the Canadian subsidiary accounts for about 65% of the region's net revenues and EBITDA

With data at constant exchange rates, the net revenues of the North America sales region for the first nine months of 2014 show a gain of 6.7%, with EBITDA declining by 6.6%, compared with the previous year, due mainly to significant increases in the cost of raw milk in the United States.

In the most recent quarter, the North America sales region benefited from a plan to enhance manufacturing efficiency and the effects of sales policy aimed at addressing the impact of higher raw milk costs despite the presence of a particularly competitive scenario. Net of the currency translation effect for the period, EBITDA were substantially in line with the third quarter of the previous year.

### Canada

The performance of the Canadian economy has been uneven thus far and has not fully benefited from the recovery in the United States; the high level of household debt is continuing to increase their propensity to save with a concurrent reduction of their willingness to consume.

### Market and Products

Difficult conditions continued in the Milk market, with consumption decreasing in both of its major segments: "Basic Milk" and "Premium Milk." Despite this challenging market environment, Parmalat held steady its value market share and maintained its third-place competitive position.

Consumption held relatively steady in the Yogurt market, even though a negative trend continued to characterize the "Drinkable Yogurt" segment; in this highly competitive market, Parmalat maintained its position, ranking fourth nationwide.

In the Cheese market, consumption was down in the first nine months of 2014, due mainly to a negative performance in the "Processed" and "Snack" segments. In this environment, the local subsidiary maintained its second-place competitive position at the national level.

The table below shows the market share in the main market segments:

Products	2014 value market share	2013 value market share
Milk	16.9%	16.9%
Spoonable yogurt	11.9%	12.7%
Drinkable yogurt	5.9%	6.8%
“Snack” cheese	38.1%	35.8%
“Natural” cheese	13.0%	15.0%
“Processed” cheese	18.7%	19.3%

Source: ACNielsen, MarketTrack, National Grocery Banner+Drug+Mass Merch, from 1/1/14 to 9/20/14

The local subsidiary reported sales volumes in line with the previous year and a 2.4% increase in net revenues, stated in the local currency, thanks to an effective sales policy and a positive sales performance in the Cheese category, despite a market contraction.

EBITDA were down compared with the previous year due to an increase in the cost of production materials that could not be fully recovered through list-price adjustments, owing to severe competitive pressure.

## United States of America

The U.S. economy continues to drive the recovery in the advanced countries. In the third quarter of 2014, the main indicators of manufacturing activity, consumer spending and the labor market confirmed the growing strength of the recovery of the American economy.

### Market and Products

In the first nine months of 2014, consumption was down slightly in the Cheese market, considering the full scope of the category in which Parmalat operates. However, the market showed significant growth on a value basis compared with the previous year due to a positive trend in the “*Fresh Mozzarella*,” “*Gourmet Cheddar*” and “*Feta Cheese*” segments.

The U.S. subsidiary confirmed its first-place competitive position in the “*Soft Ripened*” and “*Gourmet Spreadable*” segments of the cheese market, which enjoyed a significant increase in consumption during the first nine months of 2014. Volumes were down only in the “*Chunk Mozzarella*” segment, where Parmalat is the market leader and increased its value market share, but held steady in the “*Ricotta*” segment, with the local subsidiary maintaining the top market position.

The “*Fresh Mozzarella*” and “*Gourmet Cheddar*” segments were the most dynamic categories in the reporting period, with highly positive growth rates on a value basis.

Consumption decreased significantly in the “*Snack Cheese*” segment, but the local subsidiary held unchanged its competitive position.

The table below shows Parmalat's market share in the main segments in which it operates:

Products	2014 value market share	2013 value market share
Total cheese <sup>1</sup>	12.3%	12.9%
Gourmet spreadable	32.4%	34.6%
Feta cheese	14.5%	15.7%
Fresh mozzarella	21.4%	23.0%
Soft ripened cheese	41.1%	45.9%
Chunk mozzarella	17.2%	16.8%
Ricotta	25.7%	28.3%
Non-spreadable gourmet cheddar	1.7%	2.4%
Snack cheese	5.6%	5.7%

Source: SymphonyIRI Group Market Advantage, Total US Multioutlet – from 1/1/14 to 9/30/14

<sup>(1)</sup> The scope of the market in question includes the following categories: *Snack Cheese, Chunk Mozzarella Cheese, Feta Cheese, Ricotta Cheese, Fresh Mozzarella, Soft Ripened Cheese, Gourmet Spreadable Cheese and Non-spreadable Gourmet Cheddar.*

Overall, the U.S. operations reported an increase in sales volume compared with the previous year, due mainly to positive performances in the Cheese segment.

Net revenues, stated in the local currency, increased by 16%, thanks to higher sales and price adjustments in the main sales channels in which the local subsidiary operates.

EBITDA contracted compared with the previous year, reflecting the impact of a substantial increase in the purchase price of raw milk that could not be fully reflected in the adjustment made to sales prices.

## Latin America

<i>(amounts in millions of euros)</i>	Cumulative at September 30		Variance	Varian.%
	2014	2013		
<b>Revenues</b>	<b>513.9</b>	<b>420.7</b>	<b>93.2</b>	<b>+22.2%</b>
<b>EBITDA</b>	<b>53.0</b>	<b>16.1</b>	<b>36.9</b>	<b>+228.7%</b>
<i>EBITDA %</i>	<i>10.3</i>	<i>3.8</i>	<i>6.5 ppt</i>	

<i>(amounts in millions of euros)</i>	Third Quarter		Variance	Varian.%
	2014	2013		
<b>Revenues</b>	<b>161.8</b>	<b>148.9</b>	<b>12.9</b>	<b>+8.7%</b>
<b>EBITDA</b>	<b>12.7</b>	<b>5.2</b>	<b>7.5</b>	<b>+143.6%</b>
<i>EBITDA %</i>	<i>7.9</i>	<i>3.5</i>	<i>4.3 ppt</i>	

The Latin America sales region includes the subsidiaries that operate in Venezuela, Colombia, Ecuador, Paraguay, Mexico and Brazil. In addition, the Group strengthened its presence in Brazil with the acquisition of a new company in the third quarter of 2013 (Balkis) and the establishment of commercial companies in Uruguay, Peru and Bolivia.

The data presented above include the effect of hyperinflation in Venezuela and a negative translation effect, which, in the first nine months of 2014, reduced revenues and EBITDA by about 134 million euros and 15.3 million euros, respectively, due mainly to the devaluation of the Venezuelan bolivar versus the euro. The economic results of the Venezuelan subsidiary for the third quarter were converted by applying the SICAD exchange rate (the exchange rate in effect at September 30 was 12.00 VEF/USD), which caused a further negative currency translation effect.

With data at constant exchange rates and comparable scope of consolidation (excluding Balkis, acquired in the third quarter of 2013) and without the effects of hyperinflation, the results for this sales region show gains of 48.3% for revenues and 212.9% for EBITDA.

### Venezuela

The political uncertainty that characterized the first nine months of 2014, combined with extreme consumer price inflation, are the main elements of a macroeconomic scenario that remains extremely uncertain and which the reform of the foreign exchange system implemented in recent months by the Venezuelan government has made even more complicated for domestic and foreign businesses.

The Fruit Beverage market is continuing to experience a decline in consumption, due to a negative trend in the Pasteurized segment, even though the UHT Beverage segment continued to enjoy positive growth rates. In this scenario, Parmalat held the second-place position in the overall Fruit Beverage market.

In the first part of the year, Yogurt consumption was up sharply, due mainly to positive results in the "Daily Pleasure" and "Light" segments, with Parmalat confirming its third-place market position.

The total volumes sold increased compared with the previous year; more specifically, the trends for the individual categories show a substantial sales increase for Fruit Beverages and lower sales for Powdered Milk and Cheese.

Net revenues, stated in the local currency, grew by 72.2% compared with the previous year, due to list-price adjustments made to reflect the impact of Venezuela's high inflation rate, and higher unit sales of Fruit Beverages.

EBITDA increased compared with the previous year, thanks to an improved sales mix and price adjustments, particularly in the Fruit Beverage category.

## Colombia

The government's economic policy, aimed at stimulating the economy with spending on public infrastructures, enabled the gross domestic product to keep growing at a solid rate in the first nine months of 2014 and helped improve the employment level. These gains translated into an increase in internal demand, but the resulting inflationary pressure was contained by the Central Bank with a restrictive interest rate policy.

The UHT market contracted slightly, mainly due to a negative trend in the White Milk segment. In the first nine months of 2014, the local subsidiary confirmed its fourth-place competitive position.

Net revenues increased by 2.5%, but sales volumes were down significantly due mainly to negative trends in the Liquid Milk and Yogurt categories.

EBITDA decreased compared with the previous year due to the effect of nonrecurring items.

## Other Countries in Latin America

The net revenues generated in the other countries of this region (Ecuador, Paraguay, Brazil and Mexico) increased compared with the previous year, owing in part to the contribution provided by Balkis, a Brazilian company acquired in July 2013.

In **Ecuador**, net revenues stated in the local currency were up by 7.9%, chiefly due to higher volumes and an increase in sales prices.

In **Paraguay**, net revenues stated in the local currency increased by 18.2% compared with the previous year, due mainly to rising sales of UHT Milk and Yogurt.

**Mexico** and **Brazil** present attractive growth opportunities; with the acquisition of Balkis, a company engaged in the production and distribution of cheese, the Group strengthened its presence in Brazil.

## Africa

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	<b>Cumulative at September 30</b>			
<i>(amounts in millions of euros)</i>	<b>2014</b>	<b>2013</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>279.9</b>	<b>288.8</b>	<b>-8.9</b>	<b>-3.1%</b>
<b>EBITDA</b>	<b>20.5</b>	<b>18.2</b>	<b>2.3</b>	<b>+12.9%</b>
<i>EBITDA %</i>	<i>7.3</i>	<i>6.3</i>	<i>1.0 ppt</i>	

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	<b>Third Quarter</b>			
<i>(amounts in millions of euros)</i>	<b>2014</b>	<b>2013</b>	<b>Variance</b>	<b>Varian.%</b>
<b>Revenues</b>	<b>100.8</b>	<b>89.4</b>	<b>11.5</b>	<b>+12.8%</b>
<b>EBITDA</b>	<b>7.3</b>	<b>4.6</b>	<b>2.7</b>	<b>+59.8%</b>
<i>EBITDA %</i>	<i>7.2</i>	<i>5.1</i>	<i>2.1 ppt</i>	

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The Africa sales region includes the subsidiaries that operate in South Africa, Zambia, Botswana, Swaziland and Mozambique. South Africa accounts for about 80% of the net revenues and EBITDA of the Africa sales region.

The nine-month data presented above, stated in euros, reflect a negative translation effect, which reduced revenue and EBITDA by about 44 million euros and 3.3 million euros, respectively, due mainly to the loss of value of the South African rand versus the euro.

With data stated at constant exchange rates, the region's results for the first nine months of 2014 show increases of 12.2% for revenues and 30.8% for EBITDA.

The strong performance reported in the third quarter for the Africa sales region compared with the previous year, is the result of an effective sales policy and an improved sales mix, even though last year's results were adversely affected by negative factors related to strikes by employees in South Africa.

### South Africa

While the South African rand has recently showed signs of strengthening against the euro, the overall loss in value of this currency, due in part to the relative weakness of the commodity market, generated an inflationary pressure that is hampering internal demand. Internal factors, such as strikes and energy blackouts, further clouded the economic picture.

#### Market and Products

The UHT Milk market continued to enjoy a positive growth trend on a volume basis, but the pace was slower than in previous periods. In a competitive environment in which private labels continue to grow, Parmalat maintained its second-place market position.

Even though consumption decreased in the Flavored Milk market, the local subsidiary significantly increased its value market share, strengthening its leadership position, thanks to a positive performance by its *Steri Stumpie* brand.

The highly positive trends in the Hard Cheese and Processed Cheese segments confirmed the status of the Cheese market as one of the most dynamic in the Dairy sector; the local subsidiary increased its value market share and strengthened its position as the market leader.

Even though consumption was down in the Yogurt segment compared with the first nine months in the previous year, Parmalat significantly strengthened its second-place competitive position and increased its value market share.

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

<b>Products</b>	<b>2014 value market share</b>	<b>2013 value market share</b>
UHT Milk	15.5%	18.8%
Yogurt	19.0%	15.4%
Cheese	37.1%	35.8%
Flavored Milk	52.0%	50.2%

*Source: Aztec Top-end Retail & Wholesale – from 1/1/14 to 8/31/14*

The local subsidiary responded to a contraction in the availability of raw milk by shifting its sales mix and favoring products with greater value added. Under these circumstances, volumes of UHT Milk declined while Cheese volumes followed a positive trend.

With data in the local currency, net revenues show a gain of 14.3%, thanks to sales price increases in the main product categories implemented in the last quarter of 2013 and the effects of an improved sales mix.

EBITDA for the period were up compared with the previous year thanks to the effects mentioned above and programs to contain overhead, which helped offset the impact of the higher costs incurred for raw materials and imported packaging materials, made more costly by the devaluation of the local currency.

## **Zambia**

In Zambia, the second largest market in the Africa sales region, volumes were up compared with the previous year, with revenues increasing by 8.8%, with data stated in the local currency, thanks to a policy focused on key brands and the sales price increases implemented in 2013.

## **Other Countries in Africa**

With data at constant exchange rates, the net revenues and EBITDA reported in the other African countries (Swaziland, Mozambique and Botswana) were up overall, thanks mainly to sales gains in Botswana and Swaziland.

## Australia

The process of rebalancing the Australian economy with a greater focus on internal demand, consumer spending in particular, continued in response to slowing exports of mineral resources to China. The weakness of the Australian currency at the beginning of the year offset in part this trend, boosting exports to other countries and fueled inflationary pressure on the domestic market.

### Market and Products

After a period of continuous decline in Pasteurized Milk consumption, the market appears to have stabilized during the first nine months of 2014. However, the market trend on a value basis has been highly negative, due to the steady shift by consumers from branded products to private labels. In this highly competitive context, Parmalat retained the market leadership.

The Flavored Milk segment confirmed the significant growth achieved earlier in the year both on volume and value basis, with Parmalat strengthening its second-place competitive position and increasing its value market share, thanks in part to a positive performance by the *OAK* brand.

In the first nine months of 2014, Yogurt consumption was up slightly compared with the previous year, but the trend was significantly more positive on a value basis. The local subsidiary held steady its competitive position, despite a small loss of market share.

Even though demand was down in the Dessert category, the local subsidiary reported a substantial increase both in sales and value market share.

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

Products	2014 value market share	2013 value market share
Pasteurized milk	19.5%	21.2%
Flavored milk	35.3%	34.2%
Yogurt	14.3%	15.0%
Desserts	31.2%	23.2%

Source: Aztec Australia – from 1/1/14 to 9/14/14



The table below shows the results for the first nine months and the third quarter of 2014 and provides a comparison with the previous year; the data include the contribution of the new activities acquired in the second quarter of 2014 (Harvey Fresh):

<i>(amounts in millions of euros)</i>	<b>Cumulative at September 30</b>		<b>Variance</b>	<b>Varian.%</b>
	<b>2014</b>	<b>2013</b>		
<b>Revenues</b>	<b>673.6</b>	<b>658.1</b>	<b>15.5</b>	<b>+2.4%</b>
<b>EBITDA</b>	<b>26.9</b>	<b>47.8</b>	<b>-20.9</b>	<b>-43.7%</b>
<i>EBITDA %</i>	<i>4.0</i>	<i>7.3</i>	<i>-3.3 ppt</i>	

<i>(amounts in millions of euros)</i>	<b>Third Quarter</b>		<b>Variance</b>	<b>Varian.%</b>
	<b>2014</b>	<b>2013</b>		
<b>Revenues</b>	<b>247.3</b>	<b>211.0</b>	<b>36.3</b>	<b>+17.2%</b>
<b>EBITDA</b>	<b>19.5</b>	<b>16.9</b>	<b>2.5</b>	<b>+15.1%</b>
<i>EBITDA %</i>	<i>7.9</i>	<i>8.0</i>	<i>-0.1 ppt</i>	

The value of the Australian dollar decreased significantly in 2014 compared with the exchange rate applied in the same period last year; the resulting negative effect on revenues and EBITDA amounted to about 59.2 million euros and 2.2 million euros, respectively.

In the first nine months of the year, with data at constant exchange rates and comparable scope of consolidation, i.e., excluding the new Harvey Fresh operations, net revenues and EBITDA show an increase of 2.6% and a decrease of 48.3%, respectively, compared with the previous period.

The decrease in profitability in the first nine months of the year is chiefly the result of the higher purchase cost of raw milk and other ingredients used in the production process that could not be recovered with list-price increases due to highly competitive market conditions. However, against this background, results improved in the third quarter, thanks in part to a decrease in the price of raw milk.

In the first half of 2014, the local SBU acquired the Harvey Fresh dairy group, which performed in line with expectations. Additional information about the acquired company is provided on page 28.

## Financial Performance

### Structure of the Net Financial Position of the Group

Within the framework of a net financial position of 956.1 million euros, the Group's gross liquid assets totaled 1,073.1 million euros, including 718.0 million euros held by Parmalat S.p.A. At September 30, 2014, the entire amount of this liquidity was invested in sight and short-term bank deposits. The remaining liquid assets are held by individual Group companies, which invest them in the same instruments as the Parent Company. At the Group level, bank interest income totaled 9.9 million euros, including 6.3 million euros attributable to Parmalat S.p.A., little changed compared with the same period last year. Parmalat S.p.A. never used the cash pooling system in the first nine months of 2014.

The Group's financial resources are available to support the development of its businesses, which may also take place through external means, as described in the "Acquisitions" section of this Report.

### Change in Net Financial Position

The Group's net financial assets decreased from 1,065.6 million euros at December 31, 2013 to 956.1 million euros at September 30, 2014, reflecting the impact of a negative translation effect of 14.1 million euros and the distribution of dividends totaling 53.5 million euros.

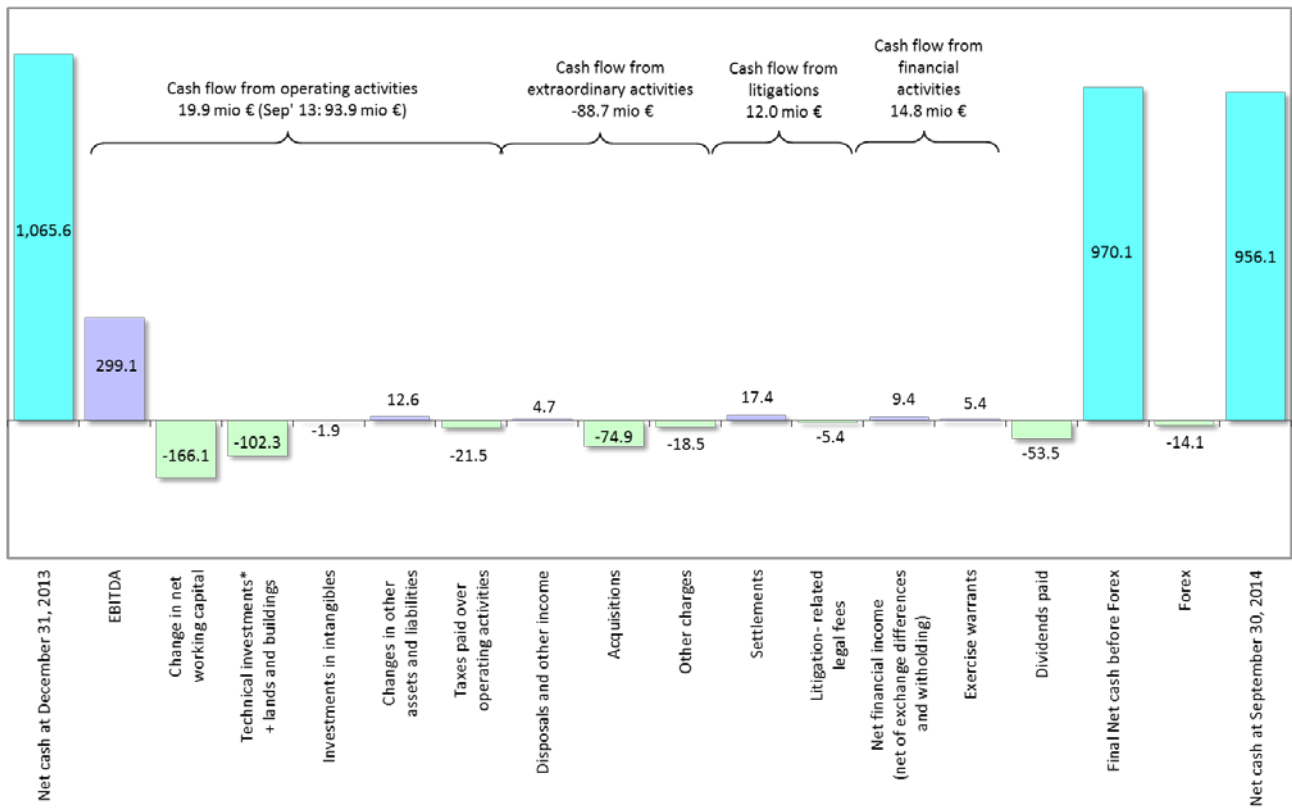
The cash flow from operating activities totaled 19.9 million euros. The reduction in cash flow generation compared with the same period in 2013 (amounting to 93.9 million euros) is due mainly to an increase in operating working capital and the resumption of capital expenditures. More in detail, the operating working capital balance, while it grew at a reduced rate compared with the balance a year ago, it increased more substantially compared with the positive closing in 2013.

The cash absorbed by nonrecurring items, amounting to 88.7 million euros, refers mainly to the acquisition of Harvey Fresh in Australia, described in greater detail in the "Acquisitions" section of this Report.

The cash flow from litigations generated a net positive balance of 12.0 million euros (about 17.4 million euros collected from the settlement of disputes).

The cash flow from financial transactions amounted to 14.8 million euros, including about 5.4 million euros generated by the exercise of warrants.

### Consolidated Cash flow January, 1 - September, 30 2014



## Acquisitions

### Australia

On March 31, 2014 (the “closing date”), Parmalat S.p.A. through its Parmalat Australia Pty Ltd subsidiary purchased from third parties the Australian company Harvey Food and Beverage Ltd (“Harvey Fresh”).

This company is being consolidated as of April 1, 2014 (the “acquisition date”), which is the date when the Group effectively achieved control over it.

With this transaction, the Parmalat Group strengthened its position in the Australian market, expanding into the western part of the country and becoming a full-fledged national player in that country.

This acquisition enhances the standing of the Parmalat Group as an exporter to the Asian markets.

Harvey Fresh, which operates in Western Australia, is specialized in the production of milk (fresh and UHT) and dairy products and is the region’s second largest producer in the dairy sector. In addition to these activities, Harvey Fresh also plays a major role in the fruit beverage market.

This company has more than 300 employees and owns two production facilities, one in Harvey and another one in Griffith.

This acquisition entailed a total cash outlay of 80.6 million euros, counting both the price paid for the entire share capital (30.8 million euros) and the loans provided to the acquired company (49.8 million euros).

This investment was totally funded with internal resources; the sales agreement contains the customary warranties provided by the sellers.

### Economic Effect of the Acquisitions on the Consolidated Financial Statements at September 30, 2014

In order to allow a better understanding of the consolidated financial statements at September 30, 2013, the schedule that follows shows the income statement at September 30, 2014 of the Parmalat Group and of the acquired companies, i.e., Balkis (acquired in July 2013) and Harvey Fresh (acquired in April 2014):

(in millions of euros)	Parmalat Group cumulative at 9/30/14	of which Balkis (January-July 2014)	of which Harvey Fresh (April-September 2014)
<b>Revenues</b>	<b>3,994.9</b>	<b>11.5</b>	<b>58.0</b>
Net revenues	3,969.8	11.5	57.8
Other revenues	25.1	0.0	0.2
<b>OPERATING EXPENSES</b>	<b>(3,691.0)</b>	<b>(10.6)</b>	<b>(53.7)</b>
Raw materials, outside services and miscellaneous expenses	(3,158.7)	(8.3)	(47.2)
Labor costs	(532.3)	(2.3)	(6.5)
<b>Subtotal</b>	<b>303.9</b>	<b>0.9</b>	<b>4.3</b>
Writedowns of receivables and other accruals	(4.8)	0.0	0.0
<b>EBITDA</b>	<b>299.1</b>	<b>0.9</b>	<b>4.3</b>
Depreciation, amortization and writedowns of non-current assets	(94.7)	(0.4)	(1.7)
Miscellaneous income and expenses	8.9	0.0	0.0
<b>EBIT</b>	<b>213.3</b>	<b>0.5</b>	<b>2.6</b>
Financial income/(expense), net	1.8	0.0	(1.0)
Other income from (charges for) equity investments	0.2	0.0	0.0
<b>Profit before taxes</b>	<b>215.3</b>	<b>0.5</b>	<b>1.6</b>
Income taxes	(70.9)	(0.3)	0.0
<b>Net profit</b>	<b>144.4</b>	<b>0.2</b>	<b>1.6</b>
(Profit)/Loss attributable to non-controlling interests	(1.3)	-	-
Profit/(Loss) attributable to owners of the parent	143.1	0.2	1.6

## **Brazil: LBR's Assets**

The offer submitted by the Brazilian subsidiary Lactalis do Brasil to acquire at a price of 250 million reais (about 83 million euros) certain production units, including trademarks, personnel and administrative offices, of Lácteos Brasil S.A. – Em Recuperação Judicial (LBR), a Brazilian company in composition with creditors proceedings under Brazilian law, was approved by LBR's Creditors' Meeting on August 21, 2014.

This transaction, the purpose of which is the purchase of a portfolio of activities in the UHT milk and local cheese sectors with pro forma revenues of about 580 million reais (about 190 million euros) in 2013, will also enable the Parmalat Group to regain full title to the exclusive license for the "Parmalat" brand throughout the territory of Brazil for the production and distribution of UHT milk.

This transaction was later ratified by the Bankruptcy Court of venue and authorized by the Brazilian antitrust authority (Brazilian Administrative Council for Economic Defense - CADE).

On November 1, 2014, Lactalis do Brasil took over the management of the production units subject of the offer.

As soon as the procedures subject of the conditions precedent are completed, the local subsidiary will acquire ownership of the assets and will pay the purchase price.

## **Brazil: BRF's Dairy Division**

On September 4, 2014 Parmalat S.p.A. (Parmalat) and BRF S.A. (BRF), one of Brazil's top companies in the food sector, with shares listed on the BM&FBOVESPA S.A. (Brazil's securities exchange), having received the approval of the respective Boards of Directors, executed a binding agreement setting forth the conditions and essential terms for Parmalat's purchase of 11 production facilities of BRF's dairy division located in Brazil and the respective assets and trademarks.

The pro forma revenues of BRF's dairy division totaled about 2.6 billion reais (equal to about 880 million euros) in 2013.

BRF granted Parmalat an exclusive right aimed at facilitating the definition of all contractual stipulations.

This transaction, which is subject to the satisfaction of certain conditions precedent and the approval of the relevant authorities will take place at the price, subject to certain adjustments, of 1.8 billion reais (equal to about 610 million euros), "debt and cash free." The acquisition will be financed exclusively with internal resources and is expected to be completed in the first half of 2015.

The announced acquisitions in Brazil entail for the Parmalat Group a financial commitment of about 700 million euros.

## Human Resources

### Group Staff

The table below provides a breakdown by geographic region of the employees of the Group at September 30, 2014 and a comparison with the data at December 31, 2013.

<b>Total payroll by geographic region</b>		
<b>Geographic region</b>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Europe	3,255	3,363
North America	4,596	4,589
Latin America	3,792	3,776
Africa	2,700	2,777
Australia	2,165	1,847
<b>Total</b>	<b>16,508</b>	<b>16,352</b>

At September 30, 2014, the Group's staff had grown by 156 employees compared with the end of the previous year. The acquisition of the Harvey Fresh Group in Australia (313 employees) accounts for most of this increase. On the other hand, the staff shrank in the Europe sales region, mainly in Italy, due to corporate reorganization processes, and in Russia, due to a reduced use of short-term contracts. Staffing levels also decreased in Africa, mainly among production employees, but were virtually unchanged in North and South America.

## Capital Expenditures

Overview of the capital expenditures of the Parmalat Group at September 30, 2014

<i>(in millions of euros)</i>	Cumulative at September 30, 2014		Cumulative at September 30, 2013		% change
	Amount	% of the total	Amount	% of the total	
<b>Geographic region</b>					
Europe	11.9	11.6%	22.3	25.6%	-46.8%
North America	43.4	42.4%	35.0	40.2%	24.0%
Latin America	18.1	17.7%	5.3	6.1%	242.4%
Africa	12.7	12.4%	5.0	5.7%	153.6%
Australia	16.2	15.8%	19.5	22.4%	-16.9%
<b>Total for the Group</b>	<b>102.3</b>	<b>100.0%</b>	<b>87.1</b>	<b>100.0%</b>	<b>17.5%</b>
<b>Total for the Group</b> <i>(at constant scope of consolidation and exchange rates)<sup>1</sup></i>	<b>107.0</b>		<b>87.1</b>		<b>22.9%</b>

<sup>1</sup> Excluding Harvey Fresh, Balkis, Peru, Bolivia and Uruguay.

In the first nine months of 2014, the Group's capital expenditures totaled 102.3 million euros, for an increase of 17.5% compared with the previous year. With data at comparable scope of consolidation and constant exchange rates, the year-over-year increase is 22.9%.

Investment projects included numerous programs aimed at improving production processes, efficiency, quality and occupational safety and complying with new regulatory requirements.

The most significant investment projects included the following:

- installation of a UHT production line in Rowville (Australia);
- expansion and optimization of butter production assets in Winchester (Canada);
- expansion and optimization of mozzarella production assets in Victoriaville (Canada);
- expansion and optimization of cheese production assets in Belleville (Canada)

The capital expenditures described above do not include the cost of licensing and implementing information systems, which amounted to 1.9 million euros in 2014, mainly for projects carried out in Italy and Canada.

## Review of Operating and Financial Performance

### Parmalat Group

**Net revenues** increased to 3,969.8 million euros, or 97.3 million euros more (+2.5%) than the 3,872.5 million euros reported in the first nine months of 2013. With data at constant exchange rates and scope of consolidation and excluding the effects of hyperinflation in Venezuela, net revenues show a gain of 368.4 million euros (+9.6%). Higher list prices and increased sales of more profitable products account for most of this improvement.

**EBITDA** amounted to 299.1 million euros, for a gain of 7.1 million euros (+2.4%) compared with 292.0 million euros in the first nine months of 2013. With data at constant exchange rates and scope of consolidation and excluding the effects of hyperinflation in Venezuela, EBITDA show an increase of 39.4 million euros (+13.0%). This gain reflects the effects of the revenue increase, offset in part by higher raw milk costs, particularly in Australia and Europe.

**EBIT** totaled 213.3 million euros, up 22.5 million euros compared with 190.8 million euros in the first nine months of 2013. With data at constant exchange rates and scope of consolidation the increase amounts to 44.6 million euros.

An improved performance at the industrial level and an increased contribution by nonrecurring items are the main reason for this improvement.

Depreciation and amortization expense and writedowns of non-current assets amounted to 94.7 million euros (100.4 million euros in the first nine months of 2013).

**The net profit attributable to owners of the parent** totaled 143.1 million euros, or 16.5 million euros less than the 159.6 million euros earned in the first nine months of 2013. The decrease amounts to 4.5 million euros with data at constant exchange rates and scope of consolidation.

This reduction, which reflects primarily the effect of higher income taxes for the period and lower net financial income, was offset in part by the gain in EBIT.

**Operating working capital** amounted to 475.7 million euros, for an increase of 159.9 million euros compared with 315.8 million euros at December 31, 2013. This gain is chiefly the result of the higher inventory of finished goods held by the Canadian subsidiary, due to seasonal factors that characterize its business, involving an increase in cheese production earlier in the year in anticipation of higher sales in the later months, and of larger inventories of powdered milk and fruit concentrates held by the Venezuelan subsidiary to meet growing demand.

This increase was offset in part by a negative translation effect caused mainly by the appreciation of the euro versus the Venezuelan bolivar.

**Net invested capital** grew to 2,250.6 million euros, for a gain 225.7 million euros compared with 2,024.9 million euros at December 31, 2013. This increase reflects primarily the gain in operating working capital and the acquisition of Harvey Food and Beverage Ltd, offset in part by a negative translation effect caused mainly by the appreciation of the euro versus the Venezuelan bolivar.

**Net financial assets** totaled 956.1 million euros, or 109.5 million euros less than the 1,065.6 million euros held at December 31, 2013. This decrease is chiefly the result of the following factors: the cash flow absorbed by nonrecurring activities (88.7 million euros), consisting mainly of the acquisition of Harvey Food and Beverage Ltd, a dividend distribution of 53.5 million euros and a negative translation effect of 14.1 million euros. This decrease was offset in part by the cash flow generated by operating activities (19.9 million euros), the cash flow generated by financing activities (14.8 million euros) and net litigation-related proceeds (12.0 million euros).

The **equity attributable to owners of the parent** amounted to 3,182.9 million euros, for a gain of 116.7 million euros compared with 3,066.2 million euros at December 31, 2013. This increase reflects primarily the effects of the net profit attributable to owners of the parent (143.1 million euros), foreign exchange difference from the translation of the financial statements of companies that operate with currencies different from the euro (28.4 million euros) and the proceeds from the warrants exercised during the period (5.4 million euros).

This increase was offset in part by the 2013 dividend declared by the Shareholders' Meeting of Parmalat S.p.A. on April 17, 2014, in the amount of 52.9 million euros.



## Parmalat Group

### RECLASSIFIED CONSOLIDATED INCOME STATEMENT

<i>(in millions of euros)</i>	<b>Cumulative at September 30, 2014</b>	<b>Cumulative at September 30, 2013</b>
<b>REVENUES</b>	<b>3,994.9</b>	<b>3,910.1</b>
Net revenues	3,969.8	3,872.5
Other revenues	25.1	37.6
<b>OPERATING EXPENSES</b>	<b>(3,691.0)</b>	<b>(3,614.5)</b>
Purchases, services and miscellaneous costs	(3,158.7)	(3,087.9)
Labor costs	(532.3)	(526.6)
<b>Subtotal</b>	<b>303.9</b>	<b>295.6</b>
Writedowns of receivables and other provisions	(4.8)	(3.6)
<b>EBITDA</b>	<b>299.1</b>	<b>292.0</b>
Depreciation, amortization and writedowns of non-current assets	(94.7)	(100.4)
Other income and expenses:		
- Litigation-related legal expenses	(2.6)	(3.0)
- Miscellaneous income and expenses	11.5	2.2
<b>EBIT</b>	<b>213.3</b>	<b>190.8</b>
Net financial income/(expense)	1.8	22.4
Other income from (charges for) equity investments	0.2	0.5
<b>PROFIT BEFORE TAXES</b>	<b>215.3</b>	<b>213.7</b>
Income taxes	(70.9)	(52.0)
<b>NET PROFIT FOR THE PERIOD</b>	<b>144.4</b>	<b>161.7</b>
Attributable to:		
Non-controlling interests	(1.3)	(2.1)
Owners of the parent	143.1	159.6
<b>Continuing operations:</b>		
<b>Basic earnings per share (in euros)</b>	<b>0.0783</b>	<b>0.0897</b>
<b>Diluted earnings per share (in euros)</b>	<b>0.0774</b>	<b>0.0886</b>

## Parmalat Group

### RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in millions of euros)</i>	<b>9/30/14</b>	<b>12/31/13</b>
<b>NON-CURRENT ASSETS</b>	<b>2,220.5</b>	<b>2,113.6</b>
Intangibles	1,104.6	1,045.4
Property, plant and equipment	1,005.6	934.7
Non-current financial assets	38.5	63.6
Deferred-tax assets	71.8	69.9
<b>AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES</b>	<b>7.7</b>	<b>2.4</b>
<b>NET WORKING CAPITAL</b>	<b>488.2</b>	<b>376.3</b>
Inventories	549.3	454.1
Trade receivables	504.0	439.9
Trade payables (-)	(577.6)	(578.2)
<b>Operating working capital</b>	<b>475.7</b>	<b>315.8</b>
Other assets	160.0	184.7
Other liabilities (-)	(147.5)	(124.2)
<b>INVESTED CAPITAL NET OF OPERATING LIABILITIES</b>	<b>2,716.4</b>	<b>2,492.3</b>
<b>PROVISIONS FOR EMPLOYEE BENEFITS (-)</b>	<b>(110.0)</b>	<b>(125.7)</b>
<b>PROVISIONS FOR RISKS AND CHARGES (-)</b>	<b>(345.3)</b>	<b>(335.6)</b>
<b>PROVISION FOR LIABILITIES FOR CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS</b>	<b>(10.5)</b>	<b>(6.1)</b>
<b>NET INVESTED CAPITAL</b>	<b>2,250.6</b>	<b>2,024.9</b>
<b>Covered by:</b>		
<b>EQUITY</b>	<b>3,206.7</b>	<b>3,090.5</b>
Share capital	1,829.5	1,823.4
Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	53.2	53.2
Other reserves and retained earnings	1,157.1	968.6
Profit for the period	143.1	221.0
Non-controlling interests	23.8	24.3
<b>NET FINANCIAL ASSETS</b>	<b>(956.1)</b>	<b>(1,065.6)</b>
Loans payable to banks and other lenders	116.8	137.4
Loans payable to investee companies	0.2	2.2
Other financial assets (-)	(206.0)	(264.9)
Cash and cash equivalents (-)	(867.1)	(940.3)
<b>TOTAL COVERAGE SOURCES</b>	<b>2,250.6</b>	<b>2,024.9</b>

## Parmalat S.p.A.

Following the merger by absorption of Carnini S.p.A., Latte Sole S.p.A. and Parmalat Distribuzione Alimenti S.r.l. into Parmalat S.p.A. in December 2013, a pro forma income statement was prepared that simulates, retrospectively, the effects of the merger at September 30, 2013. As a result, the comparisons with the data for the first nine months of 2014 are made against the corresponding data in the pro forma income statement.

**Net revenues** totaled 643.2 million euros, for a gain of 1.6% compared with 633.3 million euros in the first nine months of 2013.

Excluding non-core products (crates, pallets and bulk items), net revenues show an increase of 2.1%.

This improvement reflects the effects of the price increases implemented starting in the second half of 2013 and the growth of the contract production activities, which made it possible to report a positive result despite the crisis that continues to grip the main markets in which the Company operates.

**EBITDA** amounted to 47.7 million euros, or 7.2 million euros more than the 40.5 million euros earned in the same period in 2013. The main factors that account for this gain include the price and product mix effects that drove the revenue increase, a decrease in the cost of sugar and some fruit-based raw materials that more than offset the effect of an increase in the cost of raw milk in the first half of the year, and, lastly, the containment of logistics expenses and of some components of overhead. It is worth mentioning that, starting in August, raw milk prices began to trend down.

**EBIT** totaled 34.4 million euros, for an increase of 25.8 million euros compared with 8.6 million euros at September 30, 2013. This result reflects primarily the improvement in EBITDA and higher net nonrecurring income earned in the reporting period compared with the previous year, net of charges for the staff restructuring plan agreed upon with the labor unions, amounting to about 4.0 million euros.

**The net profit for the period** decreased to 55.1 million euros, or 5.0 million euro less than the 60.1 million euros reported at September 30, 2013. This decrease is the net result of the EBIT contribution, offset a reduction in dividends received from investee companies (23.3 million euros, compared with 46.3 million euros in the first nine months of 2013) and a higher income tax expense due to a different makeup of the pretax profit, with an increase in income taxable at a rate higher than the dividend rate.

**Net invested capital** amounted to 2,141.1 million euros, up 23.8 million euros compared with 2,117.3 million euros at December 31, 2013. The following factors account for most of this gain: an increase in non-current assets (+41.2 million euros) due to the disbursement of a loan to a subsidiary for the acquisition of Harvey Food and Beverage Ltd, a decrease in net working capital (-14.0 million euros) and an increase in provisions totaling 6.0 million euros.

**Net financial assets** decreased from 855.6 million euros at December 31, 2013 to 838.0 million euros at September 30, 2014, for a reduction of 17.6 million euros. This decrease is the net result of the following items: a dividend distribution (52.8 million euros), the disbursement of a medium/long-term loan provided to an Australian subsidiary for the acquisition of Harvey Food and Beverage Ltd (50.0 million euros), the collection of dividends from investee companies (23.2 million euros), the collection of litigation-related proceeds (16.3 million euros), VAT refunds (50.0 million euros, including accrued interest) and proceeds from the exercise of warrants (5.4 million euros).

Liquid assets and other financial assets are invested in short-term instruments with Italian credit institutions.

The Company's **equity** increased to 2,979.1 million euros, or 6.2 million euros more than the 2,972.9 million euros reported at December 31, 2013, as the net result of the profit for the period and the exercise of warrants during the January-September period, net of the distribution of dividends from the 2013 net profit.

## Parmalat S.p.A.

### RECLASSIFIED INCOME STATEMENT

<i>(in millions of euros)</i>	Cumulative at September 30, 2014	Cumulative at September 30, 2013 pro forma <sup>1</sup>	Cumulative at September 30, 2013 as published
<b>REVENUES</b>	<b>671.3</b>	<b>665.6</b>	<b>609.0</b>
Net revenues	643.2	633.3	576.9
Other revenues	28.1	32.3	32.1
<b>OPERATING EXPENSES</b>	<b>(620.8)</b>	<b>(622.5)</b>	<b>(566.5)</b>
Purchases, services and miscellaneous costs	(535.8)	(539.6)	(491.6)
Labor costs	(85.0)	(82.9)	(74.9)
<b>Subtotal</b>	<b>50.5</b>	<b>43.1</b>	<b>42.5</b>
Writedowns of receivables and other provisions	(2.8)	(2.6)	(2.1)
<b>EBITDA</b>	<b>47.7</b>	<b>40.5</b>	<b>40.4</b>
Depreciation, amortization and writedowns of non-current assets	(22.5)	(24.6)	(21.8)
Other income and expenses:			
- Litigation-related legal expenses	(2.6)	(3.0)	(3.0)
- Miscellaneous income and expenses	11.8	(4.3)	(4.6)
<b>EBIT</b>	<b>34.4</b>	<b>8.6</b>	<b>11.0</b>
Net financial income (expense)	16.4	16.3	16.5
Other income from (charges for) equity investments	23.3	46.3	46.5
<b>PROFIT BEFORE TAXES</b>	<b>74.1</b>	<b>71.2</b>	<b>74.0</b>
Income taxes	(19.0)	(11.1)	(11.0)
<b>NET PROFIT FOR THE PERIOD</b>	<b>55.1</b>	<b>60.1</b>	<b>63.0</b>

<sup>1</sup> Following the merger by absorption of Carnini S.p.A., Latte Sole S.p.A. and Parmalat Distribuzione Alimenti S.r.l. into Parmalat S.p.A. in December 2013, a pro forma income statement was prepared that simulates, retrospectively, the effects of the merger at September 30, 2013.

## Parmalat S.p.A.

### RECLASSIFIED STATEMENT OF FINANCIAL POSITION

<i>(in millions of euros)</i>	<b>9/30/14</b>	<b>12/31/13</b>
<b>NON-CURRENT ASSETS</b>	<b>2,331.6</b>	<b>2,290.4</b>
Intangibles	357.6	361.6
Property, plant and equipment	145.6	158.8
Non-current financial assets	1,795.1	1,734.0
Deferred-tax assets	33.3	36.0
<b>AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES</b>	<b>2.6</b>	<b>0.0</b>
<b>NET WORKING CAPITAL</b>	<b>16.4</b>	<b>30.4</b>
Inventories	48.2	46.9
Trade receivables	138.2	139.3
Trade payables (-)	(184.7)	(207.4)
<b>Operating working capital</b>	<b>1.7</b>	<b>(21.2)</b>
Other assets	57.5	94.7
Other liabilities (-)	(42.8)	(43.1)
<b>INVESTED CAPITAL NET OF OPERATING LIABILITIES</b>	<b>2,350.6</b>	<b>2,320.8</b>
<b>PROVISIONS FOR EMPLOYEE BENEFITS (-)</b>	<b>(26.4)</b>	<b>(26.0)</b>
<b>PROVISIONS FOR RISKS AND CHARGES (-)</b>	<b>(173.0)</b>	<b>(171.8)</b>
<b>PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS (-)</b>	<b>(10.1)</b>	<b>(5.7)</b>
<b>NET INVESTED CAPITAL</b>	<b>2,141.1</b>	<b>2,117.3</b>
<i>Covered by:</i>		
<b>EQUITY</b>	<b>2,979.1</b>	<b>2,972.9</b>
Share capital	1,829.5	1,823.4
Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	53.2	53.2
Other reserves and retained earnings	1,041.3	986.8
Profit for the period	55.1	109.5
<b>NET FINANCIAL ASSETS</b>	<b>(838.0)</b>	<b>(855.6)</b>
Loans payable to banks and other lenders	0.0	0.2
Loans payable to (receivable from) investee companies	(120.0)	(106.7)
Other financial assets (-)	(180.4)	(235.5)
Cash and cash equivalents (-)	(537.6)	(513.6)
<b>TOTAL COVERAGE SOURCES</b>	<b>2,141.1</b>	<b>2,117.3</b>

## Key Events in the Third Quarter of 2014

### **The Creditors' Meeting of Lácteos Brasil S.A. – Em Recuperação Judicial (LBR), the Antitrust Authority and the Bankruptcy Court of Venue Approve the Offer for Certain Assets of This Brazilian Company**

The offer submitted by the Brazilian subsidiary Lactalis do Brazil to acquire at a price of 250 million reais (about 83 million euros) certain production units, including trademarks, personnel and administrative offices, of Lácteos Brasil S.A. – Em Recuperação Judicial (LBR), a Brazilian company in composition with creditors proceedings under Brazilian law, was approved by LBR's Creditors' Meeting on August 21, 2014.

This transaction, the purpose of which is the purchase of a portfolio of activities in the UHT milk and local cheese sectors with pro forma revenues of about 580 million reais (about 190 million euros) in 2013, will enable the Parmalat Group to regain full title to the exclusive license for the "Parmalat" brand throughout the territory of Brazil for the production and distribution of UHT milk.

This transaction was later ratified by the Bankruptcy Court of venue and authorized by the Brazilian antitrust authority (Brazilian Administrative Council for Economic Defense - CADE).

### **Parmalat Executes an Agreement to Acquire BRF's Dairy Division**

On September 4, 2014 Parmalat S.p.A. (Parmalat) and BRF S.A. (BRF), one of Brazil's top companies in the food sector, with shares listed on the BM&FBOVESPA S.A. (Brazil's securities exchange), having received the approval of the respective Boards of Directors, executed a binding agreement setting forth the conditions and essential terms for Parmalat's purchase of 11 production facilities of BRF's dairy division located in Brazil and the respective assets and trademarks.

The pro forma revenues of BRF's dairy division totaled about 2.6 billion reais (equal to about 880 million euros) in 2013.

BRF granted Parmalat an exclusive right aimed at facilitating the definition of all contractual stipulations.

This transaction, which is subject to the satisfaction of certain conditions precedent and the approval of the relevant authorities will take place at the price, subject to certain adjustments, of 1.8 billion reais (equal to about 610 million euros), "debt and cash free." The acquisition will be financed exclusively with internal resources.

### **Citibank**

By an order dated July 18, 2014 and communicated on August 29, 2014, the Bologna Court of Appeals ruled that "the decision of the Superior Court of New Jersey...of October 27, 2008... was enforceable in the Italian Republic..." By this decision, the Superior Court of New Jersey awarded to Citibank N.A. the sum of US\$431,318,828.84 (US\$ 364,228,023 in principal amount and US\$ 67,090,801.84 in accrued interest).

The abovementioned order was handed down upon the conclusion of an action filed by Citibank N.A. to enforce in Italy a foreign court decision against Parmalat Finanziaria S.p.A. in A.S., Parmalat S.p.A. in A.S. and eight other Group companies under extraordinary administration.

The abovementioned order, which was notified to Parmalat on September 19, 2014, will be challenged before the Court of Cassation within the statutory deadline.

To obtain the verification of its claims, Citibank will have to submit an application with the Parma Bankruptcy Court for recognition of the status of late filing creditor, which would then be challenged in court by the entities in extraordinary administration; there is no indication that any such action has been filed thus far.

According to the arguments put forth by the opposing party, contested in its entirety by Parmalat, Citibank could seek recognition of the status of late filing creditor of each one of the companies under extraordinary administration target of the abovementioned order, based on an alleged joint liability of said companies, thereby obtaining, based on the respective recovery ratios,<sup>1</sup> percentage recoveries of its bankruptcy claims equal to the full repayment of its claim.

Pursuant to the terms of the Composition with Creditors, Parmalat will be required to satisfy Citibank's demands only if any of the filed claims were to be finally verified by means of a final court decision or accepted by virtue of a settlement agreement.

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<sup>1</sup> Parmalat Finanziaria S.p.A. in A.S. (recovery ratio 5.72%), Parmalat S.p.A. in A.S. (recovery ratio 6.94%), Centro Latte Centallo S.r.l. in A.S. (recovery ratio 64.82%), Contal S.r.l. in A.S. (recovery ratio 7.06%), Eurolat S.p.A. in A.S. (recovery ratio 100%), Geslat S.r.l. in A.S. (recovery ratio 28.22%), Lactis S.p.A. in A.S. (recovery ratio 100%), Newco S.r.l. in A.S. (recovery ratio 14.04%), Panna Elena C.P.C. S.r.l. in A.S. (recovery ratio 75.70%) e Parmengineering S.r.l. in A.S. (recovery ratio 4.90%).

However, in such cases, Citibank's claim would be satisfied with the award of Parmalat shares in accordance with the corresponding recovery ratios provided under the Composition with Creditors.

The capital increase approved on March 1, 2005, as amended most recently by a resolution dated May 31, 2012, which is reserved for late filing creditors, conservatively calls for the issuance of shares to cover the risk entailed by Citibank's claims. If, due to any claims pursued by Citibank as a late-filing creditor the current amount of the capital increase reserved for late-filing creditors should prove to be insufficient, Parmalat will be required to ask its Shareholders' Meeting to increase the amount of the abovementioned capital increase, restricting for that purpose a portion of "Other reserves and retained earnings."

The criminal proceedings for fraudulent bankruptcy against officers and employees of the banking group of which Citibank N.A. is a member, is pending before the Court of Parma, which Parmalat S.p.A. in A.S., Parmalat Finanziaria S.p.A. in A.S. and Parmalat Finance Corporation B.V. in A.S. joined as plaintiffs seeking damages, suing the bank as the civilly liable party for the actions of its employees, are currently in the discovery phase. More specifically, the defendants are currently being deposed, in the final phase of the evidence production process. Based on the current calendar and unless additional evidence is produced, the discovery phase should be completed by the end of November. The next phase is that of the final oral arguments and the resulting decision of the trial expected, on the basis of reports from the lawyers assisting the company, in the first half of 2015.

## **Events Occurring After September 30, 2014**

### **Takeover of the Management of LBR's Production Units**

On November 1, 2014, Lactalis do Brasil took over the management of the production units subject of the offer.

As soon as the procedures subject of the conditions precedent are completed, the local subsidiary will acquire ownership of the assets and will pay the purchase price.

## Principles for the Preparation of the Interim Report on Operations at September 30, 2014

The Interim Report on Operations at September 30, 2014 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 periodic financial reporting.

The principles of consolidation and valuation criteria applied in the Interim Report on Operations at September 30, 2014 are the same as those used to prepare the Annual Report at December 31, 2013, which should be read for additional information, and those of new IFRS pronouncements in effect as of January 1, 2014, which are reviewed below.

The following recently published accounting principles, amendments and interpretations went into effect on January 1, 2014, as adopted by the European Commission:

*IFRS 10 – Consolidated Financial Statements (applicable to accounting periods beginning on or after January 1, 2014).* This new principle replaces *SIC-12 Consolidation – Special Purpose Entities* and parts of *IAS 27 – Consolidated and Separate Financial Statements*, which was renamed *Separate Financial Statements* and governs the accounting treatment of investments in associates in separate financial statements. As of the date of this Interim Report on Operations, the adoption of this new principle had no impact within the Group.

*IFRS 11 – Joint Arrangements (applicable to accounting periods beginning on or after January 1, 2014).* This new principle replaces *IAS 31 – Interests in Joint Ventures* and *SIC-13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Subsequent to the publication of this principle, *IAS 28 – Investments in Associates* was amended to include investments in joint ventures in its scope of implementation, as of the principle’s effective date. As of the date of this Interim Report on Operations, the adoption of this new principle had no impact within the Group.

*IFRS 12 – Disclosure of Interests in Other Entities (applicable to accounting periods beginning on or after January 1, 2014).* As of the date of this Interim Report on Operations, the adoption of this principle had no impact in terms of the valuation of financial statement items.

*Amendments to IFRS 10, IFRS 11 and IFRS 12 (applicable to accounting periods beginning on or after January 1, 2014)* As of the date of this Interim Report on Operations, the adoption of these amendments had no impact within the Group.

*Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable to accounting periods beginning on or after January 1, 2014).* As of the date of this Interim Report on Operations, the adoption of this revised version had no impact within the Group in terms of the valuation of financial statement items.

*Amendments to IAS 36 – Impairment of Assets (applicable to accounting periods beginning on or after January 1, 2014).* As of the date of this Interim Report on Operations, the adoption of this revised version had no impact within the Group in terms of the valuation of financial statement items.

*Amendments to IAS 39 – Financial Instruments: Recognition and Measurement. Novation of Derivatives and Continuation of Hedge Accounting (applicable to accounting periods beginning on or after January 1, 2014).* As of the date of this Interim Report on Operations, the adoption of this revised version had no impact within the Group.

When preparing the Interim Report on Operations, Directors apply accounting principles and methods that, in some cases, are based on complex and subjective valuations and estimates that are based on historical data and assumptions that, in each individual case, are deemed to be reasonable and realistic in light of the relevant circumstances. The use of these estimates and assumptions has an impact on the amounts reported in the financial



statement schedules and in additional disclosures. The amounts shown for those components of the financial statements for which the abovementioned estimates and assumptions were used could differ from the amounts actually realized, due to the uncertainty that characterizes all assumptions and the conditions upon which the estimates were based. Estimates and assumptions are revised on a regular basis and the impact of any resulting change is recognized in the period when a revision of estimates occurred, if the revision affects only the current period, and is also applied to future periods, when the revision has an impact both on the current period and on future periods. The financial statement items that require the most use of subjective judgment by Directors in developing estimates and with respect to which a change in the underlying assumptions used could have a material impact on the Interim Report on Operations are those concerning goodwill, trademarks with an indefinite useful life, depreciation and amortization of non-current assets, current and deferred taxes, the allowance for doubtful accounts, the provisions for risks and charges (specifically with regard to pending litigation), the provisions for employee benefits and the reserves for creditor challenges and claims of late-filing creditors. Information about the main assumptions and the sources used to develop estimates is provided in the relevant notes to the consolidated financial statements at December 31, 2013.

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

The income tax liability is recognized based on the best estimate of the tax rate projected 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 Group's sales significantly reduces the impact of seasonal factors.

This Interim Report on Operations at September 30, 2014 was not audited.

The Board of Directors authorized the publication of this Interim Report on Operations on November 7, 2014.

## Scope of Consolidation

In the third quarter of 2014, there were no significant changes in the scope of consolidation compared with June 30, 2014.

Harvey Food and Beverage Limited, a company acquired on March 31, 2014 ("closing date") is being consolidated as of April 1 ("acquisition date"), which is the date when the Group actually obtained control of the acquired company.

## Venezuela

The income statement and statement of financial position data of the Venezuelan subsidiaries, when stated in the local currency, are affected by a rate of inflation that, over the past three years, exceeded the cumulative threshold of 100%, which triggered the adoption of the adjustments required by IAS 29 – *Financial Reporting in Hyperinflationary Economies*. According to this principle, the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current on the date of the financial statements. All statement of financial position amounts that are not stated in terms of the measuring unit current on the date of the financial statements must be restated by applying a general price index. All income statement components must be stated in terms of the measuring unit current on the date of the financial statements, applying the change in the general price index that occurred since the date when revenues and expenses were originally recognized in the financial statements. The restatement of the financial statement amounts was carried out using Venezuela's consumer price index (INPC). On the date of this Interim Report on Operations, the index was 719.7 (442.3 in September 2013) and the year-over-year change in the index was 62.71%.

With the start, on March 24 of the *Sistema Cambiario Alternativo de Divisas* (also known as *SICAD II*), based on a system of daily auctions, alongside the *Sistema Complementario de Administracion de Divisas* (also known as *SICAD*), which is based on a system of weekly auctions, in the first nine months of 2014, the Venezuelan foreign exchange system was characterized by the concurrent presence of an official exchange rate (also known as *CENCOEX*) of 6.30 VEF/USD, accompanied by an implied exchange rate derived from the outcome of the auctions carried out with the *SICAD* system (with an exchange rate of 12.00 VEF/USD in effect at September 30) and a new implied exchange rate derived from the outcome of the auctions carried out with the *SICAD II* system (with an exchange rate of 49.99 VEF/USD in effect at September 30).

The Venezuela subsidiaries, while still able to purchase foreign currency at the official exchange rate in the third quarter of 2014, took part, in March, in the first *SICAD* auction held for operators in the dairy sector. This exchange rate, while less favorable, enabled the subsidiary to obtain more quickly the foreign currency it needed to settle commercial transactions. On that occasion, the auction's exchange rate was 10.70, for a total of 2.1 million U.S. dollars.

Based on the available supporting documents, it was deemed appropriate to translate the statement of financial position balances at September 30 and the income statement balances for the third quarter of the Venezuelan subsidiaries at the *SICAD* rate, which was thought to be representative of operating conditions during the reporting period.

At September 30, 2014, this rate was the exchange rate applicable to future dividend payments and repatriation of capital.

Previously, Parmalat used the official exchange rate of 6.30 VEF/USD to convert both the income statement and the statement of financial position data of the local subsidiaries for the purposes of its consolidated Group financial statements.

At September 30, because of this change, the contribution of these subsidiaries to the consolidated equity was reduced by 110 million euros, while the contribution to net revenues and EBITDA decreased by 88 million euros and 10 million euros, respectively.

A change from the rate of 6.30 (VEF/USD) to *SICAD II* would have reduced the contribution of the subsidiaries to the consolidated equity by 203 million euros and their contribution to net revenues and EBITDA would have decreased by 176 million euros and 19 million euros, respectively.

Because the *SICAD* exchange rate is based on auctions held periodically, it is possible that it may vary widely in future quarters, with a significant impact on the accounting balances of the Venezuela subsidiary and Parmalat's consolidated financial statements.

It is also possible that significant fluctuation in exchange rates and other related developments affecting Venezuela could have a further impact on the subsidiary's activities in the future, which could also have a material effect on Parmalat's consolidated financial statements.

## Business Outlook

A persistent unfavorable economic environment, dictated by high raw material costs and severe competitive pressure in the areas of operation, characterized the first half of the year, during which the Parmalat Group gradually improved its profitability, thanks to operating efficiencies and list-price adjustments.

The third quarter was characterized by gains in revenues and EBITDA, benefiting from the strategic actions implemented, including targeted price increases and marketing and strengthening programs in key geographic regions carried out in conjunction with initiatives aimed at continuously improving operating efficiency.

The trend in raw material prices, which has been pointing downward starting in the third quarter of the year, and the sales dynamics shaped by major competitors and the price and product policies pursued by retail chains have introduced high levels of variability in the results generated in the different sales regions.

### Guidance for 2014

Given this context, at constant exchange rates and scope of consolidation and excluding the effects of hyperinflation, Parmalat expects net revenues and EBITDA to grow by more than 5% in 2014.

#### **Disclaimer**

*This document contains forward looking statements, particularly in the section entitled "Business Outlook." Projections for the fourth quarter of 2014 are based, inter alia, on the Group's performance in the third quarter of 2014 and take into account trends in the months of October. The Group's performance is affected by exogenous variables that could have unforeseen consequences in terms of its results: these variables, which reflect the peculiarities of the different countries where the Group operates, are related to weather conditions and to economic, socio-political and regulatory factors.*

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

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

Signed: Pierluigi Bonavita  
Corporate Accounting Documents Officer

## **Parmalat S.p.A.**

Company subject to oversight and coordination by B.S.A. S.A.

Via delle Nazioni Unite 4

43044 Collecchio (Parma) - Italy

Tel. +39.0521.808.1

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

Share capital: 1,829,468,134 euros fully paid-in

Parma R.E.A. No. 228069

Parma Company Register No. 04030970968

Tax I.D. and VAT No. 04030970968

