Annual Report at December 31, 2005

Contents

Board of Directors, Statutory Auditors and Independent Auditors

Board of Directors

Chairman	Raffaele Picella
Chief Executive Officer	Enrico Bondi
Directors	Piergiorgio Alberti Massimo Confortini (i) (3) Marco De Benedetti (i) (2) Andrea Guerra (i) (2) Vittorio Mincato (i) (3) Erder Mingoli (i) Marzio Saà (i) (1) Carlo Secchi (i) (1) (2) Ferdinando Superti Furga (i) (1) (3)

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

Statutory Auditors

Chairman	Alessandro Dolcetti
Statutory Auditors	Enzio Bermani Mario Magenes

Independent Auditors

PricewaterhouseCoopers S.p.A.

The table below presents the financial highlights of the Company and the Group:

(in millions of euros)		
GROUP	**PRO-FORMA[1] 2005**	**ACTUAL[1] 10/1/05-12/31/05**
- NET REVENUES	3,901.4	1,083.5
- EBIT	174.1	24.3
- PROFIT (LOSS) FOR THE YEAR	50.3	1.2
- NET BORROWINGS		369.3
- ROI[2]	7.7	4.3
- ROE[2]	2.7	0.3
COMPANY		
- NET REVENUES	1,021.2	256.6
- EBIT	(22.2)	(34.0)
- PROFIT (LOSS) FOR THE YEAR	(12.3)	(29.3)
- NET FINANCIAL ASSETS		324.5
- ROI[2]	n.a.	n.a.
- ROE[2]	n.a.	n.a.

[1] The 2005 Annual Report of the Parmalat Group covers essentially the period from October 1, 2005 to December 31, 2005, because October 1, 2005 was the date when the assets and liabilities of the companies that put forth the Proposal of Composition with Creditors were transferred to Parmalat. For the sake of greater disclosure, full-year pro forma financial statements for 2005 for the operations transferred to Parmalat on October 1, 2005 is also provided.

[2] Indeces calculated on the basis of pro-forma (or actual and annualized) profit and loss data and year-end balance sheet data

Information About Parmalat's Securities

The shares of Parmalat S.p.A. have been trading on the Milan Online Stock Market since October 6, 2005. The warrants were listed on October 28, 2005.

Since March 20, 2006 the Parmalat share has been included in S&P/Mib indice and in D.J. Stoxx 600.

	Common Shares	Warrants
Securities outstanding at 12/31/05	1,619,945,197	67,002,230
Closing prince on 12/31/05	2.057	1.319
Capitalization (in millions of euros)	3,332.2	
High for the year (in euros)	3.15 October 6, 2005	n.s.
Low for the year (in euros)	1.95 November 22, 2005	n.s.
Average price in December (in euros)	2.060	n.s.
Highest daily trading volume	281,460,896 October 6	n.s.
Lowest daily trading volume	1,563,696 December 30	n.s.
Average trading volume in December	3,820,199	n.s.

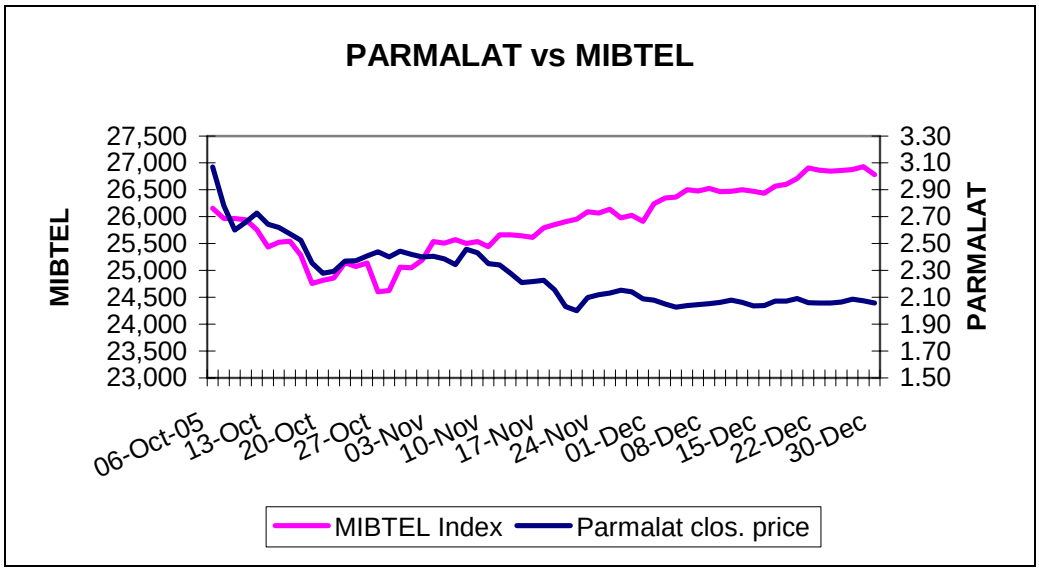
Note: n.s. (not significant)

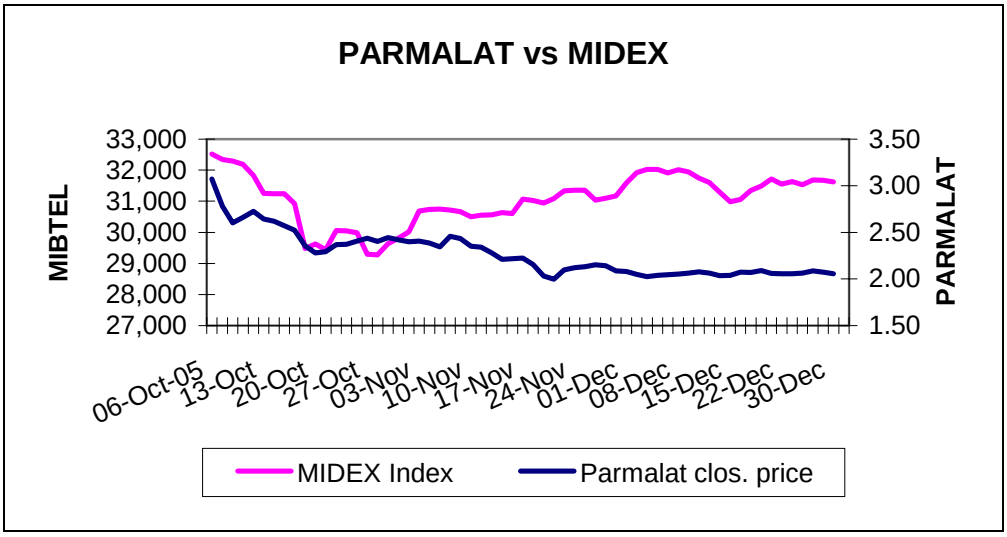
Performance of Parmalat's Shares

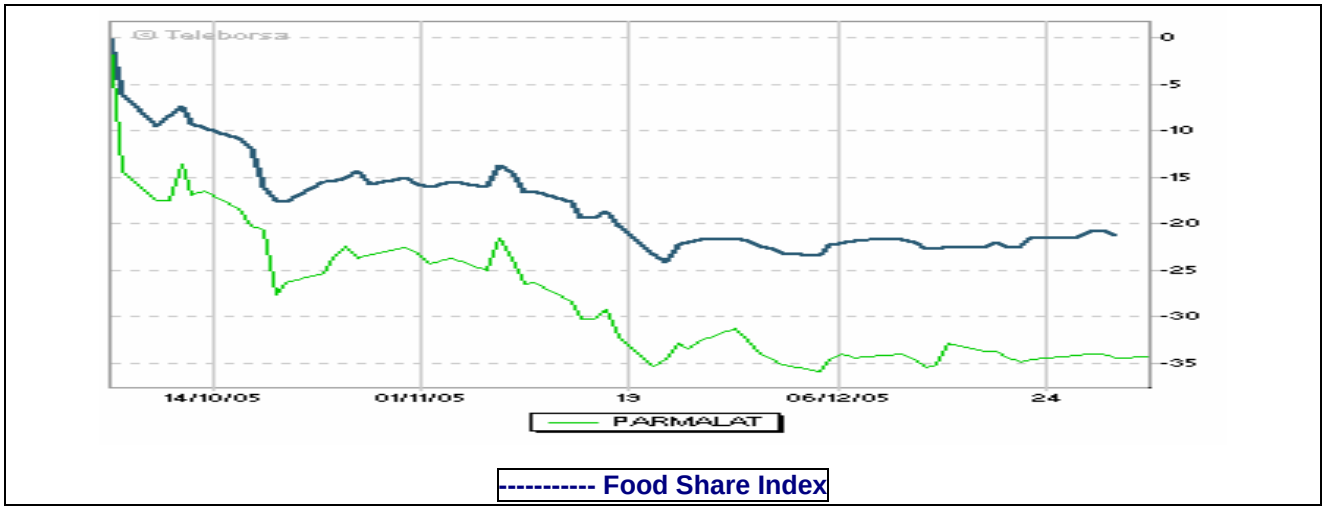
After an initial surge, the share price settled between 2.10 euros and 2.20 euros per share.

The market views Parmalat's shares as a securities with a high volatility component, related mainly to the expected outcome of various actions to void and actions for damages that are currently pending.

This component caused the price of the shares to fluctuate depending on news about the progress of these legal actions. The charts on the following pages compare the performance of Parmalat's shares with those of the main Italian market indices (Mibtel, Midex, Food Shares).







Note: Parmalat SpA accounts for about 50% of the Food Share Index market capitalization.

Shareholder Base

As required under Article 120 of the Uniform Financial Code, the table below lists the shareholders who hold a significant interest in the Company (as of March 20, 2006):

Shareholder	N° of shares	of which pledged shares		Percentage
		number of shares	Percentage	
Capitalia	**84,845,406**			**5.300%**
Capitalia S.p.A.	84,761,390			5.295%
Banca di Roma S.p.A.	59,346	59,346	0.004%	0.004%
Banco di Sicilia S.p.A.	23,925	23,925	0.001%	0.001%
Harbert Distressed Inv. Fund	**47,002,990**			**2.936%**
JP Morgan Chase & Co. Corporation	**41,695,284**			**2.604%**
JP Morgan securities Limited	41,695,284			2.604%
Banca Intesa	**36,534,607**			**2.282%**
Banca Intesa S.p.A.	35,105,296	64,075	0.004%	2.193%
Cassa di Risparmio di Biella e Vercelli S.p.A.	827,154	14,412	0.001%	0.052%
Central European International Bank Ltd	590,887			0.037%
Davidson Kempner Capital Management LLC	**33,152,395**			**2.046%**
Lehman Brothers Holdings Inc.	**32,592,901**			**2.007%**
Lehman Brothers Holdings Inc.	100,000			0.006%
Lehman Brothers International Europe	32,492,901			2.001%

Compared with December 31, the share capital increased by 6,624,315 euros and currently amounts to 1,626,569,512 euros. With regard to the allocation of shares, the current situation is as follows:

A total of 80,542,600 shares, equal to 4.9% of the share capital, are still held on deposit by Parmalat S.p.A. A breakdown of these shares is as follows:

- 22,983,527 shares, equal to 1.4% of the share capital, are owned by commercial creditors who have been identified by name and are held by Parmalat S.p.A. as intermediary through the Monte Titoli centralized securities clearing system;

- 120,000 shares, equal to 0.007% of the share capital, represent the initial capital of Parmalat S.p.A. These shares are registered in the name of Fondazione Creditori Parmalat;

- 57,439,073 shares, equal to 3.5% of the share capital, belong to creditors who have not yet claimed them. These shares are registered in the name of Fondazione Creditori Parmalat.

The maintenance of the Stock Register has been outsourced.

Characteristics of the Securities

Shares
The shares, which have a par value of 1 euro each, are common, registered shares, regular ranking for dividends as of January 1 of the year in which the capital increase through which they were issued was carried out.

The share capital approved and subscribed thus far amounts to 1,626.6 million euros.

By a resolution approved on March 1, 2005, the Shareholders' Meeting authorized the Board of Directors to carry out capital increases up to a maximum amount of 2,010 million euros, 80 million euros of which will be reserved for the exercise of warrants.

Warrants
The warrants are issued in dematerialized form and have been negotiable on the Online Stock Market since the date of listing (October 28, 2005).
Each warrant conveys the right to subscribe at par for cash on a continuous basis, effective on the tenth day of the month following the month when the application to exercise is filed in a given calendar year, from 2005 to 2015.
The terms and conditions for the exercise of the warrants are set forth in the respective regulations, which were approved by the Issuer's Board of Directors on March 1, 2005 and are available at the Parmalat website (www.parmalat.com).
The additional shares issued through the exercise of the warrants will be issued with regular ranking, i.e., with a valid coupon as of the effective exercise date of the warrants.

Global Depositary Receipts
Pursuant to the Composition with Creditors and with express exemption from any related liability, the Foundation and the Issuer have been authorized, each within the scope of its jurisdiction, to award to unsecured creditors who can be classified as "Qualified Institutional Buyers" or "Accredited Investors" (in accordance with the meaning that these terms have pursuant to the "General Rules and Regulations Under the U.S. Securities Act of 1933") the Issuer's shares and warrants that they are entitled to receive in the form of Global Depositary Receipts, and to take all steps necessary to establish the required Global Depositary Receipts programs.
The credit institution that issues these financial instruments is the Bank of New York, which should be contacted for all related documents and transactions.
At December 31, 2005, a total of 156,088,747 Global Depositary Receipts and 96,525 Global Depositary Warrants had been issued.

A Letter from the Board of Directors

The new Parmalat, which became operational on October 1, 2005 pursuant to a court decision approving the Composition with Creditors, has completed its first fiscal year, which lasted just three months. During this brief period of time, the Company established its new balance sheet, taking over the assets and liabilities of the companies included in the Proposal of Composition with Creditors, and began to integrate the processes and operational organizations of the companies that are active in the Italian market (former Parmalat in a.s., former Eurolat in a.s., former Panna Elena in a.s. and former Lactis in a.s.).
These endeavors entailed a major organizational effort that involved simultaneously all Company departments and required the renegotiation of existing relationships with outside parties, with the goal of reestablishing Parmalat's identity with suppliers, customers and consumers.

The Company is committed to implementing a program to modernize its operational processes (in the industrial, commercial, financial and control areas) in order to support and consolidate its market leadership position.

As previously announced, the terms of the Composition with Creditors call for creditors with verified claims to receive Parmalat shares in accordance with specific recovery ratios. They also call for the distribution of one warrant for each share, up to a maximum of 650 warrants per shareholder. These warrants are convertible into shares on the basis of one warrant for one share at a price of one euro per share. The allocation of the shares and warrants began in October, continued during the ensuing months and is still ongoing.
As of December 31, 2005, a total of 1,619,945,197 shares and 67,002,230 warrants had been distributed to about 135,000 shareholders, creating what could be characterized as a true public company.

There are 55,000 shareholders who own up to 650 shares each and 65,000 shareholders who own between 1,000 and 10,000 shares each.
The Company's governance rules have been amended to reflect the needs of such a broad shareholder base. In addition, the Company's Board of Directors, which was appointed by the Shareholders' Meeting on November 8, 2005, has established three committees that will provide it with corporate governance support.
These committees are: the Appointments and Compensation Committee, the Internal Control and Corporate Governance Committee and the Litigation Committee, which provides consulting support to the Chief Executive Officer.

There are still about 58 million Company shares that are being held in the name of Fondazione Creditori Parmalat pending their allocation to shareholders who still have not requested their distribution. As these shares are distributed, the number of Company shareholders will increase further.
As a result, the share capital increase approved for warrant conversion purposes will prove to be insufficient.

The Group begins its second year with a strong financial position and the ability to support the growth of its manufacturing operations. It will continue to pursue a policy that is designed to strengthen its portfolio of products by focusing it on functional items with greater value added; it will further expand the use of Parmalat brands as replacements for local brands; it will resume direct operations in select countries in Latin America; and it will continue to develop the use of licensees, all while remaining focused on the objective of delivering excellent quality and healthy foods to consumers.

The Company will seize growth opportunities through acquisitions if they can deliver synergies and are consistent with its strategy. In addition, it will continue the process of centralizing some of its activities and will take the steps required to resolve any remaining financial and/or industrial issues.

The Board of Directors

Report on Operations by the Board of Directors

World Economy

The world economy continued to expand in 2005, driven mainly by growth in certain countries, namely the United States and China.

Both consumption and investments helped to support demand, owing in part to favorable conditions in the financial markets that were made possible largely by low interest rates.

Corporate earnings also helped fuel demand for capital goods. Cross-border trade continued to grow at a rapid pace.

However, significant differences in the growth rates experienced by the world's main industrial regions exacerbated balance-of-payment imbalances, as the effect of higher oil prices was magnified by major transfers of resources from consuming nations to producing nations, which were unable to increase imports.

The impact of higher energy prices was mitigated by a downward trend in the rate of increase in energy consumption.

Interest rates, especially at the long-term end of the yield curve, remained low, and this trend is expected to continue in the future.

Metal prices increased, but the prices of other non-energy raw materials stabilized after rising earlier in the year, due mainly to a decrease in farm prices.

The table below presents relevant data for the main countries in which the Group operates (percentage changes over the previous period) (Source: OECD 2005, unless otherwise indicated).

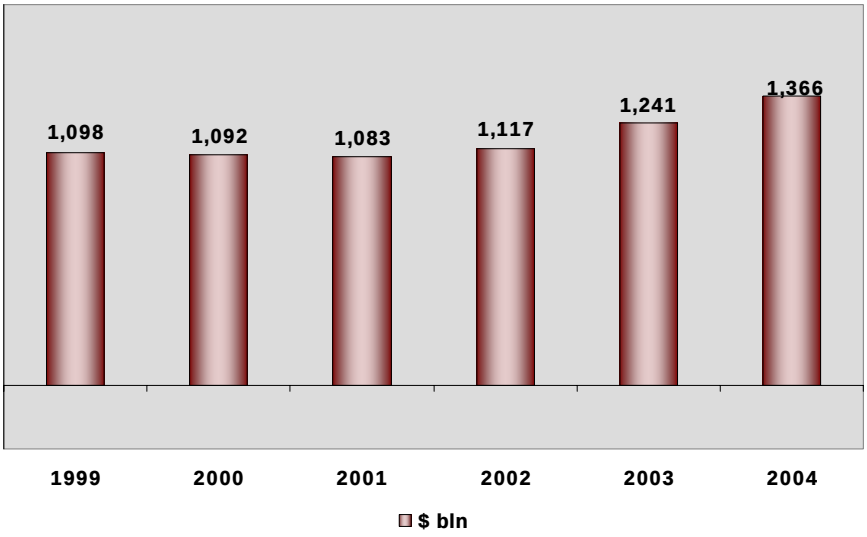
	GDP	HOUSEHOLD CONSUMPTION	INFLATION
ITALY	0.2	0.9	2.1
SPAIN	3.4	4.2	3.4
PORTUGAL	0.8	2.3	2.1
CANADA	3.0	4.0	2.4
AUSTRALIA	2.6	2.7	2.7
SOUTH AFRICA (1)	5.0	6.5	4.1
VENEZUELA (2)	9.3	10.0	14.4
COLOMBIA (3)	4.7	n.a.	4.9

(1) Source: Investec
(2) GDP and Inflation: Source: Istituto Nacional de Estadistica
Household Consumption: Source: Datos IRI and Datanalisis
(3) Source: Dane – National Administrative Department of Statistics

The Global Food Market

The global market for Packaged Foods, which is the area in which the Group does most of its business, is valued at about US$1.4 trillion (Source: IMIS Euromonitor). It is a defensive business, affected only minimally by changes in the economic cycle, and has reached a mature stage, with a medium growth rate (CAGR of 4.5% in the last five years). However, niche markets with attractive opportunities and room for growth, such as Functional Foods, are still available.

Global Sales Value Packaged Foods - 2004



Retail Sales Value
Source: IMIS Euromonitor

The competitive environment varies greatly by market segment and geographic region, with extremely high fragmentation in the liquid milk business and a small number of players in other areas (the U.S. snack market, for example).

The main forces that drive the Packaged Foods market are the growth of the world's population, economic expansion (in terms of GDP) and increases in disposable per capita income. In the developed countries, the Packaged Food markets are extremely mature, with limited unit sales growth and revenue gains that are made possible mainly by the development of new products and innovative marketing and branding strategies. The main trends and opportunities in the food market (Source: Reuters Business Insight Consumer Goods: Future Breakfast Solutions, 2002) are reviewed below:

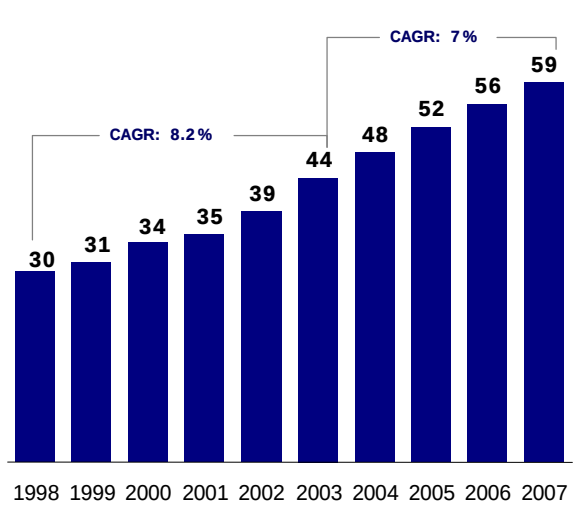
- Nutritional balance, meaning attention to controlling excess food (for example, demand for light products) in the developed world and need to deliver vital food components providing the recommended daily allowance (RDA) in the developing markets.
- Concern for health, with the consequent focus on diet as a preventive tool.
- Demand for improvements in speed of preparation, ease of storage and portioning, and effectiveness of opening and sealing systems.
- Eating pleasure defined as product sensory richness (creaminess, aroma, color).
- Boom in eating out. In Italy today, eating out accounts for almost 35% of the total food market, and this percentage is projected to jump to 55% by 2014 (Source: Nielsen/Istat).

Based on the findings of a strategic analysis, the Group has identified the high-potential segments on which it plans to focus in order to generate growth in the coming years: i) *Minus Foods*: food with reduced fat, protein, sodium and sugar content; and ii) *Functional Products*: food produced from raw materials that provide proper nutrition (fruit, milk, grains, soy) supplemented with ingredients that serve to improve overall wellness

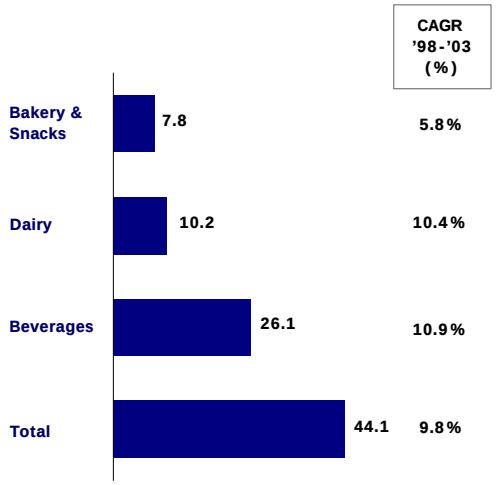
(vitamins, minerals, antioxidants). In addition, the Group will pay special attention to specialty products that address the specific needs of consumers at the local level.

The market for *Functional Products*, which was valued at about US$44 billion in 2003 (Source: Datamonitor), has a higher growth rate than that of the market for *Packaged Foods*.

GLOBAL FUNCTIONAL FOOD MARKET REVENUES IN BILLIONS OF US$



2003 REVENUES PER SEGMENT OF GLOBAL FUNCTIONAL FOOD MARKET IN BILL. OF US$



Source: Datamonitor

The Dairy Market

The dairy market ("**Dairy**"), which is the largest area of the *Packaged* market, was valued at about US$280 billion in 2005 (Source: IMIS Euromonitor). The largest segments of the Dairy market are: milk (fresh, pasteurized, UHT, powdered, flavored, fermented), cream, cream-based white sauces, yogurt, milk-based desserts, butter and cheese. The Parmalat Group intends to consolidate its presence in the Dairy market, focusing on products with a high value added, such as flavored milk and/or milk with beneficial supplements added and functional dairy products (yogurt and probiotic products, cream-based white sauces, light cheese, modern cheese and light desserts), which offer higher margins and growth rates.
The milk segment, which includes the liquid, condensed, powdered, flavored and fermented categories, was valued at about US$120 billion in 2005, with a 1998-2005 CAGR of 3.4%, projected to be 1.5% over the 2005-2010 period (Source: IMIS Euromonitor).
The main players in the global milk business are: Nestlé (5.8%), Dean Foods (4.8%), Parmalat (3.3%) and Arla Foods (1.8%). Private labels account for 25% of the total (Source: IMIS Euromonitor).
The yogurt segment, which includes the plain, flavored, fruited, drinkable and probiotic categories, is valued at US$40.9 billion, with a 1998-2005 CAGR of 8.1%, projected to be 4.3% over the 2005-2010 period (Source: IMIS Euromonitor). The main players in the global yogurt business are: Danone (22.9%), Yakult Honsha (9%), Sodiaal (7.9%) and Nestlé (5%). Private labels account for 8.6%. Parmalat ranks ninth worldwide, with a market share of 1.4% (Source: IMIS Euromonitor).

The Beverage Market

The fruit beverage segment, which is an area where the Group plans to expand further, is valued at US$93 billion (about 20% of the soft drink market). The annual growth rate for the 2005-2009 period is projected at 3.5% (Source: IMIS Euromonitor).
The main players in the global market are Coca Cola (7.7%) and Pepsi Cola (5%), with private labels accounting for 15% of the total. Parmalat ranks twenty-seventh worldwide, with a market share of 0.7% (Source: IMIS Euromonitor).

The Parmalat Group (Markets, Products, Business Units)

The court decision that approved the Composition with Creditors was handed down on October 1, 2005. It authorized the transfer of the assets and liabilities belonging to the 16 companies that put forth the Proposal of Composition with Creditors to the new Parmalat.

On October 6, 2005, the Company's shares were accepted for trading on the Stock Exchange.

On November 8, 2005, the Shareholders' Meeting elected the Company's Board of Directors, which met on December 15, 2005 and approved the Company's opening balance sheet.

The financial statements of Parmalat S.p.A. that are being submitted for your review cover the full 2005 fiscal year. The assets and liabilities of the 16 companies that put forth the Proposal of Composition with Creditors were transferred to Parmalat S.p.A. on October 1, 2005. The financial statements of the Parmalat Group includes the financial statements of Parmalat S.p.A. for all of 2005 and the financial statements of the companies transferred to Parmalat S.p.A. pursuant to the Composition with Creditors for the period from October 1, 2005 to December 31, 2005.

However, for the sake of greater disclosure, pro forma income statements for the Company and the Group for the entire 2005 fiscal year are also being provided, and the Report on Operations covers the same period.

Guidelines and Objectives

The strategic guidelines that the Group followed in 2005 and which will continue to direct its operations in the near future as follows:

- Concentrate the product portfolio on milk and derivatives and fruit-based beverages.
- Focus on products with a high value added and on highly innovative premium products.
    - Functional products are a specific objective of the Group.
- Promote brands with a high value added and continue steadily and effectively to implement the process of "Parmalatization" in all of the countries in which the Group operates by:
    - Gradually streamlining the product portfolio, replacing minor local brands whenever possible;
    - Leveraging the value of strong local brands, supporting them with the introduction of Parmalat as a signature/umbrella brand whenever possible;
    - Making sure that the Parmalat brand is tied directly to, or is an umbrella brand for, innovative premium products in all markets.
- Benefit from cost and revenue synergies generated by the central coordination function exercised by the Group's Parent Company by:
    - Leveraging product and process innovation at the global level, with R&D activities coordinated centrally;
    - Leveraging cost competitiveness and process excellence advantages at all stages of the value chain.

Markets

Products bearing the brands of the Parmalat Group are marketed on five continents either directly or through licensees.
Parmalat operates directly in the following countries: Australia, Canada, Colombia, Cuba, Italy, Nicaragua, Portugal, Romania, Russia, Spain, South Africa, Mozambique, Zambia, Botswana, Swaziland, Venezuela and Ecuador. As a rule, these markets are characterized by:

- an attractive growth potential;
- relative strength of the Parmalat and Santàl brands and of "Local Jewels" brands;
- a local economy with growth potential;
- brand strength in terms of market position, consumer awareness and image profile.

Parmalat operates through licensees in the following countries: Brazil, Argentina, Chile, Mexico, Dominican Republic, Hungary, Uruguay, USA and China.

Product Portfolio

The core portfolio of Parmalat products can be divided into three categories: Milk, Fresh Dairy and Produce.
- The Milk operations are the Group's backbone, accounting for about 60% of revenues (2005 data).
- The Fresh Dairy operations accounted for about 30% of revenues.
- The Produce operations accounted for about 6% of total revenues.

In terms of competitive position, Parmalat is:
- often the leader or a major player in the Milk segment;
- an important player with a diversified, but globally weak, position in the Fresh Dairy segment;
- leader player in the Produce segment in Italy, Venezuela, Romania and Portugal.

Specifically, in the main countries, the Group is characterized by the following positions:

Italy: leader player in Pasteurized Milk, UHT Milk, Cream, Béchamel, Fruit Juices segments *(Source: Nielsen, Iri, Assolatte 2005)*
Canada: leader player in Milk, Cream, Butter segments; second player in Yogurt, Cheese, Margarin segments *(Source: Nielsen Market Track 2005)*
Australia: leader player in Functional Dairy; second player in the other milk segments (UHT, flavored fresh, pasteurized fresh, soy milk). *(Source: Aztec Information System, 2005)*
South Africa: leader player in UHT milk and Cheeses, second player in flavored milk, powdered milk, Yogurt, Butter segments *(Source: Nielsen Retail Index Jan-Dec 2005)*

The varying competitive positions, market presence and development strategies and the differing levels of profitability achieved in the various countries reflect the distribution peculiarities of each market. In the more developed countries, the Modern (mass retailing) distribution channel is more prevalent, while in the developing countries the distribution system is more fragmented.

Milk
The Milk segment (UHT milk, fresh milk, condensed milk, powdered milk, cream and béchamel) includes a number of local markets that differ with respect to products consumed and competitive environment.
In terms of product mix, consumption of fresh milk is prevalent in those countries in which this product has a longer shelf life (Australia, for example) and in the less affluent countries (Nicaragua, Russia and Colombia, for example). In the countries in which this product's shelf life is one week, consumption of UHT milk is greater.
With regard to competitive position, this segment is characterized by strong players that operate at the national level or, in large countries (Australia and Canada, for example), at the regional level.
Parmalat is a leader in some of the major markets (Italy, Canada and Australia), a minor player in Spain and Russia and holds a significant market share in South Africa and South America.
Profitability varies widely at the SBU (Strategic Business Unit) level in 2005 due to several factors: focus on functional products with a high value added (Australia, for example), brand recognition and strength (Ucal Portugal, for example), position of strength in the main market area (Normal Trade in Colombia, for example),

regulations governing purchases in the raw materials market (Canada, for example) and size and growth rate of the market (Russia, for example).

Fresh Dairy
The Fresh Dairy segment (yogurt, fermented milk, desserts, cheese, butter and special mix) includes two main areas:
- Yogurt and Dessert, a concentrated market dominated by global companies (Danone, Nestlé/Lactalis, Yoplait and Muller) and, in some cases, by strong local players (in Australia and Venezuela). Parmalat is present primarily through niche products and has significant positions in select markets.
- Cheese, a market with strong local players. Parmalat is present only in a few countries (Canada, South Africa, Venezuela and Italy).

Produce
The Produce segment (juices, nectars, fruit-based beverages and tea) is a highly fragmented market in which the local players are being steadily taken over by large global players, such as Coca-Cola and Pepsi.
The position of the Parmalat Group is strongly polarized between markets in which it enjoys a leadership position and good profitability (Italy and Venezuela) and markets in which it has a marginally competitive position, accompanied by low and often falling profitability (Spain, South Africa, Colombia, Australia, Canada and Russia). Romania is a special case, with a local SBU, which is focused exclusively on the Produce segment, that enjoys high profitability (almost double the Group's average) and a good competitive position.

The product portfolio has been structured to focus production on product categories that are consistent with the Group's strategy of concentrating on products that have a high value added and promote consumer wellness.
The main categories that have been selected are milk-based and fruit-based beverages and products derived from milk that have well-defined functional characteristics.

I. Milk and Milk-based Products
- Milk: leadership in all segments with a high value added (fresh, extended shelf life (ESL), long shelf life (UHT), functional products);
- Functional Fresh Dairy (derived from functional milk);
  - Yogurt and probiotic products;
  - Cream-based white sauces, cheese and desserts.

II. Fruit Beverages
The Group's objective is to harmonize and slowly standardize the definition and groupings of the different product categories while at the same time respecting the specific needs of local markets.

Brand Portfolio

In 2005, the Parmalat Group began a drastic streamlining of its portfolio of brands, with the goal of reducing the overall number of brands that it uses.
The surviving brands can be divided into three groups, according to their place in the Group's strategy:
- **Global brands**, which are used in all core countries and are at the heart of the Parmalat Group's strategy of achieving profitable growth:
  - **Parmalat**, the flagship brand in the milk and functional dairy products markets;
  - **Santàl**, the brand that will drive the Group's growth in the fruit beverage market.
- **International brands**, which are strong in regional markets and offer the Group's core businesses growth opportunities in international markets or segments with a high value added:
  - **Chef** (cream-based sauces), **Kyr** (probiotic dairy products), **Sensational Soy/Soy Life** (soy-based beverages), **Ice Break/Rush** (pioneer brands among dairy products that provide a wellness alternative to conventional soft drinks), **Zymil** (easily digestible milk);
  - Innovative projects: **Jeunesse**
- "**Local jewels,**" which are brands that are particularly strong for the Group in one geographic area in terms of market share, customer recognition, image, profitability and staying power. These brands are a resource of fundamental importance that can generate the cash flow needed to support global and international brands. A few examples are:

- Italy: Berna, Centrale Latte Roma, Lactis, Sole
- Spain: Clesa, Cacaolat, Royne
- Portugal: Ucal
- Canada: Astro, Lactantia, Black Diamond, Cheestrings
- Australia: Pauls, Vaalia, PhysiCAL
- Africa: Simonsberg, Melrose, Bonnita, Everfresh
- South America: Frica, La Campiña

The Parmalat brand will be used for new product launches in segments with a high value added and will be introduced gradually, as a flagship name, to support local brands with the best growth potential, highest customer recognition and strongest presence in local markets. In addition, the Parmalat brand could be used to exploit opportunities, which will be assessed on a case-by-case basis, to relaunch and reposition upmarket brands that are currently weak.

Licenses

From October to December 2005, Parmalat earned royalties totaling 0.4 million euros.
These royalties were generated for the most part by contracts that license the use of trademarks (mainly Parmalat and Santàl). Contracts giving nonexclusive licenses to industrial patents and knowhow contribute smaller amounts.

Contracts That License Trademarks and Patents to Group Companies in Return for Payment of Royalties

- **ROMANIA**
  On August 1, 2005, the Company signed a contract with Parmalat Romania SA requiring the latter to pay royalties of 2% of net quarterly sales generated (primarily) by products sold under the Parmalat and Santàl brands. The contract applies to Romania on an exclusive basis and Bulgaria and Hungary on a nonexclusive basis.

- **RUSSIA**
  On June 1, 2004, a contract originally signed by Parmalat S.p.A. and OOO Parmalat MK was renewed for three years. The renewed contract calls for the licensee to pay royalties of 2% on net sales of milk, butter and yogurt; 3% on net sales of juices, water and beverages; and 5% on net sales of cream and cheese. The main brands involved are Parmalat and Santàl.
  The contract applies to the entire territory of the Russian Federation.

- **HUNGARY**
  On March 3, 2005, Parmalat S.p.A. in AS and Parmalat Hungaria Rt. signed a contract whereby the latter agreed to pay royalties of 1.5% on net quarterly sales (primarily) of products sold under the Parmalat and Santàl brands. This contract applies to all of Hungary.
  Royalties totaling 60,000 euros were invoiced and collected in the last quarter of 2005.

Contracts That License Trademarks and Patents to Group Companies Without Payment of Royalties

Contracts that license trademarks without the payment of royalties have been executed with the following Group companies:
- Parmalat Australia Pty Ltd (Australia – executed on March 29, 1999);
- Parmalat Dairy & Bakery (Canada – executed on February 19, 1998, amended on July 8, 2004);
- Parmalat Food Inc. (Canada – executed on February 19, 1998, amended on July 8, 2004);
- Parmalat del Ecuador SA (Ecuador – executed on February 28, 2000).

These contracts are currently being reviewed and renegotiated.

Contracts That License Trademarks and Patents to Third Parties in Return for Payment of Royalties

- **MEXICO**
  A contract signed on June 22, 2004 with Prolacteos de Mexico S.A. de CV (Lala Group) calls for Prolacteos de Mexico S.A. de CV to pay increasing royalties on its net sales of milk and other products starting from July 1, 2005. In 2005, the royalties were 0.75% for milk and 1.5% for other products.
  Royalties totaling $32,642.75 were invoiced in the last quarter.

- **DOMINICAN REPUBLIC**
  A contract was signed with Parmalat Dominicana SA on September 30, 2004.
  Under this contract, Parmalat Dominicana SA is required to pay royalties on an increasing scale on products sold under the Parmalat and Santàl brands starting from October 1, 2005.
  In the first year of the contract, the licensee is required to pay a guaranteed minimum of $200,000. A total of $50,000 was invoiced during the part of 2005 covered by the contract.

- **USA**
  Parmalat S.p.A. signed a contract to license certain industrial patents (Dasi technology) to the Dean Foods Company on a nonexclusive basis in exchange for the payment of annual royalties amounting to $70,000.

- **USA**
  On June 1, 2005, the Company and Farmland Dairies LLC signed a series of contracts concerning mainly the use of the Parmalat and Santàl brands. The licensee is required to pay royalties that vary according to the type of product.

- **CHILE**
  On May 13, 2004, the Company and Bethia S.A. signed a licensing agreement covering mainly the Parmalat brand. The agreement calls for Bethia to pay royalties on an increasing scale (from 2.5% to 3% and 3.5%) on net sales, with an annual guaranteed minimum of $500,000, starting from July 1, 2005.

- **BRAZIL**
  A contract concerning mainly the licensing of the Parmalat and Santàl brands was signed with Parmalat Brasil SA Industria de Alimentos on December 22, 2004. For the first three years, the contract calls for no royalty payments. Starting in the fourth year, the royalties will increase gradually from 0.5% to 1% and 1.5% of net sales.
  The contract has a term of 10 years and can be extended for an additional three years, unless it is cancelled.

- **CHINA**
  On August 26, 2005, the Company signed a contract licensing the use of the Parmalat brand to Bei Lei (Tianjin) Dairy Co. Ltd in exchange for royalties computed on an increasing scale for each product line (milk, juice, yogurt).

- **URUGUAY**
  Under a contract signed on February 16, 2005 that licenses the use of the Parmalat brand, Morningstar Investment Inc. agreed to pay royalties (starting in the third year) of 1.5% of net sales ($100,000 guaranteed minimum).
  Nothing will be owed by Morningstar Investment Inc. for the first two years, which begin December 28, 2004.

Revenues and Profitability

During 2004 the EBITDA has been calculated excluding the losses on receivables and the inventory writedowns. In 2005 the losses on receivables and the inventory writedowns are recognized as a decrease of the EBITDA. For comparison purposes, the 2004 and 2005 data are disclosed in both configurations.

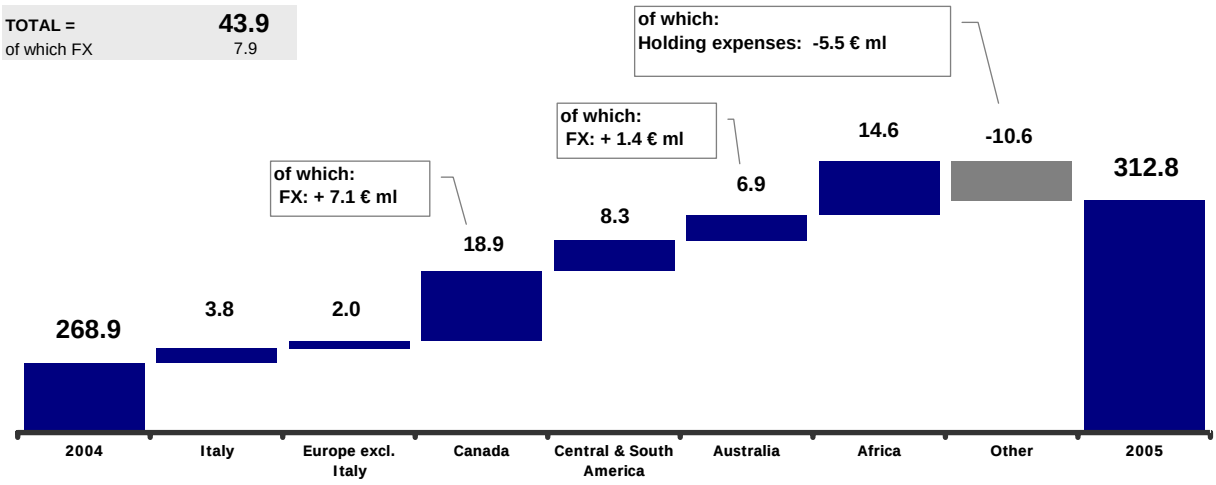
a) Global Data

€ Ml	2004	2005	change	
Net Revenues	3,732.2	3,876.3	144.1	*+3.9%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	268.9	312.8	43.9	
% on Net Revenues	7.2	8.1		
EBITDA	218.0	278.1	60.0	
% on Net Revenues	5.8	7.2		

Revenues increased, as compared with the previous year, totaling 3,876.3 million euros, or 144.1 million euros more than the 3,732.2 million euros booked in 2004 (+3.9%).
EBITDA before writedowns in working capital and provisions, improved by 43.9 million euros, reaching 312.8 million euros (268.9 million euros in 2004). The ratio of EBITDA to revenues was 8.1%, for a gain of 0.9 percentage points over 2004.

Analysis of Change in EBITDA before Writedowns in Working Capital and Provisions

2005 vs 2004



FX = exchange rate impact

b) Data by Geographic Region

In 2005, revenues were higher than in 2004 in all regions where the Group operates, with the exception of Spain and Portugal, where the Group's performance was affected both by external development (contraction of market demand and consumption, increased competition) and internal factors (production problems, need to renew the product line, need to invest more in communications). The Cuban SBU also suffered a sharp drop in sales due to a weather event (hurricane) that drastically reduced the harvest. Overall, EBITDA before writedowns in working capital and provisions (see table on the preceding page) showed a remarkable increase in Canada (buoyed by favorable exchange rates), Africa, Central and South America and Australia.

Net Revenue and EBITDA by Geographic Region

	2004			2005				
€ Ml	**Net Revenues**	**EBITDA bef. w.down of Acc. Receiv. & Other Prov.**	**% on Net Revenues**	**Net Revenues**	**EBITDA bef. w.down of Acc. Receiv. & Other Prov.**	**% on Net Revenues**	**EBITDA**	***% on Net Revenues***
Italy	1,117.1	89.9	*8.1*	1,147.7	93.7	*8.2*	72.1	*6.3*
Canada	1,187.4	87.4	*7.4*	1,338.1	106.3	*7.9*	104.9	*7.8*
Australia	384.3	32.8	*8.5*	425.1	39.8	*9.4*	39.6	*9.3*
Africa	278.0	26.4	*9.5*	328.3	41.0	*12.5*	38.5	*11.7*
Spain	222.7	14.7	*6.6*	207.7	12.0	*5.8*	10.1	*4.8*
Portugal	87.0	8.1	*9.3*	67.8	8.6	*12.7*	8.1	*12.0*
Russia	32.6	3.7	*11.3*	41.8	6.4	*15.2*	5.9	*14.2*
Romania	8.4	1.5	*17.7*	10.7	3.0	*28.4*	3.0	*27.7*
Nicaragua	25.6	1.5	*6.0*	25.7	2.5	*9.8*	(0.3)	*(1.4)*
Cuba	3.9	1.4	*35.3*	1.3	(0.2)	*(14.6)*	(0.2)	*(14.6)*
Venezuela	144.8	7.3	*5.1*	152.8	12.5	*8.2*	10.0	*6.5*
Ecuador	8.5	(0.7)	*(8.2)*	0.0	(0.8)	*n.s.*	(1.0)	*n.s.*
Colombia	81.1	7.3	*9.0*	102.1	11.0	*10.8*	10.6	*10.3*
Others *	150.9	(12.6)	*n.s.*	27.1	(23.1)	*n.s.*	(23.1)	*n.s.*
Group	**3,732.2**	**268.9**	***7.2***	**3,876.3**	**312.8**	***8.1***	**278.1**	***7.2***

** Other: Italcheese, holding companies and eliminations.*

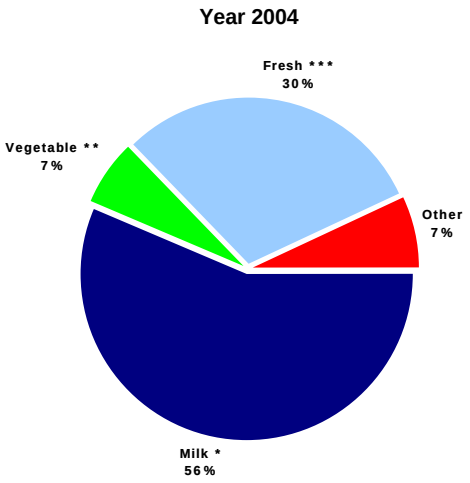
c) Data by Product

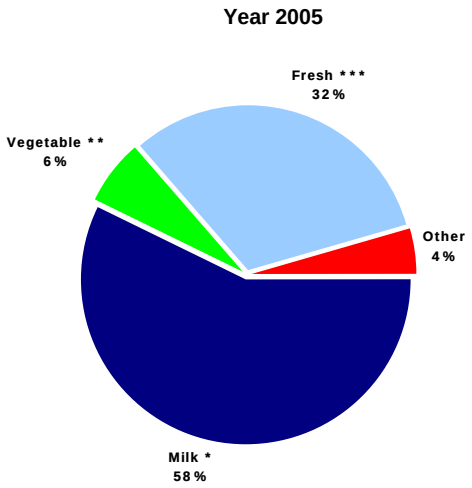
€ ml	2004 Net Revenues	2004 EBITDA bef. w.down of Acc. Receiv. & Other Prov.	2004 % on Net Revenues	2005 Net Revenues	2005 EBITDA bef. w.down of Acc. Receiv. & Other Prov.	2005 % on Net Revenues
Milk *	2,101.9	169.4	*8.1*	2,218.1	176.0	*7.9*
Vegetable **	244.8	20.6	*8.4*	246.2	23.0	*9.3*
Fresh ***	1,129.5	74.7	*6.6*	1,241.1	98.6	*7.9*
Other	255.9	4.1	*1.6*	170.9	15.2	*8.9*
Group Continuing	**3,732.2**	**268.9**	***7.2***	**3,876.3**	**312.8**	***8.1***

** Include Milk, Cream and Bechamel*
*** Mainly Juices*
**** Include yogurt, dessert, cheese*

The financial data by Division show that the categories that generated most of the revenues (Milk and Fresh Dairy) increased revenues by 5.5% and 9.9%, respectively.

Cumulative Revenues Through December by Division





** Include Milk, Cream and Bechamel*
*** Mainly Juices*
**** Include yogurt, dessert, cheese*

Capital Expenditures

The table below provides a breakdown of capital expenditures by geographic region.

Parmalat Group

Syntesis of Capital Expenditure of Parmalat Group at December the 31st

Values in € ml	2004 Value	2004 % on Total	2005 Value	2005 % on Total
Italy	8.4	20%	16.4	27%
Spain	5.6	13%	6.9	11%
Portugal	0.8	2%	0.3	0%
Romania	0.7	2%	1.2	2%
Russia	0.8	2%	3.1	5%
Europe	**16.2**	**38%**	**28.7**	**47%**
Canada	10.1	24%	12.6	21%
North America	**10.1**	**24%**	**12.6**	**21%**
Colombia	1.7	4%	1.6	3%
Ecuador	0.1	0%		0%
Nicaragua	0.7	2%	0.2	0%
Cuba		0%	0.0	0%
Venezuela	1.0	2%	0.3	0%
Central and South America	**3.4**	**8%**	**2.1**	**4%**
Africa	**5.5**	**13%**	**9.5**	**16%**
Australia	**7.2**	**17%**	**7.8**	**13%**
Group	**42.3**	**100%**	**60.7**	**100%**

The main capital investment projects carried out in the various geographic regions are reviewed below.

Italy

- Parmalat made numerous improvements to production facilities and carried out regulatory compliance upgrades. The facilities used to produce the new Jeunesse line were completed, and the yogurt department was optimized and the warehouse reorganized. In addition, the fresh dairy products operations renovated their receiving facilities and restructured some of their packaging plants, and the professional products operations installed new filling systems at the Savigliano factory.
- Centrale Latte Roma upgraded the facilities that produce the BluPremium line and completed the first phase of the installation of a second PET line.

Other Countries in Europe

Spain

Capital expenditures were concentrated on projects needed to bring production in line with new regulatory requirements. Investments were also used to replace the glass container filling machine and install a new brick packaging machine in Madrid, upgrade the sales software in Barcelona and install an automated handling system for condensed milk in Zaragoza.

Romania

Most of the capital expenditures in 2005 were part of a three-year project that was started in 2003 to increase the juice-line production capacity of the Romanian operations.

Russia

The focus was on increasing the efficiency of the production facilities, increasing their manufacturing capacity and bringing them in compliance with current regulations. Other investments were made to increase distribution capacity.

Other Countries

Canada
Capital expenditures were invested in about 260 projects in 2005. The bulk of the investments focused on reducing manufacturing costs, bringing facilities into regulatory compliance and improving information systems (SAP).

Colombia
Capital expenditures were used mainly to:
- increase production capacity of filling machines used for APP milk (a product with a strong growth rate in Colombia), with the goal of expanding deliveries to the coast and the central regions in 2005;
- upgrade the facilities in Cali;
- increase warehouse capacity and buy new warehouses in new distribution areas.

Africa
Capital expenditures were devoted mainly to upgrading the production facilities. The main projects involved:
- filling equipment for UHT products;
- yogurt processing equipment;
- warehouse expansion.

Australia
Most of the capital expenditures were used to implement new technologies in the area of desserts and yogurt that allow containers to be filled with layers of different flavors in varying combinations. These new machines made it possible to develop a new yogurt and dessert line that was launched late in 2005 and is expected to produce positive results in 2006.

***

During the period, the Group did not carry out any significant research and development activity.

Business Units

Italy

€ Ml	2004	2005	change	
Revenues	1,117.1	1,147.7	30.6	*+2.7%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	89.9	93.7	3.8	
% on Net Revenues	8.1	8.2		
EBITDA	45.6	72.1	26.6	
% on Net Revenues	4.1	6.3		

Cumulative revenues totaled 1,147.7 million euros at December 31, 2005, or 30.6 million euros more (+2.7%) than in 2004 (1,117.1 million euros). EBITDA before writedowns in working capital and provisions were 3.8 million euros more than in 2004, rising from 89.9 million euros to 93.7 million euros, which was equal to 8.2% of revenues.
Even though market conditions were difficult, with consumer demand down across the board, and despite the negative impact of the “ITX issue” (ink used for food packaging based on isopropiltioxantone) on the data for the period, the Unrefrigerated Products Division reached its stated objectives while operating in a market characterized by strong competitive pressure and aggressive promotional campaigns. Given these conditions, Parmalat was also forced to invest heavily in promotions, which were focused on product differentiation, but they were significantly more modest than promotional campaigns of its competitors. The Fresh Dairy Division suffered a sales shortfall, as purchases of fresh milk were channeled increasingly through retail chains to the detriment of traditional channels, where the Parmalat is traditionally strongest. In order to increase its presence in the Modern channel and differentiate its products from those of its competitors, the Group began a “Parmalatization” process, strengthening the branding of its regular fresh milk and introducing functional products in the fresh milk line with the launch of Zymil fresh milk. This new product, which is being supported with aggressive advertising and promotional programs, is producing good results in terms of distribution and sales, even though it is priced above basic fresh milk.
The ongoing commitment to optimizing logistics and distribution and the need to streamline the Italian operations and make them more efficient resulted in the establishment of a new Supply Chain Department, which became operational at the beginning of 2006. In addition, there is now a single Sales Department for all of Italy, so as to maximize field synergies that are made possible by an integrated sales policy.

Market and Products

Weak economic conditions, an increase in the cost of utilities and public services, and new consumer needs drastically reduced the ability of households to purchase consumer staples, which had a major impact on the food market.

This environment resulted in an increased focus on and preference for heavily discounted product promotions. These developments favored large store chains (to the detriment of traditional retailers) and discounters, as these channels continued to attract an increasing number of consumers, including medium- and high-income shoppers.

However, consumers continued to show an interest in innovative products, particularly those that can improve one's health or physical appearance.

The Group continued to work on making its products more appealing to consumers and on differentiating them from those of its competitors, with the goal of gaining a competitive edge, increasing sales and improving its bottom line.

In the UHT milk market, the Group focused on improving its sales mix by increasing its distribution, promotion and advertising efforts in the area of specialty milks and milk sold in bottles and other containers that consumers find more convenient.

A milk called Latte Omega 3 was relaunched in the fourth quarter. Thanks to a new advertising campaign, sales increased by 60% compared with 2004.

The strategy pursued with regard to conventional milk was to balance the two objectives of market share and profitability and to refuse to follow competitors in stepping up sales promotions and thereby avoid the negative result of decreasing profitability without strengthening the brand.

In the fresh milk market, the first phase of the Fiore della freschezza (Flower of Freshness) project got under way in the first half of 2005. The purpose of the project is to "federate" under a single image (i.e., the Parmalat logo) all of the local brands that the Group uses today, with the exception of Centrale del Latte di Roma and Latte Sole. This initiative required major investments in listing and consumer promotion activities carried out through television commercials and print advertisements and included the launch of a point-award program that involves all of the Group's products.

The process of unifying the Parmalat product portfolio was stepped up in the fourth quarter through the launch of Bontà & Linea, a product common to all local brands but with a strong presence of the Parmalat brand. The marketing of Bontà & Linea was supported with a nationwide television advertising campaign.

November saw the launch of a pasteurized, microfiltered version of Zymil that enabled Parmalat to extend to the fresh milk market its strategy of growing in the area of specialty milk with a high value added. The launch of microfiltered Zymil was also supported with television and newspaper advertising.

In the fruit juice market, the focus was on developing a better-defined product line and increasing the products' visual impact and quality image. Advertising planned for the favorable season of the year focused on the 100% juice segment, in which Santàl is the unchallenged leader. The juice market is also characterized by strong promotional pressure, to which Parmalat has chosen not to respond, preferring instead to find a reasonable balance between sales volume, market share and profitability.

A new line called Jeunesse, which encompasses the milk, fresh juice, yogurt and dessert product families, was launched in the first half of 2005, with special attention being paid to holding down purchasing and operating costs and overhead. The introduction of these highly innovative products is consistent with the overall trend toward the development of functional food products.

<u>UHT Milk:</u> In 2005, unit sales held relatively steady compared with 2004, but average prices were lower, causing revenues to decline. Higher sales of specialty milk, particularly those of easily digestible milk, offset a decrease in demand for whole milk and skim milk.

The data for the Modern channel confirm that the Group was firmly in charge of the leadership position through the Parmalat brand and continued to grow in the local-brand segment. Parmalat held its market share thanks to the outstanding performance of the products with the most value added: regular milk sold in bottles (revenue share up 0.6 percentage points) and specialty milks (revenue share up 0.7 percentage points). These gains were made possible by growing demand for Zymil (unit sales up 11.7% over 2004), which consolidated its leadership position among lactose-free brands, and Omega 3 milk (unit sales up +22.4% over 2004). The data for the most recent period (December 2004) confirm market share gains by the Parmalat Group (+0.8 percentage points in revenue market share) and the Parmalat brand (+0.7 percentage points in revenue market share) (Source: Nielsen S+I+LS, cumulative through December 2005).

Fresh Milk: This market expanded slightly in 2005, but growth was limited to the Modern channel (which is estimated to account for 40% of the total market), driven by demand in the high-quality segment, higher sales of part skim milk and the entry of private labels into the microfiltered milk with a long shelf life segment. Parmalat's revenues market share of the Modern channel eroded steadily during the year. Parmalat-branded products were affected by the entry of products with a long shelf life sold under house brands (Ala and Solac), while the position of Centrale Latte Roma, Lactis and Oro held relatively steady.
In December, thanks to the launch of Bontà & Linea and micro filtered Zymil and incisive actions in support of the glass bottle format, Parmalat increased unit sales by 6.2% compared with December 2004.

UHT Cream: The market contracted slightly in revenue terms, even though unit sales increased slightly. The Chef brand remained the uncontested leader, but its market share slipped slightly for the year (-0.3 percentage points in revenue terms), despite an improvement in the closing months of the year (revenue market share up 0.5 percentage points in October and November 2005, as compared with the same period in 2004). The Group's local brands also regained market share in recent months (Source: Nielsen Retail, October-November 2005).

Béchamel: The béchamel market expanded in volume terms (+3.3% in 2005 compared with 2004) but contracted in revenue terms (-1.1 %) due to a decrease in average prices. An analysis of annual market share as of this past November (Source: Nielsen Retail) shows that the Parmalat Group retained its leadership position, increasing the short-term market share of its flagship brand (Chef) and of its lesser brands, especially Optimus. The annual revenue market share of the Chef brand was 45.5%, and it increased by 1 percentage point during the October-November 2005 period (Source: Nielsen Retail).

Yogurt: The yogurt market held relatively steady in revenue terms, but unit sales were up modestly (+3.2% compared with 2004). The performance of the different market segments was uneven: demand was up strongly in the health segment (thanks mainly to Danone Activia) and in the dual-use and smoothies segment; unit sales of low-fat yogurt held steady; but shipments of whole-milk yogurt, the market's mainstay, plummeted.
In 2005, the overall revenue market share of the Modern channel held by the Parmalat Group never fell below the level of 2004, owing in part to the launch of Jeunesse. The Parmalat brand turned in a positive performance, thanks to its position as a quality product at an affordable price in the whole-milk yogurt segment (Source: Nielsen S+I+LS, cumulative through December 2005).

Fruit Beverages: Unfavorable seasonal factors and a decrease in average prices caused the Group's market share to decrease slightly in volume terms (-0.3% 2005 vs. 2004, Source: IRI). The decline was more pronounced in revenue terms (-4.6% 2005 vs. 2004, Source: IRI)
Two major developments increased competitiveness in this market and caused a decrease in average prices

- A rise in promotional intensity, which increased by 2 percentage points (Source: IRI ISS cumulative through December 2005);
- Development and launch by the Group's main competitors of products sold in large-size containers (both cardboard packs and PET bottles), which were positioned in the medium-to-low sections of the price spectrum.

Consistent with its position as a premium-price product, Santàl supported its brand image with appropriate advertising and promotional campaigns that focused on strategic products and package sizes, refusing to join in the market rush to step up promotional programs. As a result, it was able to hold its revenue market share at the previous year's level of 11.6% (Source: IRI ISS cumulative through December 2005) .
The launch of the Jeunesse juices contributed to the Group's positive performance, strengthening Parmalat's presence in the refrigerated segment with distinctive products that have a high value added.

Desserts: Demand increased slightly both in revenue and unit sales terms. Higher sales of specialty products was the main reason for this positive performance, which was offset in part by weak demand for custards and fruit mousses. Parmalat's competitive position deteriorated slightly in 2005. Sales of Malù branded products held relatively steady (-0.1 percentage points in revenue terms in 2005 compared with 2004) but improved in the more recent period (+0.2 percentage points in revenue terms for November and December 2005 compared with 2004). Sales of other dessert products were down due to the impact of new products launched by competitors in 2005 (Source: IRI Audit December 2005).

Market Share

Italy	
Product	**Market Share**
Fresh pasteurized milk	27.8%
UHT milk	32%
Cream	37%
Bechamel sauce	46%
Fruit-based drinks	13%

Source: Nielsen, Iri, Assolatte 2005

Sources of Supply

Milk: The supply sources for milk vary depending on the type of product and the location of the production facility. Parmalat packages fresh milk at facilities in Bergamo, Genoa, Padua, Torviscosa, Taranto and Piana di Monteverna. These facilities use only Italian milk produced in the surrounding areas by direct suppliers (farmers) and producer cooperatives. During peak demand periods, the supply is supplemented with spot purchases of other Italian milk. The Lodi plant uses Italian milk to make cheese products (Mascarpone, Mozzarella and Ricotta). The Savigliano facility functions as a supply collection center for the area around Cuneo, receiving a significant supply of milk from farmers and cooperatives (about 62 million liters a year), which is then rerouted to other facilities. The Collecchio and Zevio plants, which generate the greatest production volumes, manufacture UHT milk, yogurt, desserts, cream and béchamel. These two facilities use Italian milk purchased under supply contracts in the Lombardy and Veneto regions and also purchase milk under supply contracts from suppliers in France, Hungary, Austria and Germany. Additional milk is purchased on the open market from foreign and domestic suppliers, depending on market opportunities.
In the fourth quarter of 2005, prices paid under Italian contracts were in line with those for the same period in 2004. The price of foreign milk purchased under supply contracts decreased by 2% compared with 2004 due to the P.A.C. (Politica Agricola Comunitaria). On the spot market, milk and cream were priced 6% below their level in the corresponding period a year earlier.

Packaging: The Lodi plant uses plastics (polystyrene and polypropylene) for its primary packaging needs. The Collecchio plant uses the same materials for its yogurt-based products and puddings, buying them from suppliers in Italy and abroad (Spain and France). At its factories in Genoa, Bergamo, Torviscosa, Padua, Piana di Monteverna, Taranto and Rome, Parmalat uses both plastic containers (PET) manufactured in Italy and polythenated paper containers made in Italy and Germany.
The facilities that produce UHT milk (Collecchio, Zevio and Bergamo) use aluminum-coated paper containers manufactured by European suppliers.
Secondary packaging materials, which consist of corrugated cardboard and paperboard used by all Group companies, are purchased from Italian suppliers. The prices of most primary and secondary packaging materials held relatively steady, with the exception of plastics, which were up sharply due to higher oil prices.

Other Raw Materials: The sources of supply for raw materials other than milk, i.e., the fruit juices produced at the Collecchio factory, are as follows:

- Orange juice is produced by Brazilian suppliers and by the Group's Cuban affiliate, which produces grapefruit juice as well
- Pineapple juice comes from Thailand
- Purees of pear, peach and apricot are produced in Italy, as is the blood orange concentrate, the apple concentrate and the semifinished yogurt products.

In the fourth quarter of 2005, the price of grapefruit and regular orange juice concentrate remained stable, while prices on the open market were affected by sharp increases in the cost Brazilian and U.S. raw materials. The price of blood orange, apple and pineapple juice remained stable throughout the year. Prices for conventional purees of pear, peach and apricot and for sugar and semifinished yogurt products decreased due to bountiful harvests and the implementation of EU directives on sugar.

Distribution and Logistics

On October 1, 2005, as part of the process of restructuring the distribution system of the Parmalat Group, Parmalat Distribuzione Alimenti S.r.l., a wholly owned subsidiary of Parmalat S.p.A., acquired the business operations of the 32 operating licensee companies that had been placed under extraordinary administration. The establishment of Parmalat Distribuzione Alimenti is part of a broader plan to reorganize the logistics and distribution operations. The Company currently operates 32 primary field warehouses, three secondary warehouses and a company out of bankruptcy (Naples 1) whose business operations have not yet been acquired. These facilities are to be downsized to 15 stock points and 10 transit points. On February 23, 2006, the Company reached an agreement with the unions that was signed on February 24 at the Ministry of Labor and Social Policies. This agreement calls for the reorganization of Parmalat Distribuzione Alimenti S.r.l. in order to increase efficiency and competitiveness. The reorganization will be implemented by centralizing administrative and control activities, thereby unifying information technology and administrative processes; by making sales and distribution services more flexible; and by switching from a system in which sales are made by the delivery truck driver as he visits customers to one in which orders are taken in advance by salespeople who are not employees but work instead as exclusive sales agents. Product delivery will no longer be handled directly by the Company; it will be entrusted to independent truckers.
The plan's objective is to upgrade the professional skills of the employees, helping Parmalat provide increasingly better service to consumers, in line with the rapidly evolving market needs.

Spain

€ Ml	2004	2005	change	
Revenues	222.7	207.7	(15.0)	*-6.8%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	14.7	12.0	(2.7)	
% on Net Revenues	6.6	5.8		
EBITDA	14.2	10.1	(4.2)	
% on Net Revenues	6.4	4.8		

Revenues totaled 207.7 million euros, down 15.0 million euros from the 222.7 million euros booked in 2004. EBITDA before writedowns in working capital and provisions decreased to 12.0 million euros, or 2.7 million euros less than in 2004. The ratio of EBITDA to revenues also deteriorated, falling from 6.6% in 2004 to 5.8% in 2005 (-1.2 percentage points).

Unit sales to noncaptive customers were 13.0% lower than in 2004. Shipments of UHT milk, which account for about half of total sales, were down 15.1%. The same negative trend affected unit sales of yogurt, which contracted by 23.7% in 2005. Only sale of pasteurized milk, which accounts for just 5% of total sales, was up.

A general drop in consumption and the weak position occupied by Parmalat products in Spain (with the exception of Cacaolat, the distribution of which is highly concentrated at the regional level) caused unit sales to decrease drastically and steadily throughout 2005.
Other negative factors included the less than satisfactory launch of certain products (in the fruit juice area, for example) and the higher costs paid for plastics and energy, which was offset only in part by savings on the prices paid for certain raw materials (milk, sugar and cocoa). Specifically, the price of raw milk fell by about 7% in 2005 (0.32 euros per liter), for an average annual improvement of 3.4%.
The SBU's management team was changed during the second half of the year.
The new management team is currently carrying out an in-depth analysis of the market and of Parmalat's position within it, prior to developing a plan to grow and relaunch the Spanish operations.

Market
The food distribution business changed drastically during the last five years, as mass retailing continued to expand to the detriment of traditional retailers, which are served by independent distributors.
At the same time, the hotel, restaurant and cafe (HoReCa) channel has been growing at a faster rate than that of the food channel in general.
Currently, Parmalat's position in the Spanish food market is weak due to a failure to establish a strong presence in the major distribution organizations, focusing instead on small traditional retail outlets. At the same time, the Group's presence in the HoReCa channel is holding at a satisfactory level. The main market segments in which the Spanish SBU operates are reviewed below.

Milk: The Spanish milk market is estimated at 3,181 million liters, virtually unchanged since 2003, and valued at 2,163 million euros. The grocery channel, which has been growing at a 5% rate, accounts for 1,993 million euros (revenue data for the HoReCa channel are not available). The main players are Asturiana, Puleva and Pascual. However, private labels are the dominant factor, accounting for 36% of total unit sales.

Yogurt: The yogurt market, which has been expanding rapidly in Spain, has reached 64.2 million kilograms. Unit sales have grown at a 10% rate since 2003. On a revenue basis, the market is valued at 1,526 million euros and has been growing at a 15% rate since 2003. Danone is the uncontested leader, with a revenue market share of 62.3%, which, however, is 0.9 percentage points lower than it was in 2004.

All brands have been losing market share to the private labels, which now account for 38.3% of total unit sales (+4.3 percentage points compared with 2004) and 23.7% of total market revenues (+3.0 percentage points compared with 2004). The lack of investment in the Clesa brand resulted in market share losses of 0.7 percentage points in unit sales terms and 0.5 percentage points in revenue terms, causing this brand's market share to fall to 1.4% in unit sales terms and 1.0% in revenue terms.

Desserts: The dessert market, which has also been enjoying robust growth, is estimated at 149 million kilograms and has been expanding at a 9% rate since 2003. On a revenue basis, the market has reached 396.6 million euros and has been growing at an 8% rate since 2003. Danone is the uncontested leader, accounting for 38.9% of the total market on a revenue basis, but its market share decreased by 1.4 percentage points compared with 2004. All brands have been losing market share to the private labels, which have reached a market share of 45.6% (+2.6 percentage points) on a unit sales basis and 32.1% (+2.2 percentage points) on a revenue basis. Capital investments will be required in this area to strengthen the Group's brands and increase penetration of the mass retailing channel.

Flavored Milk: This market is small (120 million liters) but is very dynamic and has been growing quickly in recent years (+13% since 2003). Unit sales have been expanding rapidly in the Food channel (+18% since 2003 to 102 million liters) but have contracted in the HoReCa channel (-11% since 2003 to 18 million liters). On a revenue basis, the market is valued at 231 million euros, with a 29% growth rate since 2003. The Food channel accounts for 122 million euros (Nielsen does not provide revenue data for the HoReCa channel). The market leader is Puleva (25.8% of the market on a revenue basis), followed by Cacaolat (the Spanish SBU's brand), which has a 21.6% market share.

Ice Cream: In 2005, the ice cream market grew by 11% in unit sales terms and 9% in revenue terms (total market: 97.8 million kilograms, equal to 327.0 million euros). Frigo dominates the market, but its 25.2% share was 1.0 percentage point less than in 2004. This decrease reflects the impact of the private labels, which have reached a market share of 69% on a unit sales basis (+3.6 percentage points) and 50.6% on a revenue basis (+4.1 percentage points). This market could provide good opportunities for the Parmalat Group, but seizing them will require developing a new brand, a new product line and new packaging.

Cheese: This huge and growing market, which is estimated at 403.5 million kilograms, has been growing at a rate of 8% in unit sales terms since 2003. On a revenues basis, the market is valued at 2,822 million euros, with a 10% growth rate since 2003. Kraft is the leader in this highly fragmented market, with a revenue market share of 7.6% (0.2 percentage points less than in 2004). The market share held by private labels amounts to 20.7% in unit sales terms (+1.3 percentage points) and 13.5% in revenue terms (+1.1 percentage points).

Manufacturing Organization

The SBU's manufacturing organization includes 7 production facilities for the milk operations and 1 facility for the ice cream operations. All of the production facilities use obsolete buildings and equipment and have production and storage spaces that are too small, have less than optimum layouts and are insufficiently automated. Their downtown locations have increased their real estate value, but their ability to expand and modernize is restricted. The Spanish operations are currently reviewing and rationalizing their manufacturing system. An example of the results achieved is the recent signing of an agreement to sell a building in Madrid, with the guarantee that the plant can still be used while it chooses a new location.

Portugal

€ Ml	2004	2005	change	
Revenues	**87.0**	**67.8**	**(19.2)**	*-22.1%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	**8.1**	**8.6**	**0.5**	
% on Net Revenues	**9.3**	**12.7**		
EBITDA	**7.6**	**8.1**	**0.5**	
% on Net Revenues	**8.8**	**12.0**		

Revenues totaled 67.8 million euros in 2005, or 19.2 million euros less than in 2004, when revenues amounted to 87.0 million euros. EBITDA before writedowns in working capital and provisions increased to 8.6 million euros (0.5 million euros more than the 8.1 million euros earned in 2004), for a return on sales of 12.7% (+3.4 percentage points compared with 2004).

Total unit sales decreased by 17.2% in 2005. Shipments of UHT milk, which account for half of total unit sales, contracted by 10.8% compared with 2004 (but revenues were up 1%). The trend was the same for unit sales of fruit juices, which declined by 29.4%. On the other hand, shipments of UHT cream increased by 5.6% compared with 2004.

The year just ended for the Portuguese operations has been affected by unfavorable economic conditions and the impact of limited brand recognition and loyalty on the Group's products (especially Santàl), which caused consumers to choose lower priced products sold under private labels, especially in the mass retailing channel. During the second half of the year, the local SBU began to implement programs that will leverage the strengths of the Portuguese operations (distribution of Santàl products in the HoReCa channel; strength of the UCAL brand, especially in the flavored milk segment; ability to innovate) to streamline the product line, reposition its products and refocus efforts and available resources.

Market and Market Share

The Portuguese SBU operates through three main brands: Parmalat, Santàl and UCAL, which are represented in all distribution channels.

Distribution through the Modern channel generated 47% of net revenues. Traditional retailers contribute 23% and other channels, including warehouse clubs and discount outlets, account for the remaining 30%.

Warehouse clubs and discount outlets are the fastest growing segment of the market, especially the LIDL chain. Parmalat Portugal began serving this chain in April with UCAL flavored milk.

The Portuguese milk market is dominated by Lactogal, which accounts for 70% of the total market. The share of private labels is increasing rapidly, causing retail prices to fall and profitability to decrease.

In this market environment, Parmalat's milk has been losing market share steadily due to the strategic choice of changing its sales mix (in 1998, sales through private labels accounted for 40% of revenues), deemphasizing low margin products to focus on more innovative items with a higher value added (e.g., cream with mushrooms, béchamel). In the area of fruit juices, Parmalat Portugal enjoyed strong growth through the Santàl brand until 2002, due mainly to its ability to launch innovative products. However, developments that occurred after 2002 have weakened Parmalat's competitive position. These developments include:

- A significant market contraction that made competition more intense, putting pressure on prices and increasing promotions. This trend strengthened the position of Compal, the market leader, and the private labels, which have enjoyed significant growth in all segments. Moreover, while unit sales have recently increased substantially, revenue growth was much more modest due to a decrease in prices
- Competitors have introduced products similar to those in the Santàl line, copying the innovations introduced in recent years

- Certain products launched in recent years (BIG, Salus and Vivaz) did not generate the expected gains in revenues and profitability

Products

Parmalat
The Portuguese SBU pursues a strategy focused on developing higher margin products such as béchamel, cream and cocoa flavored milk, which account for 18%, 17% and 5%, respectively, of sales made under the Parmalat Brand.
However, the brand is not very strong in the marketplace and its competitors are very aggressive in these segments, with private labels steadily strengthening their position.

Santàl
Santàl accounts for 31% of net revenues.
Market conditions are difficult in this segment due to the limited buying power of consumers. This has enabled warehouse clubs and discounters to grow, to the detriment of Santàl, which has seen its market share fall to 12% (16% in 2004).

UCAL
UCAL accounts for 29% of net revenues, owing primarily to the growth enjoyed by its main product (cocoa-flavored milk in 250 ml containers). Until 1999, this product was sold exclusively through the HoReCa channel in the area of Lisbon and Southern Portugal. Starting in 1999, distribution was expanded to the Modern channel and to areas beyond the earlier geographic boundaries. This policy produced very positive results and steady growth (more than 70% between 1999 and 2005).
The Group is in the process of leveraging the strength of the UCAL brand to expand the product line. A new product, coffee flavored milk, was introduced in November.

Sources of Supply

Milk and Cream
Parmalat changed the policy it follows for purchases of raw materials, buying a portion of its milk and cream supply on the spot market.

Fruit Concentrate and Other Raw Materials
Concentrate prices were unchanged in 2005. This was not the case for cocoa and sugar, which posted decreases of about 30% and 12%, respectively.

Price Positioning
The price of Parmalat's milk is positioned in line with market prices. In the mass retailing channel, the Santal products are sold at a premium compared with the market leader (Compal) and private labels. Milk sold under the UCAL label is sold at a premium price.

Manufacturing Organization
All items sold by Parmalat Portugal are manufactured at the Águas de Moura plant, except for products imported from Italy and 1.5-liter bottles (copacking).
In addition to seven different lines of UHT milk (Base Line 1000 ml, Slim 1000 ml, Prisma 1000 ml, Slim 500 ml, Prisma 330 ml, Base Line 200 ml and Prisma 200 ml), the plant produces UCAL flavored milk for the Stork line.

Russia

€ Ml	2004	2005	change	
Revenues	32.6	41.8	9.2	*+28.3%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	3.7	6.4	2.7	
% on Net Revenues	11.3	15.2		
EBITDA	3.6	5.9	2.3	
% on Net Revenues	11.1	14.2		

Data in Local Currency

Rublo Ml	2004	2005	change	
Revenues	1,166.5	1,470.8	304.3	*+26.1%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	132.2	224.0	91.8	
% on Revenues	11.3	15.2		
EBITDA	129.9	208.6	78.7	
% on Revenues	11.1	14.2		

At December 31, 2005, net revenues totaled 41.8 million euros, a gain of 9.2 million euros compared with 2004 (32.6 million euros). EBITDA before writedowns in working capital and provisions improved to 6.4 million euros (15.21% of revenues), or 2.7 million euros more than the 3.7 million euros earned in 2004.
Total unit sales were up strongly, increasing by 16% compared to 2004. This improvement reflects gains of 22.2% and 24.7%, respectively, in shipments of UHT and pasteurized milk. The fruit juice operations, which account for about 20% of total sales, increased their sales volume by 31.2% compared with 2004.
The year just ended was a very positive one for the Russian operations, thanks to a rapidly expanding local economy, rising consumer spending and the success of programs implemented by management. These programs, which were carried out in 2005, included strengthening the distribution network and developing new contracts with mass retailing chains.
The introduction of new product sizes and the identification of new sales channels also helped boost unit sales.
The Russian ruble appreciated by 1.7% versus the euro compared with 2004.
The Parmalat Group produces, distributes and markets UHT products (milk, cream and juices) and imported products (Divella brand pasta, Pomì tomato products and bakery products, rices) throughout Russia. Its fresh dairy products (milk, cream, fresh cheese, yogurt and fermented milk) are sold only in limited areas, generally within a radius of 250 km to 300 km from the production facilities. The areas in which fresh dairy products are sold — Belgorod with 1.5 million inhabitants and Sverdlovsk with 4.4 million inhabitants — represent about 4% of the total Russian population.

Market
Because Russia is so vast, it is necessary to make a clear distinction between the different BUs. Only the BUs that sell unrefrigerated products operate on a nationwide basis; fresh dairy products are marketed exclusively on a regional basis (Belgorod, Kursk and Ekaterinburg regions).

Among unrefrigerated products that are distributed nationwide, UHT cream and UHT flavored milk did particularly well, garnering a market share of about 10%. The national market shares of other unrefrigerated products were 1% for juices and 3% for UHT milk.
It is important to keep in mind that the Group's existing logistics and manufacturing organization and the current availability of raw milk do not allow the Russian operations to expand any faster than they have thus far.
The national UHT milk market is dominated by two big players, who consolidated their leadership position through numerous acquisitions in the main markets. In the fruit juice segment, the four largest players account for 80% of the market.

Products and Market Share
The Dairy BUs sell its products under the Parmalat and Bely Gorod brands. The Juices BU uses the Santàl and 4 Seasons brands. The use of two separate brands is justified by the need to be present simultaneously in different target segments of the consumer market (premium and value-for-money), since consumer spending habits still differ significantly between the major cities (Moscow and Saint Petersburg) and other regions of Russia.
The BUs that market imported products generate high margins and help strengthen Parmalat's distinctive image, differentiating it from its competitors and promoting its international character and its Italian origin.

Manufacturing and Commercial Organization
The Russian operations, initially established exclusively to distribute Parmalat Group products, pursued expansion and vertical integration by purchasing production companies. The activities carried out in Russia currently encompass the following companies:

- Parmalat MK, which distributes directly unrefrigerated products in the Moscow market and acts as a routing center for all of those regions of Russia in which Parmalat is not present with a direct commercial organization.
- Dekalat, which distributes directly unrefrigerated products in the Saint Petersburg (Leningrad region) market.
- Belgorodskiji Molocniji Kombinat (BMK), which is located in Belgorod, capital of the eponymous region that is located about 700 km from Moscow. This company produces most of the products marketed by the other Group companies in Russia and manufactures fresh dairy products and sells them at the regional level. It also functions as a center for exports to other C.I.S. countries. The facility owned by this company operates at 31% capacity.
- Urallat, which has smaller production facilities than BMK, is located near Ekaterinburg, about 2,500 Km from Moscow. This company produces mainly fresh dairy products that are sold locally and smaller quantities of UHT products for local consumption. The facility owned by this company operates at 28% capacity.

Romania

€ Ml	2004	2005	change	
Revenues	8.4	10.7	2.2	*+26.5%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	1.5	3.0	1.5	
% on Net Revenues	17.7	28.4		
EBITDA	1.3	3.0	1.7	
% on Net Revenues	14.9	27.7		

Data in Local Currency

Leu Ml	2004	2005	change	
Revenues	341.5	386.3	44.8	*+13.1%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	60.3	109.8	49.5	
% on Revenues	17.7	28.4		
EBITDA	51.0	107.0	56.0	
% on Revenues	14.9	27.7		

Revenues improved dramatically, rising to 10.7 million euros, or 26.5% more than the 8.4 million euros booked in 2004. EBITDA increased by 1.5 million euros, reaching 3.0 million euros in 2005 (1.5 million euros in 2004) for a return on sales of 28.4%.

The Romanian operations had a very positive year in 2005. The main developments of the year are reviewed below:

- Successful implementation of programs to lower raw material costs, cut overhead, reduce distribution costs and, consequently, improve margins.
- In September, during the back-to-school period, launch of a new line of Santàl Kids juices, supported by an aggressive advertising and promotional campaign. After a tentative beginning, due in part to distribution problems, the new product line is beginning to achieve the projected sales volume
- In the final quarter of the year, replacement and restyling of the packaging of the one-liter juice containers, which had an immediate beneficial effect on sales volume.

The local currency (leu) appreciated significantly (+10.6%) compared with 2004.

Market
There are four major premium players, who are also local producers, in the Romanian fruit juice market: Prigat (Pepsi-Cola), Cappy (Coca-Cola), Santàl and Tymbark (Maspex). The rest of the market is divided among local players such as Fruttia (European Drinks) and smaller players; the importers of Rauch, Pfanner and Granini branded products; and minor producers.
Parmalat Romania works in cooperation with Castellaro R&D Center in developing new products and selecting suppliers of raw materials. No new supplier can be accepted without the prior authorization of the research center in Italy. This arrangement is made possible in part by the fact that Parmalat Romania does not produce milk or dairy products, concentrating instead exclusively on fruit juices, which makes the testing of suppliers easier.
Packaging suppliers include international companies for cardboard (SIG Combibloc) and local companies for glass bottles. PET products will be provided by the same supplier that currently serves Parmalat SpA.

Products
Parmalat Romania is present in all three segments of the fruit juice market and in the tea segment through the following products:

SEGMENT	ITEM
100% juices	• Orange, apple, grapefruit, exotics
Nectars	• Pear, peach, apricot, pineapple
Noncarbonated drinks	• RED LINE (Sicilian blood orange, Persian pomegranate, cherry, mixed berries, pink grapefruit); • BLUE LINE (orange with pulp, peach-lemon, orange-carrot, exotics); • KIDS (orange, peach, pear, multifruit); • Lemon-lime
Iced tea	• Peach, lemon

Manufacturing Organization
Parmalat's only Romanian factory is located in Tunari (Jud. Ilfov), a few miles from the capital of Bucharest. The facility also includes a warehouse and offices. The production equipment includes two lines for fruit juices packaged in cardboard containers, a filling line for juices sold in glass bottles and a PET bottling line, which is expected to go on stream in 2006. This plant operates at about 44% of capacity.

Africa

€ Ml	2004	2005	change	
Revenues	278.0	328.3	50.3	*+18.1%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	26.4	41.0	14.6	
% on Net Revenues	9.5	12.5		
EBITDA	24.6	38.5	13.9	
% on Net Revenues	8.9	11.7		

The African SBU had revenues of 328.3 million euros in 2005, for a gain of 50.3 million euros (+18.1%) over the 278.0 million euros booked in 2004. EBITDA before writedowns in working capital and provisions were also up, increasing to 41.0 million euros, or 12.5% of revenues, for an improvement of 3.0 percentage points over the previous year.
In South Africa, unit sales were up 12.1% compared with 2004. Specifically, sales of UHT milk, which accounts for about half of the total, grew by 6.2% compared with the previous year, while shipments of fruit juices jumped 29.1% compared with 2004.

During the year, the South African rand appreciated by 1.1% versus the euro.

In the other African countries in which the Group operates (Mozambique, Zambia and Swaziland), unit sales increased by 2.0% in 2005. Compared with 2004, shipments of UHT milk were up 6.0%, but unit sales of pasteurized milk decreased by 6.2%.
Fruit juices, which account for about one-fifth of total sales, posted a 4.8% increase.

The strong GDP growth recorded in the African countries in which the Group operates produced an increase in consumer spending that benefited the Group's product portfolio.

Sudafrica (Includes Botswana)

€ Ml	2004	2005	change	
Revenues	252.7	299.1	46.4	*+18.4%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	23.5	33.3	9.8	
% on Net Revenues	9.3	11.1		
EBITDA	22.1	31.0	8.9	
% on Net Revenues	8.7	10.4		

Zambia

€ Ml	2004	2005	change	
Revenues	13.9	16.9	3.0	+21.6%
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	1.9	3.3	1.4	
% on Net Revenues	13.7	19.8		
EBITDA	1.8	3.2	1.4	
% on Net Revenues	12.7	19.0		

Mozambico

€ Ml	2004	2005	change	
Revenues	6.4	6.7	0.3	+4.4%
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	0.6	1.2	0.6	
% on Net Revenues	8.7	17.7		
EBITDA	0.4	1.2	0.8	
% on Net Revenues	6.7	18.1		

Swaziland

€ Ml	2004	2005	change	
Revenues	5.0	5.7	0.7	+13.3%
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	0.5	3.2	2.7	
% on Net Revenues	9.3	56.1		
EBITDA	0.3	3.1	2.8	
% Mol sul Fatt. Netto	6.9	54.9		

Market

The trends that shaped the market in 2005 are reviewed below:

- Milk. Consumption of UHT milk grew faster than that of pasteurized milk, reflecting a change in consumer habits. Parmalat SA enjoyed faster growth than the market as a whole, particularly in the UHT milk segment, in which the SBU has the leadership position. In the near future, the pasteurized and UHT milk markets are expected to reach maturity, at least in South Africa. However, UHT milk sales should continue to grow in the other African countries as a replacement for pasteurized milk and bulk milk.
- Cheese. The total cheese market has expanded only modestly in recent years (4%), but Parmalat SA was able to achieve faster growth (15%) owing in part to acquisitions (Simonsberg). Management believes that the cheese market has also reached maturity, except for the spreadable cheese subsegment. This subsegment is still relatively untested, especially in the area of products with a long shelf life.
- Yogurt. This was the market with the fastest rate of growth (15%). The SBU's management believes that this growth should continue in the future, but at a somewhat slower rate. The main constraint to the expansion of the yogurt market is the lack of refrigerated facilities in some parts of the country.
- Desserts. Parmalat SA enjoyed better growth than the market as a whole (24% versus 7%). It is estimated that the custard subsegment, in which the SBU is the leader, could continue growing for three more years before reaching maturity. On the other hand, the ice cream market is not expected to expand, except for house brands.
- Fruit Juices. The market is relatively stable, but the lack of refrigerated facilities in some parts of the country limits the distribution of fresh juices. In addition, prices tend be very elastic in this market. Nevertheless, there is growth potential for beverages based on milk, yogurt and fruit.

Products and Market Share

The product portfolio of the South African SBU includes the following:

- UHT Milk. The market for UHT milk, which is still smaller than the market for pasteurized milk, is valued at about 304 million euros. The UHT milk market is growing rapidly (2002-2005 CAGR of 8%). The market is very concentrated, with the top four producers accounting for 81% of total sales. The growth enjoyed by the SBU was made possible by increased business done through private labels and strong demand for flavored milk.
- Pasteurized Milk. In revenue terms, the market for pasteurized milk is valued at about 403 million euros and has been growing at an average rate of 4% (2002-2005 CAGR). This rate of expansion was lower than that of the milk market as a whole (6%) due to a shift in buying habits toward UHT milk.
- Cheese. The cheese market is valued at about 390 million euros. It has become a stable market, with a 4% growth rate. Parmalat SA is especially strong in upmarket products bearing the Simonsberg and Melrose brands (hard and spreadable cheeses with high profit margins).
- Yogurt. The yogurt market is valued at about 188 million euros. It is a very dynamic market, with an average growth rate of 15%.
- Desserts. The market for desserts is valued at about 132 million euros. Its average growth rate has been around 7%. Parmalat SA's market share is about 8%, significantly less than those of Nestlé (23%) and Clover (16%). The dessert production of Parmalat SA consists mainly of custards. These products have some the highest profit margins of all of the items manufactured by the SBU.
- Fruit Juices. With an estimated value of 442 million euros, the fruit juice market is the largest market in which the SBU operates.

South Africa	
Product	**Market Share**
UHT milk	33%
Cheese	22%
Flavoured Milk	26,3%
Yoghurt	16%
Powder milk	20%
Butter	36%

Source: Nielsen Retail Index Jan-Dec 2005 (South Africa)

Manufacturing Organization

The African SBU has 10 manufacturing locations. Plant utilization averaged about 61% in 2005. If the manufacturing capacity earmarked for the production of pasteurized milk is excluded, plant utilization improves to 71% overall, and is significantly higher for certain production lines.

The SBU's management believes that its manufacturing facilities are strategically located, with plants that manufacture products with a short shelf life located near their target markets and facilities that produce items with a long shelf life located near areas where a supply of raw milk is available. Management believes that, in general, the SBU's facilities are modern.

Venezuela

€ Ml	2004	2005	change	
Revenues	144.8	152.8	8.1	*+5.6%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	7.3	12.5	5.2	
% on Net Revenues	5.1	8.2		
EBITDA	5.9	10.0	4.1	
% on Net Revenues	4.1	6.5		

Data in Local Currency

Bolivar Ml	2004	2005	change	
Revenues	338,405.4	400,566.0	62,160.6	*+18.4%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	17,138.9	32,828.0	15,689.1	
% on Revenues	5.1	8.2		
EBITDA	13,830.7	26,213.0	12,382.3	
% on Revenues	4.1	6.5		

Revenues totaled 152.8 million euros in 2005, or 5.6% more than in 2004 (144.8 million euros). EBITDA before writedowns in working capital and provisions were up strongly, rising to 12.5 million euros (8.2% of revenues), for a gain of 5.2 million euros over the previous year (7.3 million euros at December 31, 2004).

This positive performance was achieved even though the Venezuelan bolivar lost 12.1% of its value versus the euro, as compared with the average exchange rate for 2004.

The reason for these gratifying results is the Group's strong presence in the local market, which enabled it to perform extremely well in the Fresh Dairy and Produce (juices) area, and the success of programs implemented to cut general expenses (especially labor), reduce the discounts that used to be awarded to the distribution network, restructure the distribution organization and reduce merchandise returns. The results for 2005 were adversely affected by delays in the disposal of the Machiques and Barquisimeto production facilities, which had been planned for the fourth quarter of 2005 but had not been completed yet. The negative impact on EBITDA can be quantified at about 0.4 million euros per month.

Market
The Venezuelan food market enjoyed good growth in the second half of the year, thanks to the expansionary policies pursued by the current government. November and December were particularly positive in terms of the Group's operating performance.
An analysis of the business portfolio of the Venezuelan operations shows the following:

- The fastest growing market is the market for base powdered milk, but the profitability of this business is very low.
- The markets for fermented milk, yogurt and juices expanded at an especially good rate and account for a significant portion of Parmalat's business.
- Sales of pasteurized and condensed milk grew relatively less than those of other products.
- The EBITDA that could be earned in the cheese market continued to be attractive, but the market's growth rate was less than that of the other categories

With regard to supply sources, the price of raw milk increased steadily due to a drought, the impact of which will be felt until April. A seasonal decrease in production and increased demand for milk from artisanal cheese makers also increased pressure on raw milk prices. This effect was magnified by the fact that the government failed to grant enough powdered milk import licenses to meet market needs, which made competition for raw milk supplies fiercer.
Parmalat's main competitors are:

- Nestlé DPA (joint venture of Nestlé and Fonterra, a cooperative from New Zealand), which is present in the following three categories: pasteurized milk (2005 market share: 30%), condensed milk (2005 market share: 16%), powdered milk (2005 market share: 20%), yogurt (2005 market share: 25%) and juices (2005 market share: 26%). Nestlé DPA's strengths are its product portfolio, marketing organization and distribution system.
- Lacteos Los Andes, which is the only competitor entirely owned by Venezuelan investors. It operates mainly in the markets for pasteurized milk (2005 market share: 28%), yogurt (2005 market share: 24%) and juices (2005 market share: 16%).
- Alpina, a Colombian producer with a presence in various Central and South American countries, operates exclusively in the markets for yogurt (2005 market share: 17%) and desserts (2005 market share: 25%).

Market Shares

Products	Market Share
UHT Juices	13.2%
Condensed Milk	53.8%
Pastorized Milk	26.9%
Dairy Prod.	39.4%
Powder Milk	10.6%
Yogurt	29.2%
Fresh Juices	33.8%

Source: Datos IRI December 2005

Products
The main innovations introduced recently, which could open attractive strategic windows for the SBU's product line, are reviewed below:
Pasteurized Milk – Products with an extended shelf life (18 to 20 days) that target women specifically.
UHT Milk – The SBU plans to reenter this market in 2006 with a copacking agreement.

Powdered Milk – In 2005, the SBU introduced a semi-skim product enriched with iron. In 2006, it plans to launch a product for children and an instant product for use with coffee. Another product scheduled for launch under the Parmalat Dietalat will target women specifically. It will be enriched with Aloe Vera and collagen and will be called Dietalat DIVA.
Yogurt – In the near future, the SBU plans to introduce a series of products for the wellness market (Yoka Light, Bio Yoka with probiotic additives, Frigurt Light, Frigurt breakfast), the youth market (liquid Kids UP) and the convenience segment (yogurt with an attached container of fruit and cereal, sold under the Parmalat and Dietalat brand).
Cheese – In response to the introduction of portion-size cheese packages by a competitor, the SBU will launch a spreadable cheese and is studying the introduction of portion-size cheese packages (Parmigiano and Pecorino) and grated cheese, all products with attractive potential.
Juices – The SBU expects to launch an energy drink called Santal Energy (fruit with caffeine and taurine). In addition, Santàl calcium will be available in a pasteurized version and the Santàl brand will be extended to the non-carbonated beverage category, differentiating itself by using the Santal ICE brand for a line of beverages with low fruit content. During the final quarter of the year, the SBU was able to increase the prices of its fresh dairy products and fruit juices, but prices of pasteurized milk and powdered milk are still subject to strict government control. The government is not expected to enact a decree adjusting prices soon, since 2006 is an election year for the Presidency of the Republic. The SBU's market share held relatively steady in all product categories.

Manufacturing Organization

The SBU's manufacturing organization is being streamlined, with the sale of the Machiques and Barquesimeto plants expected to close in 2006. Except for these two plants, the other ones operates at an average of about 40% of capacity.
Even though it was not included in the original plan, the sale of the facility in Upata (pasteurized milk) is also being considered. Following the sale of the two plants mentioned above, production will be concentrated at five facilities. Among these five, the Venezuelan SBU will concentrate its investments on the Miranda facility, where it plans to increase fruit juice production capacity.

Colombia

€ Ml	2004	2005	change	
Revenues	81.1	102.1	21.1	*+26.0%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	7.3	11.0	3.7	
% on Net Revenues	9.0	10.8		
EBITDA	6.9	10.6	3.7	
% on Net Revenues	8.5	10.3		

Data in Local Currency

Peso Ml	2004	2005	change	
Revenues	267,141.5	295,165.6	28,024.1	*+10.5%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	24,172.5	31,802.6	7,630.2	
% on Revenues	9.0	10.8		
EBITDA	22,607.6	30,510.0	7,902.4	
% on Revenues	8.5	10.3		

At December 31, 2005, revenues totaled 102.1 million euros, or 26.0% more than in 2004, when they amounted to 81.1 million euros. EBITDA before writedowns in working capital and provisions improved by 3.7 million euros, rising from 7.3 million euros in 2004 to 11.0 million euros in 2005. The ratio of EBITDA to revenues was 10.8%.
Two main developments account for this sharp improvement in operating performance: an 8.0% increase in unit sales compared with 2004 (specifically, shipments of pasteurized milk, which accounts for 80% of total sales, were up 7.0%) and the appreciation of the Colombian peso versus the euro (12.3% compared with 2004).

Market and Market Share
Sales to the Normal Trade channel (conventional retailers) account for 53% of the Colombian market, but the share held by Modern Trade operators (44%) has been increasing rapidly and is expected to pass the 50% mark in the near future. Parmalat Colombia sells a disproportionate percentage of its products through the Normal Trade channel (about 75% of sales in 2005) due to the fact that pasteurized milk accounts for the bulk of its product portfolio. Currently, the Normal Trade segment is more profitable for the Colombian SBU (12.8% versus 4.7% EBITDA margin). The SBU serves 40,000 independent retailers throughout Colombia. The future strategy calls for the geographic expansion of the operations that sell powdered and pasteurized milk to conventional retailers and improving the margins generated by sales to Modern Trade operators by shifting the product mix toward items with a higher value added.

- Pasteurized milk is the biggest market in which the Colombian SBU operates. Parmalat Colombia has a market share of about 8%, but its geographic presence is concentrated in large urban areas. About 64% of the market is controlled by small local producers. In addition, pasteurized milk has been losing market share to UHT milk and APP (Aseptic Pouch Pack) milk.
- Parmalat Colombia must strengthen its distribution system if it is to expand its market share beyond current expectations. Pasteurized milk accounted for 49.2% of net revenues in 2005 (50.4 million euros), with a very attractive EBITDA margin. This category includes regular pasteurized milk and APP

milk. APP milk is UHT milk, since it is pasteurized at 140 degrees centigrade (shelf life of 45 days). However, consumers perceive this milk as being a fresh milk and are willing to pay a premium over regular UHT milk. This market segment has been growing very rapidly (2002-2005 CAGR: 23%) and has a high EBITDA margin. The Colombian SBU plans to become the market leader in this segment.

- Powdered milk is the second-largest category in terms of size, with a total market value of 234 million euros. Parmalat Colombia's market share is 12%, with net revenues amounting to 29 million euros. The powdered milk segment is dominated by Nestlé (59% market share). Even though this market lacks demand growth (2002-2005 market CAGR: -3%), Parmalat Colombia wants to increase its presence in the future (2005-2008 CAGR: 11%), especially in the powdered baby formula segment, in which Nestlé is currently the sole producer.
- The UHT milk category has been growing rapidly (2002-2005 market CAGR: 11%). The dominant player is Alpina, which has a market share of about 56%. Parmalat Colombia's market share was 13%, resulting in net revenues of 7.4 million euros in 2005. Parmalat Colombia's net revenues from UHT milk have not grown at all in recent years (2002-2005 CAGR: 0%). In the future, Parmalat Colombia plans to grow in this category (2005-2008 CAGR: 15%), capitalizing on the changing habits of Colombian consumers, who are shifting toward UHT milk. The rate of growth could be bigger than expected.
- The overall yogurt market was valued at about 158 million euros in 2005. Alpina is the market leader, with a 45% market share. Parmalat Colombia's presence is marginal; it has just a 1% market share. Aside from the market leader, all other players have limited market shares. Parmalat Colombia's presence has been shrinking (2002-2005 CAGR: -13%), but it now plans to increase its market share and the targets achieved could exceed expectations.
- The fruit juice market is valued at about 101 million euros. Two main competitors control 60% of the market. In addition, Alpina has an 18% market share and Parmalat Colombia accounts for another 1%.

Products

In 2005, the SBU eliminated 80 items from its product line, focusing instead on Parmalat-branded products:

- Liquid milk: the SBU increased its share of the pasteurized milk market, despite a general decrease in sales volumes. Unit sales of APP milk increased by about 26%.
- Powdered Milk: The market share held steady. All players were able to increase prices by 4% over the rate of inflation, which improved profit margins.
- Yogurt: In the liquid yogurt segment, the sales volume was the highest it has been since this business was started in Colombia, reaching 6,100 tons, or 18% more than the volume sold in 2004.
- Cheese: The SBU is exiting this market due to strong competition from local producers and unattractive margins.

Brands: Consistent with the Group's global strategy, the Colombian operations focused on increasing the market share held by the Parmalat brand to the detriment of the local Proleche brand. Parmalat-branded products contributed 56% of total revenues in 2005. In 1999, the revenues generated by Proleche products were double those of Parmalat products.

Manufacturing Organization

Parmalat Colombia has sufficient capacity to meet its projected needs. Pasteurized milk is produced in Bogota, Cali, Medellin, Barranquilla and Cerete. Powdered milk is manufactured in Chia, Medellin and Cerete. Plant utilization averaged about 50%.

Canada

€ Ml	2004	2005	change	
Revenues	**1,187.4**	**1,338.1**	**150.7**	*+12.7%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	**87.4**	**106.3**	**18.9**	
% on Net Revenues	**7.4**	**7.9**		
EBITDA	**86.3**	**104.9**	**18.6**	
% on Net Revenues	**7.3**	**7.8**		

Data in Local Currency

CAD$ Ml	2004	2005	change	
Revenues	**1,919.7**	**2,018.9**	**99.2**	*+5.2%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	**141.3**	**160.4**	**19.0**	
% on Revenues	**7.4**	**7.9**		
EBITDA	**139.5**	**158.3**	**18.8**	
% on Revenues	**7.3**	**7.8**		

In 2005, revenues increased to 1,338.1 million euros, or 150.7 million euros (+12.7%) more than in 2004. EBITDA amounted to 106.3 million euros (7.9% of revenues), for a gain of 18.9 million euros compared with 2004 (87.4 million euros).

At December 31, 2005, total unit sales were about the same as in the previous year.
The Pasteurized Milk Division, which accounts for about 60% of total sales, reported growth of 1.8% compared with 2004. Yogurt sales were up 4.7% and shipments of butter increased by 10.7%, but unit sales of cheese were down 1.7%.
The Canadian dollar appreciated by 6.7% versus the euro, as compared with 2004.

The Canadian operations had a very positive year in 2005 in terms of profitability, even though unit sales were about the same as in 2004. Cost savings and efficiency gains realized in 2005, the streamlining of the product line with a decrease in the number of available items by about 30% and a resulting reduction in overall complexity, a strong field presence (even if just at the regional level) and high visibility and strength of its brands (local jewels) are the main reasons for this improvement.
In addition, the process of streamlining the manufacturing organization got under way in 2005. In 2006, it will result in the closing of two production facilities (St. Hilaire and Niagara-on-the-Lake), generating additional cost savings.

Market

Canada has 32 million inhabitants, but the population is increasing very slowly and the food market is mature with very little innovation. The conditions in the market for the products of interest to the Group are reviewed below:

- The dairy industry is regulated, with restrictions and tariffs on imported dairy products
- Raw milk prices are regulated and no alternative sources of supply are available
- There is a virtual oligopoly for numerous types of packaging materials and ingredients (often just one or two suppliers).

With regard to distribution channels, the market is dominated by four major distributors: LCL, Metro, Sobey's and Safeway. In terms of competitive environment, several large multinationals, which are often vertically integrated, operate in this market.

The main competitors are:

- Natrel, a Canadian cooperative that is active in the base milk segment. It is the leader of this segment in Quebec and the national leader in the premium milk category. Natrel is particularly active in the areas of product innovation and marketing
- Saputo, a publicly traded company controlled by the Saputo family, has a leadership position in the base milk segment in Western Canada
- Neilson, a private company 100% owned by George Weston, is the market leader in Ontario, which is the only region in which it operates. The parent company of the Neilson Group controls LCL Grocery Banners.
- Danone is the main competitor in the yogurt market
- Yoplait is the second largest producer in the yogurt market
- Kraft is especially strong in the cheese and margarine segments. It is the top player in most regions, but not in Ontario.

Products and Market Share

Products are marketed under the following brands: Parmalat, Beatrice, Black Diamond, Lactancia, Astro, Cheestrings, Parkay, Olivina, Colonial Sargento and Balderson. Recent marketing efforts have concentrated on launching the Parmalat brand. About 80% of the products manufactured are sold under Group brands. The remaining 20% are sold under private labels. The main products are reviewed below:

- Pasteurized fresh milk is the Canadian SBU's largest category in terms of volume (market size: 1.2 billion euros in 2005). The pasteurized milk market is stable, with a growth rate of about 1% between 2002 and 2005. In the same period, Canadian SBU's growth rate has been 0%. Premium and specialty milk, which have a higher profit margin, account for 32% of the milk pasteurized by the Canadian SBU (compared with 24% for the market as a whole).
- Cheese is the second largest category in which the Canadian SBU operates (market size: 884 million in 2005). The cheese market is fairly dynamic, with a growth rate of about 6% (Parmalat Canada has been growing at about the same rate). Cheese products are sold under different brands (7 main brands) and profitability varies depending on the brand or product.
- The butter market was valued at about 512 million euros in 2005. Generally, it is a stable market with a growth rate of 2%. The Canadian SBU has been growing at a 5% rate. Most of the products are sold under the Lactantia trademark.
- The yogurt market, which totaled about 435 million euros in 2005, has been expanding quickly in recent years, growing at a rate of 8%. Parmalat Canada's growth rate was lower (4%). Most products are sold under the Astro brand.
- The pasteurized cream market is valued at about 132 million euros. The trend in this market has been positive, with the growth rate reaching 5%. Parmalat Canada has been growing at the same rate (5%). The other two main players had a market share similar to that of Parmalat Canada (about 21%).
- The fruit juice segment of the market, which includes soy-based beverages, is relatively small (about 59 million euros) compared with other market segments. While the market has been growing at a rate of about 3%, the Canadian SBU suffered a contraction.

Canada	
Product	**Market Share**
Milk	21.4%
Cream	25.4%
Butter	24.1%
Yogurt	25,9%
Cheese	17%
Margarine	12.6%

Source: Nielsen Market Track YE 05

Manufacturing Organization
The Canadian SBU has 19 production facilities, 5 distribution centers and is a partner in several copacking facilities. Average plant utilization is about 60%, with the Marieville and Grunthal plants operating close to 100%.

Nicaragua

€ Ml	2004	2005	change	
Revenues	25.6	25.7	0.0	*+0.0%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	1.5	2.5	1.0	
% on Net Revenues	6.0	9.8		
EBITDA	1.1	(0.3)	(1.5)	
% on Net Revenues	4.5	(1.4)		

Data in Local Currency

Cordoba Ml	2004	2005	change	
Revenues	507.8	526.3	18.5	*+3.6%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	30.3	51.4	21.1	
% on Revenues	6.0	9.8		
EBITDA	22.7	(7.1)	(29.8)	
% on Revenues	4.5	(1.4)		

At December 31, 2005, revenues totaled 25.7 million euros, about the same as in 2004 (25.6 million euros). EBITDA before writedowns in working capital and provisions rose by 1.0 million euros, increasing both in absolute terms (2.5 million euros, compared with 1.5 million euros in 2004) and as a percentage of revenues (9.8%, compared with 6.0% in 2004).
At December 31, 2005, unit sales were 9.6% less than they were a year earlier. Sales of pasteurized milk, which account for about 60% of total sales to noncaptive customers, decreased by 13.2% compared with 2004.
The local currency lost 3.6% of its value versus the euro in 2005.

The improvement in profitability is mainly the result of higher unit sales of products with a higher value added, such as custards and juices. The Nicaraguan SBU retained the leadership position in the milk market, which continues to be at the core of its business.

Market
Parmalat Nicaragua is a dominant player or has a strong leadership position in all of the market segments in which it operates, with the exception of yogurt, cheese and UHT milk (which represents a very small market in Nicaragua).
Parmalat Nicaragua's main competitors are:

- Eskimo. This company, which was founded in the 1970s in Managua, is currently the largest local producer of ice cream (under the Eskimo brand), yogurt (under the Yoplait brand — market share of about 83% in 2005) and cheese (under the Monteverde brand).
- Dos Pinos. This cooperative, founded in the 1940s in Costa Rica, is one of the largest producers in Latin America. It has a leadership position in the UHT segment (market share of about 70% in 2005) and is present in the pasteurized cream, yogurt, cheese, butter and fruit juice segments.
- Nicafruit. This Managua-based company was founded in 1993. It is present in the pasteurized milk, pasteurized cream, cheese, butter and fruit juice segments, generally with a marginal market share. Its products are sold under the La Exquisita brand.

Source: SBU's management.

Products and Market Share
A review of the Nicaraguan SBU's product portfolio is provided below:

- Pasteurized Milk. This is the largest market in which the SBU operates (valued at 17.7 million euros in 2005). Currently, the SBU's market share is 81%. In the past, the SBU had a monopoly of the packaged pasteurized milk market. In recent years, new producers have entered the market. While these new players have marginal market shares, they are very aggressive commercially.
- Cheese. Cheese is the SBU's second largest market (valued at about 11.0 million euros). The SBU is the largest producer, with a 12%. market share. The cheese business is characterized by the presence of many small local producers, and only certain subsegments offer attractive margins.
- Pasteurized Cream. Pasteurized cream, which is the SBU's third largest market (valued at 5.5 million euros in 2005), is a product with mass appeal, as it is used in most meals. Currently, the SBU's market share is about 91%.
- Yogurt. The yogurt market is fairly small (valued at 1.7 million euros in 2005) and the SBU's market share is marginal (8%). Eskimo, which uses the Yoplait brand name under license, has a virtual monopoly of this business, with an 83% market share.
- Butter. The butter market is not large (valued at 4.9 million euros in 2005), but the SBU's market share is large (about 70%). Butter is a byproduct of milk.
- Fruit Juices. The fruit juice market is also small (valued at about 1.6 million euros). The SBU is clearly the leader (market share of about 70% in 2005) of this market, which is especially attractive in terms of profitability.
- UHT Milk. This market is still quite small (valued at about 0.5 million euros) and the SBU's presence is marginal (revenue market share of 9% in 2005). UHT milk is produced under a copacking arrangement.

Manufacturing Organization
The Nicaraguan SBU operates a production facility in Managua (whose current utilization averages about 40%) and distribution centers in Managua, Sebaco and Leon. Owing in part to investments made in the yogurt area, its production capacity is thought to be sufficient in light of its growth objectives for the coming years. However, its production facility is obsolete and investments will be focused on maintaining production capacity in line with the SBU's growth targets.

Cuba

€ Ml	2004	2005	change	
Revenues	3.9	1.3	(2.6)	*-66.4%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	1.4	(0.2)	(1.6)	
% on Net Revenues	35.3	(14.6)		
EBITDA	1.4	(0.2)	(1.6)	
% on Net Revenues	35.3	(14.6)		

Data in Local Currency

US $ Ml	2004	2005	change	
Revenues	4.8	1.6	(3.2)	*-66.4%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	1.7	(0.2)	(1.9)	
% on Revenues	35.3	(14.6)		
EBITDA	1.7	(0.2)	(1.9)	
% on Revenues	35.3	(14.6)		

Revenues were down sharply compared with 2004 due to the harvest losses caused by tornadoes. The operating data were essentially the same as those reported in August, since the SBU's operations have been virtually shut down during this period due to seasonal factors.

Products and Manufacturing Organization

The Citrus International Corporation S.A. engages in the production of citrus juices and essential oils. Its principal products are grapefruit juice, which accounted for about 50% of total sales in 2005; orange juice concentrate, which generated about 45% of total sales in 2005; and fresh juice and essential oil of oranges and grapefruits. This company's business is seasonal and is carried out during the six months between November and May.

Citrus International Corporation S.A. sells exclusively to its stockholders. The products that it sells to Citricos (the other stockholder of this operating company together with Parmalat Spa) are distributed to other European operators by a Dutch company in which Citricos has an equity interest. Citrus International Corporation S.A. has only one production facility.

Australia

€ Ml	2004	2005	change	
Revenues	384.3	425.1	40.9	*+10.6%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	32.8	39.8	6.9	
% on Net Revenues	8.5	9.4		
EBITDA	33.5	39.6	6.1	
% on Net Revenues	8.7	9.3		

Data in Local Currency

Aus$ Ml	2004	2005	change	
Revenues	649.6	693.8	44.2	*+6.8%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	55.5	64.9	9.4	
% on Revenues	8.5	9.4		
EBITDA	56.7	64.6	7.9	
% on Revenues	8.7	9.3		

At December 31, 2005, revenues amounted to 425.1 million euros, or 10.6% more than the 384.3 million euros reported at the end of 2004. EBITDA before writedowns in working capital totaled 39.8 million euros, for a gain of 6.9 million euros over the previous year (32.8 million euros). The EBITDA margin improved to 9.4%, up 0.9 percentage points.

Unit sales were 7.0% higher than in 2004, roughly in line with expectations. Shipments of pasteurized milk, which account for about 75% of the SBU's total sales to noncaptive customers, were up 12.2% compared with 2004, while those of bulk milk (about 10% of total sales) were down 9.0%.

During 2005, the Australian dollar appreciated by 3.5% versus the euro.

The signal achievement of 2005 was the successful implementation of a market strategy, which produced higher unit sales (despite a fiercely competitive market) thanks to the development of new products and a streamlining of the brand portfolio and distribution channels, and of an industrial strategy, which involved numerous cost-cutting programs and initiatives.
Specifically, the Australian operations exited nonstrategic businesses (e.g., the sale of the Coca-Cola bottling license) and rationalized its manufacturing organization by closing two production facilities, thereby achieving better control of manufacturing costs and a significant reduction in overhead. The resulting savings were used to fund increased investments in advertising and promotional programs to support of the more profitable products.

Market
The Australian market is highly competitive, with large retail chains steadily expanding their presence in the grocery and discount retailing businesses. The aggressive price competition that characterizes the retail market is driven both by established brands and private labels. In this dynamic market environment, Parmalat Australia is pursuing a brand strategy that focuses on consumers and pays close attention to market developments.
The price of raw milk increased in 2005. However, in the main commercial regions of Queensland and Victoria, Parmalat Australia had access to sufficient supplies of milk to meet demand.

Products and Market Share
Parmalat Australia targeted specific market segments for aggressive expansion in 2005. These segments included those of products with a high value added, such as functional milk, yogurt, desserts for adults and children, and flavored beverages. This approach enabled Parmalat Australia to enjoy higher growth rates than the market as a whole and its competitors in 2005.

Australia	
Product	**Market Share**
Functional Dairy Milk	30,6%
UHT milk	13,1%
Fresh Flavoured Milk	23,2%
Fresh pasteurized milk	19%
Soy Milk	32,2%

Source: Aztec Information Services year 2005

Manufacturing Organization
Parmalat Australia operates the following eight production facilities, which are located mainly in Eastern Australia whose production capacity utilization averages more than 50%. The facilities are the following:

- Brisbane: production of pasteurized milk, UHT milk, custards, desserts and yogurt;
- Darwin: production of pasteurized milk and fruit juices;
- Bendigo: production of pasteurized milk and fermented products;
- Rowille: production of pasteurized milk and pasteurized cream;
- Raleigh: production of pasteurized milk;
- Labrador: production of pasteurized milk and desserts;
- Nambour: production of pasteurized milk;
- Rockhampton: production of pasteurized milk.

Parmalat Australia is currently in the process of restructuring its manufacturing organization, with the goal of reducing excess capacity, modernizing its facilities and improving their geographic distribution.

Other Operations

Ecuador

€ Ml	2004	2005	change	
Revenues	8.5	0.0	(8.5)	*-99.9%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	(0.7)	(0.8)	(0.1)	
% on Net Revenues	(8.2)	n.s.		
EBITDA	(0.7)	(1.0)	(0.3)	
% on Net Revenues	(8.2)	n.s.		

Data in Local Currency

US $ Ml	2004	2005	change	
Revenues	10.6	0.0	(10.6)	*-99.9%*
EBITDA bef. w.down of Acc. Receiv. & Other Prov.	(0.9)	(1.0)	(0.2)	
% on Revenues	(8.2)	n.s.		
EBITDA	(0.9)	(1.3)	(0.4)	
% on Revenues	(8.2)	n.s.		

In 2005, the Ecuadorian SBU temporarily suspended all production activities. As a result, they generated no revenues, but incurred the costs needed to maintain their facilities.
A turnaround is planned for 2006, as the managers of the Colombian operations have taken over the task of reorganizing and relaunching this business, which could provide the Colombian SBU with operating and commercial synergies.

Mexico
The Mexican companies were sold in 2005 and are currently being liquidated. Consequently, their contribution to the Group was virtually nil in 2005.

Financial Performance

The financial activities carried out in 2005 were designed to achieve the following objectives, which are consistent with the Group's restructuring program:

- Refinance indebtedness in certain countries;
- Monitor and contain borrowings;
- Manage financial risks;
- Secure the requisite surety and insurance coverage.

Structure of the Indebtedness of the Group and Its Main Companies at the End of 2005

Group companies that operate in Portugal, Australia and Ecuador, and Latte Sole in Italy, renegotiated their indebtedness in 2005. Centrale Latte Roma repaid its indebtedness in full. Negotiations to reengineer the indebtedness of the Venezuelan and Russian companies are currently under way. With the exception of the Russian companies, the indebtedness of all Group companies is medium- to long-term, with repayment schedules that are sustainable in light of each company's cash-flow–generating capacity.

In particular, as far as the Canadian companies are concerned, which account approximately for half of the Group's indebtedness, it must be highlighted that at the present stage the interest rate structure reflects the risk level inherent in the relationship between indebtedness and the means available to the companies at the moment when the lines of credit were granted. The level of debt and its related interest rates are sustainable, the amortization plan and all the financial covenants have been respected. Such debt will be object of renegotiation at the opportune moment (examine paragraph " Upcoming Commitments and Their Financial Coverage").

All financial covenants contained in the various loan agreements were complied with in 2005. In the countries in which indebtedness was restructured in 2005, these covenants allow the payment of royalties and dividends.

In all cases, the restructuring of indebtedness involved the cancellation of the remaining guarantees provided by the Parent Company, which were replaced with local collateral, and the granting of loans in each country's local currency. Moreover, the interest rates applied to indebtedness restructured in 2005 were equal to the sum of a reference rate and spread indexed in accordance with the provisions of the financial covenants.

The table that follows provides a breakdown by country of the gross indebtedness owed to outside lenders (net of financial assets), stated in the currencies in which the indebtedness is denominated

Country	Currency	Amount in local currency		Percentage Change	Euro/local currency exchange rate	
		12/31/04	12/31/05		12/31/04	12/31/05
Canada (a)	CAD	587,479,000	549,531,900	-6.5%	1.6416	1.3725
Australia (a)	AUD	297,530,000	212,450,859	-28.6%	1.7459	1.6109
Venezuela (b)	US$	173,855,207	173,855,207	0%	1.3621	1.1797
Sudafrica	ZAR	344,924,000	189,772,629	-45%	7.6897	7.4642
Spagna	€	48,616,862	45,210,302	-7%	1.0000	1.0000
Portogallo	€	48,723,906	25,641,587	-47.5%	1.0000	1.0000
Nicaragua (c)	US$	5,563,625	7,489,242	34.6%	1.3621	1.1797
Ecuador	US$	6,050,000	0		1.3621	1.1797
Russia (c)	US$	7,000,000	5,745,894	-17.9%	1.3621	1.1797
Italia (d)	€	35,446,933	12,947,238	-63.47%	1.0000	1.0000

(a) Amounts include financial accrued income;
(b) The amount in $ relating to 12/31/2005 does not include about 35 millions for interests accrued in the year;
(c) The amount is relating to loans payable to other lenders;
(d) The amount does not include leasing payables.

Net indebtedness decreased significantly, falling from 541.9 million euros in the pro forma financial statements at December 31, 2004 to 369.3 million euros at the end of 2005. This improvement is the result of extraordinary transactions, such as the settlements reached by the Group's Parent Company; the assignment to outsiders of receivables convertible into shares that were held by the Group's Parent Company as a result of the Composition with Creditors; and the partial cancellation of indebtedness made possible by the renegotiation process. Changes in the rates at which local currencies were translated into euros caused indebtedness to increase by about 65.0 million euros. Currency fluctuations caused indebtedness denominated in currencies other than the local currency (chiefly U.S. dollars) to rise by 21.2 million euros. Most of the increase involved the Venezuelan companies, for which hedging foreign exchange risks is not convenient.

In all countries, with the exception of Venezuela and Nicaragua, the renegotiation process and the ability of local companies to comply with the repayment schedules agreed upon with their lenders resulted in a reduction of the indebtedness denominated in local currencies.

Significant Transactions Completed During the Year

Indebtedness

The renegotiation of existing indebtedness that was completed in 2005 concerned mainly Group companies in Australia, Portugal and Ecuador.

The indebtedness of the Australian companies was refinanced with a syndicated loan that was provided by Australian and international banks. It matures in 2008. The refinancing process resulted in the replacement of the guarantees provided by the Parent Company with the collateralization of local assets. The Portuguese company reduced its debt exposure through a settlement with a bank and, in August 2005, signed a contract to refinance its indebtedness with a syndicated loan, which matures in 2010, that was provided by local banks. In this case as well, the remaining guarantees provided by the Parent Company were replaced with local collateral.
The restructuring of the indebtedness owed by the Ecuadorian companies, which was completed in November 2005, resulted in a reduction of the debt exposure through a settlement with a bank. New intra-Group financing was provided by a Colombian company of the Parmalat Group.

In the area of debt repayment, the Group's South African company finished repaying its indebtedness to one of its two lender banks when it paid the last installment in December 2005.

In Italy, Centrale del Latte di Roma S.p.A. repaid all of its indebtedness, Latte Sole S.p.A. stabilized its medium-term and long-term exposure and Parmalat S.p.A. cut its exposure to just one 11.1-million-euro position. Under an agreement reached with the lender, this debt, which originally was payable within 180 days from the date of the court decision approving the Proposal of Composition with Creditors, will now be repaid over five years, in accordance with a repayment schedule that should be finalized early in 2006.

Working Capital

The Group manages its working capital with the objective of maximizing its cash flow while complying with the requirements originally imposed by the extraordinary administration proceedings and, subsequently, by the approval of the Proposal of Composition with Creditors, which had a direct financial impact on the Group's Parent Company.

On the cash inflow side, the time-to-collection of receivables began to decrease in the third quarter of 2005, reflecting in part programs implemented to collect disputed and delinquent receivables owed to the companies absorbed by Parmalat.

On the cash outflow side, the Company is working with suppliers holding prededuction and preferential claims in accordance with a repayment program scheduled for completion within 180 days from the date of the court decision approving the Proposal of Composition with Creditors.
During the last quarter of 2005, the reinstatement of standard payment terms by suppliers of raw materials and truckers resulted in an immediate increase in available liquidity.
In addition, in November 2005, Parmalat was able to secure insurance coverage lines for its trade payables from three credit insurance companies with global operations. This coverage is expected to extend the payment terms demanded outside Italy by milk suppliers.

Cash and cash equivalents

In July, cash and cash equivalents held by Parmalat S.p.A. increased by 155 million euros, following the settlement of a dispute with Morgan Stanley.
Upon the resolution of issues related to an investigation by the Luxembourg authorities into money laundering allegations, the freeze placed on an account held by one of the companies absorbed by Parmalat S.p.A. was removed, freeing up 0.5 million euros.

Negotiations designed to enable the Italian social security administration (INPS) to collect the amounts owed by Parmalat S.p.A. in Amministrazione Straordinaria and Eurolat S.p.A. in Amministrazione Straordinaria in connection with their liability for social security contributions accrued after the start of the extraordinary administration proceedings were completed successfully on July 8, 2005. Under the settlement, INPS will offset about 25.6 million euros in receivables directly against VAT refunds owed to these two companies.
In November, INPS was granted another irrevocable authorization to collect VAT credits in payment of amounts owed by Parmalat S.p.A. to INPS for liabilities accrued prior to the date when the company became eligible for extraordinary administration status. As a result of this transaction, INPS will collect 3.4 million euros in full settlement of the amount owed by Parmalat S.p.A. The balance of 4.2 million euros in VAT credits, which was also covered by an irrevocable collection authorization, will be used to offset future INPS liabilities.

The liquidity of Parmalat S.p.A., which is equal to its current financial assets plus cash and cash equivalent items, increased from 249.2 million euros at December 31, 2004 to 339.0 million euros at the end of 2005. A portion of the Company's liquid assets amounting to 256.0 million euros is invested in treasury securities that mature within three months.

During the first half of 2005, a group of insurance companies headed by Assicurazioni Generali provided sureties for all of the VAT refunds receivable accrued prior to the start of the extraordinary administration proceedings that were not secured by such sureties. At December 31, 2005, all VAT refunds receivable by the Group were secured by sureties.

In the tax area, as a result of a favorable tax ruling in the amount of 12.3 million euros concerning taxes paid in previous years by Dutch Group companies under extraordinary administration, the Group collected 3.7 million euros in 2005 and expects to collect a further 8.6 million euros in the first half of 2006.

Government Grants and Subsidized Financing

In order to maximize its ability to secure the financial resources needed to support its industrial operations, Parmalat requested access for several of its projects to regional, national or EU programs that could entitle it to receive capital grants or subsidized financing. Typically, the projects in question have to do with investments in new facilities that will enable the Group to remain on the cutting edge of technology. In other cases, they involve research programs that Parmalat carries out in cooperation with major Italian universities. As of December 31, 2005, the grants receivable totaled about 19 million euros for projects scheduled for completion by 2008. Applications have been filed in connection with seven additional projects, including five that concern research in the area of technological innovation and two involving the modernization of facilities. Total expenditures are expected to amount to about 20 million euros and the grant requested is about 9 million euros.

Upcoming Commitments and Their Financial Coverage

The negotiations that were started by the Russian companies in 2005 in connection with the restructuring of the Group's indebtedness should be completed early in 2006.

In addition, the Canadian and Spanish companies plan to restructure their indebtedness before it becomes due. In Canada, the loan terms need to be renegotiated to make them consistent with the improved risk profile presented by the Canadian companies at the end of 2005. In Spain, a reengineering of the financing arrangement is justified by the structural changes that occurred recently in the local companies.

With regard to new investments, on February 10, 2006, the Board of Directors of Parmalat S.p.A. agreed to underwrite a 6-million-euro capital increase to be carried out by Boschi Luigi & Figli S.p.A. This company, which became eligible for extraordinary administration status on December 31, 2004, has filed a restructuring program with the Ministry of Production Activities according to which it plans to emerge from bankruptcy through a settlement with creditors and the abovementioned capital increase.

The Group expects to fund the capital expenditures planned in the various countries in which it does business with resources generated by its operations.

Additional projects involving financial outlays will be evaluated on a case-by-case basis and, should it become necessary, financing will be secured in connection with specific projects.

Hedging Interest Rates and Foreign Exchange Risks

Parmalat uses a systemic approach to address all areas of risk to which the Group is exposed, relying on tools that enable it to effectively manage and reduce risk and achieve the Group's stated objectives.

The Risk Management Office, which is part of the Finance Department, was tasked with identifying these risks, developing appropriate Group-wide procedures and supervising the implementation of these procedures.

In order to minimize the uncertainty associated with its industrial and commercial operations, the Group routinely uses insurance coverage. Each business area establishes master coverage, which is negotiated at the Group headquarters level, and various local policies that guarantee the effectiveness of the coverage under local laws and make the management of insurance coverage more efficient.

Specifically, Parmalat has insurance coverage for risks that are specific to the areas of business in which it operates, such as the risk of product tampering. In this area, insurance coverage was used in connection with an incident in which milk and other foods were tampered with that affected Parmalat and other food companies throughout Italy during the last two months of 2005.

Lastly, insofar as the Parmalat Group operates at the international level, it is exposed to a series of risks that are strictly financial in nature, which the Risk Management Office has tackled in four separate areas.

1) Credit Risk

Parmalat is not exposed to a significant credit risk with regard to financial instruments, since all of its liquidity is deposited with banks that are rated "investment grade" and invested in short-term treasury securities. Commercial risk is monitored at the country level. No insurance coverage was established in 2005.

2) Liquidity Risk

The Group's liquidity risk is reviewed on a regular basis to monitor the level of solvency of the individual companies and identify actions that may have to be implemented to avoid the risk of default. This is achieved at the Parent Company level by monitoring the performance of key solvency indicators for the subsidiaries, focusing in particular on the indicators referred to in covenants of loan agreements. Failure to comply with those covenants could trigger an immediate request for repayment of the principal amount plus penalty or, in the best of cases, a renegotiation of the loan on unfavorable terms. Throughout the year, all of the companies that refinanced their indebtedness were in full compliance with the covenants of their loan agreements.

The next step involved identifying the "minimum reserve" and "remedy period" data, which are the reference data on the basis of which the Group's Parent Company must plan an emergency response to a default by any of its subsidiaries. These data are determined based on the financial commitments of the individual borrower companies, since their indebtedness is owed on a stand-alone basis and there are no cross default clauses.

Lastly, the Risk Management Office is in the process of assessing the credit risk at the Group level, based on homogenous parameters identified in a manner consistent with the principles set forth in the agreement on bank capital regulations known as "Basel 2."

3) Foreign Exchange Risk

The commercial activities of the Parmalat Group entail only a limited exposure to foreign exchange risk because most purchases and sales are made in local currencies.

In addition, the decision to use local currencies for refinancing and debt restructuring transactions entails the elimination at inception of the foreign exchange risks for the local companies and any resulting impact on their income statements from fluctuations in the exchange rate between the local currencies and the euro. The currency conversion impact that results from this approach did not warrant the execution of hedging transactions.
The recent refinancing of the Ecuadorian companies by a Colombian Group company was carried out in keeping with this conservative approach, since the official currency of Ecuador is the U.S. dollar and the Colombian company involved had ample reserves denominated in the same currency.

4) Interest Rate Risk

Parmalat manages the interest rate risk, which refers to exposure to fluctuations in interest rates, by balancing its fixed-rate debt exposure with variable-rate debt positions according to a percentage that reflects projections of future interest rate trends for the currencies involved. With the exception of the Australian companies, the Group does not use derivative hedges.

Investor Relations

From the moment its shares were accepted for trading on the Stock Exchange (October 6, 2005), Parmalat has pursued an ongoing dialog with all of its shareholders and institutional investors.
The Communications Plan adopted by Parmalat is based on the principles of transparency, fairness and timely disclosure. A recently established Office of Investor Relations is in charge of communications in this area.
The manner in which information and documents are made available to the public complies with the provisions of the statutes applicable to publicly traded companies.
For 2006, the Company is planning one-on-one meetings with management, conference calls in connection with the announcement of quarterly data, and road shows.

These different forms of communication have been designed to meet the varying needs of the financial community:

- One-on-one meetings will help investors understand and evaluate the Parmalat story;
- Conference calls will provide the entire financial community with access to management's comments on data that the Company releases on a regular basis;
- Road shows will create meeting opportunities for investors, analysts and journalists.

The Company will hold most of these meetings at its offices in Milan, but meetings outside Italy (in London or New York) can also be arranged.
To ensure consistency of information, a dedicated team will be responsible for organizing these meetings.
Conference calls, which will be held in connection with the release of quarterly data, will be organized by a manager who will be designated on each occasion, based on the main developments that occurred during the period under review.
The Company believes that its website can also provide an efficient means of communicating with investors. Accordingly, it is in the process of revamping the site in order to provide easier access to financial reports (annual reports, quarterly and semiannual reports, presentations) and other corporate documents (press releases, Corporate Governance Report, Code of Conduct). This approach should ensure the widespread dissemination of information, which is extremely important for a company that, like Parmalat, has a very broad shareholder base.

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The Company and its subsidiaries do not hold Parmalat S.p.A.'s shares.

Divestitures

In 2005, the Group continued to divest those operations that were identified as non strategic in its Restructuring Program. The table below lists the operations that were divested and the resulting financial impact on the Group:

Items Divested **Transactions completed between 1/1/05 and 9/30/05**		**Amounts in millions of euros**		
		Price	**Assigned debt**	**Financial impact**
Business operations + shares	U.S. companies in Chapter 11 (Dairy USA)	-	0.3	0.3
Business operations	Sale of the Coca-Cola bottling license held by Parmalat Australia Ltd	16.7	-	16.7
Business operations + shares	US Bakery	31.5	-	31.5
Shares	Nöm AG	35.0	-	35.0
Shares	Parmalat Uruguay SA	-	14.5	14.5
Business operations	Streglio spa	2.3	-	2.3
Shares	Parmalat Nanjing Dairy Co. Ltd	-	1.2	1.2
Shares	Parmalat Tianjin Dairy Co. Ltd	-	8.0	8.0
DIVESTITURES AFTER 10/1/05 (new Parmalat)				
Business operations	Parmalat S.p.A.: Italian Bakery Division	19.0	-	19.0

With regard to divestitures completed after October 1, 2005, the business operations of the Italian Bakery Division, which manufacture items sold mainly under the Mr. Day, Grisbì, Matin, Dolcezze del Campo and Prontoforno brands and included production facilities in Bovolone (VR), Lurate (CO), Atella (PZ) and Nusco (AV), were sold to the Vicenzi Group. The final contract was signed on November 30, 2005.

Following the transactions completed in 2005, the following divestitures included in the Restructuring Program remain to be completed:

- Fratelli Strini S.r.l. under extraordinary administration: In January 2006, the Extraordinary Commissioner published a call for bids in connection with the sale of these business operations.
- Italcheese S.p.A.: The divestiture of this company is in progress.
- Parmalat Zhaodong

Additional sales of real estate with an estimated realizable value of about 25 million euros are being negotiated in Italy. Lastly, early in 2006, a Spanish subsidiary sold a building for a total price of 144 million euros. The proceeds, which will be collected over a period of 36 months, will be used for capital expenditures.

Tax Aspects

The corporate structure of the Parmalat Group is complex and is not always consistent with the corporate governance approach pursued by the Group.

Specifically, the Group includes dormant companies, companies that function exclusively as holding companies and companies located in tax havens.

Insofar as the companies that operate in Italy are concerned, and especially Parmalat S.p.A., the Group's Parent Company, the focus has been on addressing certain tax issues that arose at the end of the Composition with Creditors process.
One of these issues was whether the proceeds generated by the filing of actions to void in bankruptcy should be exempt from taxation. In this area, the Company has requested a ruling from the tax administration. The same issue of tax exemption would apply to Parmalat S.p.A. in its capacity as Assumptor, even though the actions to void were filed by the Extraordinary Commissioner prior to the date of the court decision approving the Proposal of Composition with Creditors.
Another ruling requested from the tax administration confirmed that the gains generated by the claim reduction applied as part of the Composition with Creditors (by the companies under extraordinary administration) should be treated as tax exempt, in the same manner as the gains that result from the reduction of corporate debt from a composition reached with creditors upon bankruptcy or to prevent bankruptcy in accordance with Article 88, Section Four, of Presidential Decree No. 917/86.
In addition, the Company has requested refunds of excess taxes paid prior to the date of default by Parmalat Spa in AS and has filed applications to be allowed to recover (for the benefit of the Assumptor) the tax loss carryforwards accrued by companies under extraordinary administration.
It is important to keep in mind that there are serious doubts about the success of these actions.
As a result of a tax ruling handed down by the Dutch tax administration with regard to Dutch companies that were parties to the Composition with Creditors, the Company expects to receive a refund of taxes paid up to 2003. The total refund that the Group expects to receive is about 12.3 million euros, 2.3 million euros of which have already been collected.
In view of the Group's unusual situation, none of its Italian companies plans to file a consolidated tax return.

Two transactions that were significant from a tax standpoint occurred outside Italy. The first one concerned two Canadian companies: Parmalat Food Inc. and Parmalat Dairy & Bakery Inc. The latter absorbed the former in a transaction called amalgamation, which is similar to a merger but allows for greater operating synergies and permitted the utilization of tax losses totaling about 70 million Canadian dollars. This transaction became effective on January 1, 2006.

In Spain, the Group is still in the process of implementing a comprehensive tax planning strategy. One of the first actions taken has been the sale of the facilities that house the operations of Clesa SA in Madrid.
This transaction will involve developing a capital gains reinvestment plan for a portion of the proceeds generated by the sale that is expected to produce not only a better production and organization in the country but also tax savings by the application of a Spanish tax rule facilitating companies reinvesting their taxable capital gains (reinversiones plusvalias fiscales).

The tax policies pursued with regard to transactions with foreign subsidiaries focused on the following areas:

- Elimination of companies located in tax havens.

- Implementing changes in the intra-Group ownership chain, with the goal of maximizing the dividends that are taxable to the Group's Parent Company. The objective is to shorten the intra-Group ownership chain so that, once the new system is in place, the dividends can flow as directly as possible into the treasury of the Parent Company.

- Implementing a Group transfer-price policy applicable to intra-Group transactions involving the licensing of trademarks and patents, the granting of loans and the rebilling of overhead.

- Establishing a tax reporting system at the Group level that permits the ongoing monitoring of the tax rates paid by Group companies and allows to take any remedial action that may be necessary.

The table below lists the tax rates paid by the main Group companies in 2005:

(in millions of euros)

Country	Company	Statutory Corporate Income Tax Rate 2005 (%)	Effective Tax Rate [1]
ITALY [2]	Parmalat Spa	33%	0%
	Centrale del Latte di Roma Spa	33%	33.8%
	Latte Sole Spa	33%	0%
CANADA	Parmalat Dairy & Bakery Inc.	35%	-
	Parmalat Food Inc.	33%	27.1%
AUSTRALIA [3]	Parmalat Pacific Holding (PTY) Ltd	30%	0%
SOUTH AFRICA	Parmalat South Africa (PTY) Ltd	29%	34.1%

(1) The effective tax rate is calculated dividing the tax amount - including current and deferred taxes – by the Earning Before Taxes (EBT)
(2) The effective tax rate of the three Italian companies is calculated taking into consideration IRES only and not IRAP impact because the IRES and IRAP tax bases are not the same
(3) Australian companies filed a consolidated tax return

Human Resources

Group Staffing and Union Relations

In the fourth quarter of 2005, the Group continued to divest operations and exit in countries that are not classified as core in its Industrial Plan, and implemented programs to streamline and reorganize the operations affected by the process of integrating the operating companies that were transferred to the Assumptor as a result of the Composition with Creditors.
The table below provides a breakdown of the Group's personnel by geographic region at December 31, 2005 and a comparison with the data at October 1, 2005 and the pro forma data at December 31, 2004.

Total Number of Employees by Geographic Region

Region	*31 December 2005*	*1 October 2005*	*31 December 2004 (pro-forma)*
	Number of employees of companies CONSOLIDATED LINE BY LINE	Number of employees of companies CONSOLIDATED LINE BY LINE	Number of employees of companies CONSOLIDATED LINE BY LINE
Italy	2,797	2,866	2,898
Rest of Europe	2,640	2,674	2,775
North America	2,834	2,774	2,850
Central and South America	3,621	3,629	4,088
Rest of the world	3,695	3,630	3,746
Total	15,587	15,573	16,357

The payroll of the companies was virtually unchanged from October 1, 2005. The modest increase shown above reflects mainly the hiring of additional employees by Parmalat South Africa pty Ltd during its busy season and staff expansion by Parmalat Dairy & Bakery Inc.
The newly hired employees consisted primarily of production staff hired under short-term contracts.
In Italy, the Group added 390 more employees after October 1, 2005 due to the establishment of Parmalat Distribuzione Alimenti S.r.l., a new subsidiary created through the reorganization of the former licensees of Parmalat S.p.A. However, these additions were more than offset by the impact of the sale of the bakery products operations, which reduced the Group's payroll by 395 employees.
Outside Italy, Parmalat continued to streamline and reorganize its businesses, focusing mainly on the South American and Spanish operations.
All projects carried out in Italy and abroad are being implemented in accordance with the guidelines of the Group's Restructuring Program and are reviewed periodically with the labor unions.

In Italy, acting in accordance with the guidelines of the Framework Agreement executed in November 2004, the Group signed two important agreements in the closing months of 2005:

- On November 18, 2005, Parmalat S.p.A. and the National Coordinators of the Group's local unions signed a two-year agreement concerning a Company Expansion Plan. This Plan calls for a series of initiatives designed to consolidate, strengthen and relaunch the Group's operations while at the same time reorganizing the main areas of operation, with the goal of creating unified processes and transferring production capacity. If certain conditions were to occur, the Plan would allow for the use of the Layoff Benefit Fund for up to 321 employees and would allow other employees to receive long-term unemployment benefits.

- On January 4, 2006, the Group signed an agreement that enabled up to 163 employees to receive long-term unemployment benefits.

Organization and Development

Following the appointment of the Chief Executive Officer of Parmalat S.p.A. and the election of the Company's Board of Directors, the Group adopted a new corporate organization.
The following Departments report directly to the Chief Executive Officer:

- GROUP ADMINISTRATION, FINANCE AND CONTROL DEPARTMENT *(Chief Financial Officer)*, which has jurisdiction over finance companies; companies that are in liquidation, dormant or in the process of being divested; and nonoperating companies that are parties to local composition with creditor proceedings.
- GROUP OPERATIONAL DEPARTMENT *(Chief Operating Officer)*, which has jurisdiction over the following areas: Operations, Technology, Research and Development, Licensing and Trademarks, Strategic Planning, Global Quality, Group Marketing and Customer Management.
- GROUP HUMAN RESOURCES, COMMUNICATIONS and GOVERNMENT RELATIONS DEPARTMENT, which has jurisdiction over Internal and External Communications and Government Relations.
- PARMALAT CORPORATE COUNSEL DEPARTMENT, which oversees the Corporate Counsels of the various Group Business Units and has jurisdiction over Litigation, Intellectual Property, Antitrust Issues, Regulatory Developments, International Activities, Mergers and Acquisitions and Finance.

The Chief Executive Officer's staff also includes the Industrial Safety Department, the General Affairs Department and the Group Auditing Department.

The Group replaced the senior managers of two companies located in foreign countries: a new Chief Executive Officer was appointed for Parmalat South Africa PTY (LTD) and a new Country Manager was assigned to Clesa SA.
In the closing months of 2005, following these appointments, part of the management teams of the two companies mentioned above was replaced after a careful search and selection process was conducted with the help of local employment consultants.

In 2005, the Group made significant progress in the area of Human Resources Management and Development with the communication and publication of the Group's Mission and Values.
This was followed by the development of the more urgently needed Policies and related procedures, which will be implemented at the local level starting in 2006.
These Policies, which were approved by the Chief Executive Officer and disseminated in the various countries are: Employee Evaluation and Performance, Mobility, Compensation and Benefits, and Induction for Newly Hired Employees.
The following Policies are in the process of being developed: Sexual Harassment in the Workplace, Equal Opportunity, Family Relations Within the Company, Replacement Plans, Recruiting and Selection, and Training.

Local HR managers had ample discretion in implementing the training programs that were launched in 2005, allowing them to present these programs in a manner that was consistent with the objectives and the specific personnel training needs of their companies.
At the central level, the Company is in the process of developing an International Training Program for the Group's Key Resources that will be designed to maintain a high level of professional competencies and prepare these resources to handle diverse assignments in different parts of the world within the framework of an organization that will require an increasing level of mobility for managers both in Italy and abroad.
Accordingly, International Training will be used as a tool that will address the Group's internationalization needs and will directly involve the Group's top management and training resources, with the objective of consolidating and increasing the level of integration between the subsidiaries and the Parent Company.

Human Resources Italy

Activities carried out in Italy in 2005 with regard to the management of human resources included a series of reorganization-related initiatives that were implemented in tandem with the operations staff to achieve major efficiency improvements.
The most significant of these initiatives involved the following:

May 30, 2005
Agreement signed with the unions at the Ministry of Labor concerning the provision of long-term unemployment benefits in anticipation of retirement to 104 employees, 91 of whom worked for Parmalat SPA in A. S. and 13 who were employed by Eurolat SPA in A.S.

September 2005
Agreement with the national unions concerning the transfer to the Assumptor, Parmalat S.p.A., of all of the employees of the companies under extraordinary administration in accordance with Article 47 of Law No. 428/1990.

October 2005
Agreement with the national unions concerning the sale of the Bakery Division to Vicenzi Biscotti S.p.A. and transfer of the employees of the Bakery Division to the buyer in accordance with Article 47 of Law No. 428/1990.

November 18, 2005
Agreement with the unions signed at the Ministry of Labor and Social Policies in connection with the implementation of a plan to restructure, reorganize and develop the Group's core businesses in Italy.
This plan calls for the following:

- General reorganization of the administrative and central departments, unifying and concentrating the operating processes at the Collecchio headquarters;
- Reorganization of the manufacturing and distribution operations, with the closing of manufacturing units in Padua and Taranto and a series of distribution warehouses in Lombardy and Latium.
- Rationalization of the sales and distribution network throughout Italy.

Overall, this agreement deals with about 250 redundancies, which will be handled using various non-traumatic tools (early retirement, Special Layoff Benefits Fund, retirement incentives).

January 4, 2006
Agreement signed with the unions at the Ministry of Labor and Social Policies providing long-term unemployment benefits and early retirement benefits to 163 employees in accordance with the provisions of the agreement signed on November 18, 2005.

In addition, the Human Resources department is in the process of implementing a series of reorganization-related programs that will help create an organization in Italy that is consistent with the needs of the businesses and markets in which Parmalat operates.
Specifically, the training and development programs that are being implemented are designed to create a uniform Group culture by unifying the operating processes and strengthening employee competencies, especially at the management level.

Corporate Governance

This Report was prepared in accordance with the provisions of the Code of Conduct published by Borsa Italiana, is consistent with best international practices and deals with the evolution of the corporate governance system of Parmalat S.p.A. in 2005, particularly in the months after October 1, 2005, date of the approval of the Proposal of Composition with Creditors submitted on March 3, 2005 by the 16 companies under extraordinary administration of the Parmalat Group (Parmalat SpA, Parmalat Finanziaria SpA, Eurolat SpA, Lactis SpA, Parmalat Netherlands BV, Parmalat Finance Corporation BV, Parmalat Capital Netherlands BV, Dairies Holding International BV, Parmalat Soparfi SA, Olex SA, Geslat Srl, Parmengineering Srl, Contal Srl, Panna Elena CPC Srl, Centro Latte Centallo Srl, Newco Srl) within the framework of the Restructuring Plan in compliance with Decree n. 347/03, and the consequent start of trading of the Company's shares and warrants that were accepted by Borsa Italiana (on October 6 and 28, 2005, respectively).

Governance Structure

Parmalat's corporate organization is based on the so-called "conventional" model, which consists of the following corporate governance bodies: Shareholders' Meeting, Board of Directors (supported by Consulting Committees), Board of Statutory Auditors and Independent Auditors.

The corporate governance model also includes a series of powers, delegations of powers, and internal control procedures, as well as a Code of Ethics, a Code of Conduct and the Internal Dealing Handling Code, with which all members of the Company — Directors, Statutory Auditors and employees — are required to comply.

Shareholders' Meeting

Shareholders' Meetings are convened in Ordinary or Extraordinary Session pursuant to law, unless one is called to vote on resolutions concerning amendments to Article 10 (Convening, Chairing and Handling Shareholders' Meeting), Article 11 (Board of Directors), Article 12 (Requirements of Independent Directors), Article 15 (Meetings of the Board of Directors), Article 16 (Resolutions of the Board of Directors), Article 17 (Powers of the Board of Directors — Delegation of Powers) or Article 18 (Committees) of the Bylaws, which, until the approval of the financial statements for the 2009 fiscal year, will require the favorable vote of shareholders representing at least 95% of the share capital.

Insofar as the handling of Shareholders' Meetings is concerned, the Company has chosen for the time being not to propose the adoption of specific Meeting Regulations, since the powers attributed to the Chairman of the Meeting pursuant to the Bylaws should be sufficient to enable the Chairman to conduct orderly Meetings. This approach avoids the risks and inconveniences that could result if the Shareholders' Meeting should fail to comply with all of the Regulations' provisions.
According to Article 10 of the Bylaws, the Chairman is responsible for determining that a Shareholders' Meeting has been properly convened, overseeing the Meeting's activities and discussions and verifying the outcomes of votes.

Shareholders

The Company functioned as the Assumptor within the framework of the Restructuring Program of the Parmalat Group Under Extraordinary Administration and the related Proposal of Composition with Creditors. Following approval of the Proposal by the creditors of the Parmalat Group, the Court of Parma issued Decree No. 22/05, dated October 1, 2005, by which it approved the Proposal of Composition with Creditors and authorized the related transfers. Specifically, all of the companies that were included in the Proposal of Composition with Creditors and all of their rights to personal and real property, tangible and intangible assets, business operations, outstanding contracts and all other rights and actions formerly belonging to the abovementioned companies were transferred to the Company.

In exchange for acquiring the assets listed above, the Company assumed the obligation toward the creditors of the Parmalat Group Under Extraordinary Administration to pay in full - through the Fondazione Creditori Parmalat - the holders of prededuction and preferential claims and to issue shares of stock to eligible unsecured creditors in accordance with the provisions of the Proposal of Composition with Creditors. The vehicle used to subscribe the Assumptor's shares on behalf and for the benefit of the eligible unsecured creditors and to distribute shares and warrants to the abovementioned creditors is the Fondazione Creditori Parmalat.

Consequently, as of March 16, 2006, the Company's share capital amounted to 1,626,569,512.00 euros, broken down as follows:

- 1,546,026,912 shares, equal to 95.1% of the share capital, had been distributed to eligible creditors;
- 80,542,600 shares, equal to 4.9% of the share capital of Parmalat S.p.A., broken down as follows:
    - 22,983,527 shares, equal to 1.4% of the share capital, are owned by commercial creditors who have been identified by name and are held by Parmalat S.p.A. as intermediary through the Monte Titoli centralized securities clearing system;
    - 57,559,073 shares, equal to 3.5% of the share capital, which are registered in the name of Fondazione Creditori Parmalat, broken down as follows:
        - 120,000 shares, representing the initial share capital of Parmalat S.p.A.;
        - 57,439,073 shares, equal to 3.5% of the share capital, which belong to creditors who have not yet claimed them.

As of the same date, a total of 76,058,870 warrants had been issued, 1,026,221 of which had been exercised.

Because the process of distributing shares and warrants is still ongoing, the Company's share capital could vary on a monthly basis until it reaches the amount of 2,010,087,908.00 euros, which was approved by the Shareholders' Meeting on March 1, 2005, or until the expiration of the warrant conversion deadline, i.e., December 31, 2015.

Based on the data contained in the Stock Register, the communications received pursuant to law and other information available as of March 20, 2006

- The following shareholders own, either directly or through representatives, nominees or subsidiaries, an interest in the Company that is greater than 2% of the voting shares:

Shareholder	**N° of shares**	**of which pledged shares**		**Percentage**
		number of shares	**Percentage**	
Capitalia	**84,845,406**			**5.300%**
Capitalia S.p.A.	84,761,390			5.295%
Banca di Roma S.p.A.	59,346	59,346	0.004%	0.004%
Banco di Sicilia S.p.A.	23,925	23,925	0.001%	0.001%
Harbert Distressed Inv. Fund	**47,002,990**			**2.936%**
JP Morgan Chase & Co. Corporation	**41,695,284**			**2.604%**
JP Morgan securities Limited	41,695,284			2.604%
Banca Intesa	**36,534,607**			**2.282%**
Banca Intesa S.p.A.	35,105,296	64,075	0.004%	2.193%
Cassa di Risparmio di Biella e Vercelli S.p.A.	827,154	14,412	0.001%	0.052%
Central European International Bank Ltd	590,887			0.037%
Davidson Kempner Capital Management LLC	**33,152,395**			**2.046%**
Lehman Brothers Holdings Inc.	**32,592,901**			**2.007%**
Lehman Brothers Holdings Inc.	100,000			0.006%
Lehman Brothers International Europe	32,492,901			2.001%

It is estimated that the Company has 135,000 shareholders.

Board of Directors

Election and Composition

The Company is governed by a Board of Directors comprising 11 (eleven) Directors, who are elected from slates of candidates. Only shareholders who, alone or together with other shareholders, hold a number of shares equal in the aggregate to at least 1% of the Company's shares that convey the right to vote at Regular Shareholders' Meetings are entitled to file slates of candidates.

In addition to a list of candidates, the shareholders must file, no later than five days prior to the Shareholders' Meeting, affidavits by which each candidate accepts to stand for election and attests, on his/her responsibility, that there is nothing that would bar the candidate's election or make the candidate unsuitable to hold office and that he/she has met the requirements for election to the respective office. Each candidate must file a curriculum vitae together with his/her affidavit, listing his/her personal and professional data and, if applicable, showing his/her suitability for being classified as an independent Director.

The Shareholders' Meeting that elects the Directors determines the length of their term of office, which, however, may not be longer than three fiscal years. The term of office of the Directors thus appointed expires on the date of the Shareholders' Meeting convened to approve the financial statements for the last year of their term of office. Directors may be reelected.

In the course of an election, at least 6 (six) of the Directors elected by the Shareholders' Meeting must be independent Directors possessing the requirements set forth in Article 12.

Directors must meet the requirements of the applicable statutes or regulations (and of the code of conduct published by the company that operates the regulated market in Italy on which the Company's shares are traded). The following individuals may not be elected to the Board of Directors and, should such an individual currently be serving in such capacity, he/she shall be removed from office automatically: (i) individuals against whom the Company or its predecessors in title have filed legal actions at least 180 (one hundred eighty) days prior to the date of the Shareholders' Meeting convened to elect the Board of Directors; (ii) individuals who, prior to June 30, 2003, served as Directors, Statutory Auditors, General Managers or Chief Financial Officers of companies that at that time were part of the Parmalat Group; (iii) individuals who are defendants in criminal proceedings related to the insolvency of the Parmalat Group or who have been found guilty in such proceedings and ordered to pay damages, even if the sentence is not final.

With regard to corporate governance posts, the Bylaws state that the same person may not serve both as Chairman of the Board of Directors and Chief Executive Officer.

Functions of the Board of Directors

In the corporate governance system adopted by Parmalat S.p.A., the Board of Directors plays a central function, enjoying the most ample ordinary and extraordinary powers needed to govern the Company, with the sole exception of the powers reserved for the Shareholders' Meeting.
The Board of Directors has sole jurisdiction over the most important issues. Specifically, it is responsible for:

- reviewing and approving the strategic, industrial and financial plans of the Company and the Group and the structure by which the group of companies headed by the Company is organized;
- reviewing and approving transactions (including investments and divestitures) that, because of their nature, strategic significance, amount or implied commitment, could have a material effect on the Company's operations, particularly when these transactions are carried out with related parties;
- ascertaining the effectiveness of the system of organization and general administration adopted by the Company and the Group;
- drafting and adopting the rules that govern the Company and its Code of Ethics, and defining the applicable Group guidelines, while acting in a manner that is consistent with the principles of the Bylaws;
- granting and revoking powers to Directors and the Executive Committee, if one has been established, defining the manner in which they may be exercised, and determining at which intervals these parties are required to report to the Board of Directors on the exercise of the powers granted them;

- determining whether Directors meet and continue to satisfy requirements of independence;
- adopting resolutions concerning the settlement of disputes that arise from the insolvency of companies that are parties to the Composition with Creditors. These resolutions may be validly adopted with the favorable vote of 8/11 of the Directors who are in office.

The Current Board of Directors

Until March 1, 2005, as allowed by the provisions of the Proposal of Composition with Creditors and Article 31 of the Bylaws (Transitional Provisions), the Board of Directors had three members (Enrico Bondi, who served as Chairman; Guido Angiolini; and Bruno Cova). After March 1, 2005, the Board was expanded to seven members (Raffaele Picella, who served as Chairman; Enrico Bondi, who served as CEO; Guido Angiolini; Bruno Cova, who resigned in July 2005 and was replaced by Nicola Walter Palmieri; Carlo Secchi; Marzio Saà; and Alessandro Ovi). This Board of Directors resigned effective September 26, 2005. Upon its resignation, the Board of Directors convened a Shareholders' Meeting for November 7 and 8, 2005. The current Board of Directors was elected at this Meeting from the only slate that had been filed. It will remain in office until the Shareholders' Meeting that will be convened to approve the financial statements at December 31, 2007.

The current Board of Directors has 11 members:

Raffele Picella	Chairman
Enrico Bondi	Chief Executive Officer
Vittorio Mincato	Independent Director
Marco De Benedetti	Independent Director
Piergiorgio Alberti	Director
Andrea Guerra	Independent Director
Carlo Secchi	Independent Director
Massimo Confortini	Independent Director
Marzio Saà	Independent Director
Erder Mingoli	Independent Director
Ferdinando Superti Furga	Independent Director

The table below lists the posts held by Parmalat Directors at other publicly traded companies; financial, banking and insurance institutions and large businesses:

Name of Director	***Posts held at other companies***
Raffaele Picella	Chairman of Banca Campania S.p.A. Statutory Auditor of Ansaldo Breda S.p.A. Chairman of the Board of Statutory Auditors of Ansaldo Trasporti sistemi Ferrovia S.p.A.
Vittorio Mincato	Chairman of Poste Italiane SpA Director of FIAT SpA
Marco De Benedetti	Director of Cofide SpA Director of Avio SpA Director of Pirelli SpA
Piergiorgio Alberti	Independent Director of Finmeccanica SpA Independent Director of Banca Carige SpA
Andrea Guerra	Chief Executive Officer of Luxottica SpA
Carlo Secchi	Independent Director of Pirelli & C. SpA Independent Director of Fastweb SpA Independent Director of Tengenziali esterne di Milano (TEM) SpA Independent Director of Lloyd Adriatico SpA
Massimo Confortini	Independent Director of Caltagirone Editore SpA
Marzio Saà	Director of Eridano Finanziaria Spa

Name of Director	***Posts held at other companies***
Ferdinando Superti Furga	Chairman of the Board of Statutory Auditors of Fininvest SpA Chairman of the Board of Statutory Auditors of Sofid SpA Chairman of the Board of Directors of Banca Intesa Infrastrutture e Sviluppo SpA Deputy Chairman of the Board of Directors of Societè Europèenne de Banque SA Statutory Auditor of Arnoldo Mondatori Editore SpA Statutory Auditor of Edison SpA Director of Risanamento SpA Chairman of the Board of Statutory Auditors of Telecom Italia SpA Chairman of the Board of Statutory Auditors of Publitalia'80 SpA Chairman of the Board of Statutory Auditors of Snamprogetti SpA

Each independent Director certified that he qualified as independent when his name was placed in nomination. These qualifications were verified by the Board of Directors at its next meeting and will be verified annually.

Chairman and Chief Executive Officer

On November 15, 2005, the Board of Directors appointed Raffaele Picella Chairman and Enrico Bondi Chief Executive Officer. Pursuant to the Bylaws, both are empowered to represent the Company vis-à-vis third parties and in court proceedings.

The Chief Executive Officer has been given the most ample powers to manage the Company's business. He may take all actions that are consistent with the Company's purpose, with the limits imposed by the applicable laws and excluding those transactions that fall under the sole jurisdiction of the Board of Directors.

As required by Article 2381 of the Italian Civil Code and Article 150 of Legislative Decree No. 58/98, the Chief Executive Officer reports to the Board of Directors and the Board of Statutory Auditors on the work he has performed and the material transactions not requiring the prior approval of the Board of Directors that were executed by the Company and its subsidiaries.

Meeting of the Board of Directors

To the extent that it is feasible, Directors and Statutory Auditors must receive, together with the notice of a meeting, documents explaining the items on the Agenda, except in urgent cases or when special confidentiality must be maintained. In these cases, a comprehensive discussion of the issues must take place.

Since its election, the Board of Directors has met four times.

A calendar of Board meetings that will be convened to review annual and interim results was communicated to Borsa Italiana in January 2006 and published on the Company website (www.parmalat.com).

Compensation

The total compensation allotted to the Directors currently in office was set at the Shareholders' Meeting held on November 8, 2005, which elected the current Board. On December 15, 2005, the Board of Directors approved a resolution that set the individual compensation of its members. This information is provided in the section of this report entitled "Compensation of Directors and Statutory Auditors," which lists the compensation paid to Directors whose term of office ended in the course of the year.

Committees

The Board of Directors has established several internal committees that provide consulting support and submit proposals to the Board of Directors. The Board of Directors is informed about the activities of these Committees whenever a Board meeting is held.

1) Internal Control and Corporate Governance Committee

This Committee, which comprises three independent Directors without executive authority (Marzio Saà, Chairman; Carlo Secchi; and Ferdinando Superti Furga), performs a consulting and proposal-making function. Sessions of the Committee will be attended by the Chairman of the Board of Statutory Auditors.

The specific functions of this Committee include the following:

- It verifies that the internal control system is working effectively and supports the Board of Directors in defining guidelines for the internal control system. It also supports the Chief Executive Officer in defining the tools and methods needed to implement the internal control system.
- It assists the Board of Directors in performing the tasks described in Article 17, Letters d) and k), of the Bylaws.
- It evaluates the work plans prepared by the Internal Control Officers and reviews the reports these Officers are required to submit on a regular basis.
- It evaluates, together with the Company's accounting officials and the independent auditors, the effectiveness of the accounting principles and their consistent use in the preparation of the consolidated financial statements.
- It evaluates proposals put forth by independent auditors who are seeking the award of the audit assignment, their audit work plans and the findings contained in the audit report and the suggestion letter.
- It approves the annual audit plan.
- It reports to the Board of Directors at least semiannually (in conjunction with the approval of the annual and semiannual reports) on the work done and the adequacy of the internal control system.
- It performs any additional assignments it receives form the Board of Directors, particularly with regard to the relationship with the independent auditors.
- It supports the Board of Directors in the task of establishing the Oversight Board required by Legislative Decree No. 231/2001 and reviews the work performed by the Oversight Board.
- It ensures that the rules of corporate governance are complied with and updates these rules. It performs any other activity that it may deem useful or consistent with the performance of its functions.

Since it was established, the Internal Control and Corporate Governance Committee has met three times. Each meeting was attended by all Committee members and by the Chairman of the Board of Statutory Auditors. The Committee reviewed the Group's audit plan, the projects carried out to implement the Company's governance rules, the programs launched to implement the provisions of Legislative Decree No. 231 of 2001 and those concerning market abuse, and the initiatives designed to put into effect a management control system, which are being reviewed on a regular basis by Reply S.p.A..

2) Appointments and Compensation Committee

This Committee, which has three members (Carlo Secchi, Chairman; Andrea Guerra; and Marco De Benedetti), performs a consulting function.

The specific functions of this Committee include the following:

- It submits proposals to the Board of Directors regarding the appointment of a Managing Director and the names of Directors who will be coopted by the Board when necessary, as well as proposals regarding the compensation of Directors who perform special functions. A portion of the overall compensation paid to the abovementioned individuals may be tied to the operating performance of the Company and the Group and may be based on the achievement of specific predetermined targets.
- At the request of the Chief Executive Officer, it evaluates proposals for the appointment and compensation of Chief Executive Officers and Board Chairmen of the main subsidiaries. A portion of the overall compensation paid to the abovementioned individuals may be tied to the operating performance of

the Company and the Group and may be based on the achievement of specific predetermined targets. In performing this task, the Committee may request the input of the Manager of the Group Human Resources Department.

- At the request of the Chief Executive Officer, it defines the parameters used to determine the compensation criteria applicable to the Company's senior management and the adoption of stock option and share award plans or other financial instruments that may be used to provide an incentive to and increase the loyalty of senior management. In performing this task, the Committee may request the input of the Manager of the Group Human Resources Department.

Since it was established, the Appointments and Compensation Committee has met once. The meeting was attended by all Committee members. At the meeting, the Committee developed a proposal to allocate the total compensation amount awarded to the Board of Directors on November 8, 2005 to the individual Directors, which amount included the compensation payable to Directors who perform special functions.

3) Litigation Committee

This Committee, which comprises three independent Directors without executive authority (Massimo Confortini, Chairman; Ferdinando Superti Furga; and Vittorio Mincato), provides consulting support to the Chief Executive Officer on litigation related to the insolvency of the companies included in the Composition with Creditors. The Company's Corporate Counsel attends the meetings of this Committee.

The opinions rendered by the Committee with regard to individual issues in litigation are also forwarded to the Board of Directors when such issues are on a meeting's Agenda.

The Litigation Committee had no need to meet.

Compensation

On November 8, 2005, the Shareholders' Meeting approved a resolution awarding Directors who serve as committee members an additional variable compensation amount based on the actual number of committee meetings. This additional compensation is listed in the section of this report entitled "Compensation of Directors and Statutory Auditors."

Board of Statutory Auditors

The Board of Statutory Auditors ensures that the Company operates in compliance with the law and the Bylaws and performs a management oversight function. By law, it is not responsible for auditing the financial statements, as this function is performed by independent auditors selected by the Shareholders' Meeting.

The Board of Statutory Auditors comprises three Statutory Auditors and two Alternates, all of whom are elected on the basis of slates of candidates to ensure that a Statutory Auditor and an Alternate are elected by minority shareholders. Only shareholders who, alone or together with other shareholders, hold a number of shares equal in the aggregate to at least 1% of the Company's shares that convey the right to vote at Regular Shareholders' Meetings are entitled to file slates of candidates.

In addition to a list of candidates, the shareholders must file, no later than five days prior to the Shareholders' Meeting, affidavits by which each candidate accepts to stand for election and attests, on his/her responsibility, that there is nothing that would bar the candidate's election or make the candidate unsuitable to hold office and that he/she has met the requirements for election to the respective office. Each candidate must file a curriculum vitae together with his/her affidavit, listing his/her personal professional data and, if applicable, showing his/her suitability for being classified as an independent Statutory Auditor.

Following the resignation of the previous Board of Statutory Auditors in September 2005, the current Board of Statutory Auditors was elected at the Shareholders' Meeting of November 8, 2005 from the only slate that had been filed. It will remain in office until the Shareholders' Meeting convened to approve the financial statements at December 31, 2007.

The current Board of Statutory Auditors includes the following three Statutory Auditors:

Alessandro Dolcetti Chairman
Enzio Bermani
Mario Magenes

Compensation

On November 8, 2005, the Shareholders' Meeting approved a resolution awarding Directors who serve as statutory auditors an additional compensation listed in the section of this report entitled "Compensation of Directors and Statutory Auditors." where are also listed the additional compensations attributed to the statutory auditors who resigned during the year.

Independent Auditors

The law requires that each year a firm of independent auditors ascertain that the Company's accounting records are properly maintained and faithfully present the results of operations, and that the statutory and consolidated financial statements fairly reflect the data in the accounting records, are consistent with the findings of the audits performed and comply with the applicable statutes. Audit assignments are given for three years.

Price Waterhouse Coopers has been retained to audit Parmalat's financial statements starting with the 2005 Annual Report. The assignment will run until the date of the Shareholders' Meeting convened to approve the 2007 Annual Report.

Internal Control System

The Company's internal control system is designed to ensure the efficient management of its corporate and business affairs; to make management decisions that are transparent and verifiable; to provide reliable accounting and operating information; to ensure compliance with all applicable laws and regulations; to protect the Company's integrity; and to prevent fraud against the Company and the financial markets in general.

The Board of Directors defines the guidelines of the internal control system and verifies its effectiveness in managing business risks.

The Chief Executive Officer defines the tools and procedures needed to implement the internal control system in a manner that is consistent with the guidelines established by the Board of Directors and ensures that the overall system is adequate, functions correctly and is updated in response to changes in the operating environment and regulatory framework

The internal control system defined by the Board of Directors must have the following general characteristics:
- at the operating level, authority must be delegated in light of the nature, typical size and risks involved for each class of transactions, and the scope of authority must be consistent with the assigned task;
- the organization must be structured to avoid function overlaps and concentration under one person, without a proper authorization process, of multiple activities that have a high degree of danger or risk;
- each process must conform with an appropriate set of parameters and generate a regular flow of information that measures its efficiency and effectiveness;
- the professional skills and competencies available within the organization and their congruity with the assigned tasks must be checked periodically;
- operating processes must be geared to produce adequate supporting documents, so that their congruity, consistency and transparency may be verified at all times;
- safety mechanisms must provide adequate protection of the Company's assets and ensure access to data when necessary to perform required assignments;

- risks entailed by the pursuit of stated objectives must be identified and adequately monitored and updated on a regular basis, and negative elements that can threaten the organization's operational continuity must be assessed carefully and protections adjusted accordingly;
- the internal control system must be supervised on an ongoing basis and reviewed and updated periodically.

The Board of Directors uses the support of the Internal Control and Corporate Governance Committee and of the Internal Auditing Department to ensure that the guidelines provided above are complied with.

The Internal Control Officer's responsibility is also attributed to the head of the Internal Auditing Department. In this capacity, he or she reports to the Chief Executive Officer and provides information to the Internal Control Committee and the Board of Statutory Auditors on an ongoing basis.

Each one of the Group's organizations, limited to the processes over which it has jurisdiction, is responsible for the proper functioning of the internal control system. Consequently, each Group employee shares this responsibility, limited to the function that he or she performs.

Upon the acceptance of its shares for public trading, the Company began the process of upgrading its internal control and management system, with the goal of producing reliable data and financial information. The progress made in this endeavor is checked by an independent monitor (Reply SpA), which reports its findings to the financial markets on a quarterly basis.

Finally, the internal control system will be expanded to include an organization and management model that complies with the requirements of Legislative Decree No. 231/2001. The Board of Directors has assigned the task of developing this model to outside consultants. The process of defining and approving this model should be completed before the end of 2006. In addition, the Board of Directors has appointed an Oversight Board.

By the middle of 2007, all Group subsidiaries are expected to adopt organization and management models that are consistent with the guidelines provided in the model developed by the Company.

Handling of Confidential Information

The Company has adopted a Code of Conduct that, among other issues, defines the functions, operating procedures and responsibilities that relate to the communication and dissemination of information concerning the Company and the Group. In all cases, the dissemination of such information requires the prior approval of the Company's Chief Executive Officer.

Company Directors, Statutory Auditors and employees are required to treat as confidential the documents and information to which they may become privy in the performance of their functions and must comply with the procedure specifically established for the public disclosure of said documents and information.

The Company has also adopted an Internal Dealing Code, which governs the disclosure requirements and conduct obligations associated with transactions involving financial instruments issued by the Company in an amount greater than 5,000.00 euros, as required by Consob Regulation No. 11971, by so-called Significant Persons who may have access to insider information about the Company and the Group.

Communications with Shareholders and Institutional Investors

The Company is actively engaged in establishing an ongoing dialog with its shareholders and institutional investors. This task is handled by the head of the Shareholder and Investor Relations Office, which is also responsible for organizing meetings with members of the Italian and International financial communities.

The Company also promptly communicates all relevant information to the financial markets and makes available at its website (www.parmalat.com) press releases, payment notices published by the Company in connection with the exercise of shareholder rights and accounting documents that are released on a regular basis.

Transactions with Related Parties

The prior approval of the Board of Directors is required for all transactions with related parties, including intra-Group transactions, with the exception of customary or usual transactions (i.e., those transactions whose purpose, nature, characteristics and terms of which are consistent with those of transactions executed by the Company in the normal course of business and do not entail particular problems because of their characteristics or risks associated with the counterparty or the timing of their execution) and transactions that are executed on standard terms (i.e., on market terms).

The transactions that fall under the jurisdiction of the Board of Directors are those that because of their purpose, amount and method or their timing of implementation could have an impact on the integrity of the Company's assets and on the reliability and completeness of financial and other information.

When required by the nature or characteristics of a transaction and in order to avoid the risk that a transaction may be expected to be executed on terms that are likely to differ from those that would have been applied had the transaction not involved related parties, the Board of Directors can ask that the transaction be executed with the support of one or more experts who will be asked to render an opinion about the financial terms and/or method of implementation and/or fairness of the transaction.

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Transactions between Group companies and between Group companies and related parties are neither atypical or unusual and were carried by the Company in the normal course of business.
These transactions are executed on market terms. i.e., on terms that would have been agreed to by independent parties.
The transactions are detailed in chapter "Notes to Financial Statements" of both Parmalat S.p.A. and the Group.

Other provisions of the Code of Conduct

	Yes	No	Summary explanations of the reasons for deviating from the Code guidelines
System for delegating powers and transactions with related parties			
Has the Board of Directors delegated powers and defined:			
a) the scope of powers	X		
b) the manner in which powers may be exercised	X		
c) reporting intervals	X		
Has the Board of Directors deserve the right to approve transactions of significance in the balance sheet, economic and financial figures (including transactions with related parties)?	X		
Has the Board of Directors provided guidelines and criteria for identifying "significant" transactions?	X		
Are these guidelines and criteria described in the Report?	X		
Has the Board of Directors defined special procedures for reviewing and approving transactions with related parties?	X		
Are the procedures for approving transactions with related parties described in the Report?	X		
Procedures followed in the most recent nominations of Directors and Statutory Auditors			
Were the names of candidates for the post of director filed at least 10 days in advance?		X	As per Bylaws, the names of candidates for the post of director can be filed up to 5 days in advance
When the names of candidates for the post of director were filed, did the filing contain adequate information?	X		
When the names of candidates for the post of director were filed, did the filing contain information about the qualifications of the candidates to serve as independent directors?	X		
Were the names of candidates for the post of statutory auditor filed at least 10 days in advance?		X	As per Bylaws, the names of candidates for the post of director can be filed up to 5 days in advance
When the names of candidates for the post of Statutory Auditor were filed, did the filing contain adequate information?	X		
Stockholders Meetings			
Has the Company approved the Regulations for Stockholders Meeting?		X	The Company has chosen for the time being not to propose the adoption of specific Regulation for Stockholders Meeting since the powers attributed to the Chairman of the Meeting pursuant to the Bylaws should be sufficient to enable the Chairman to conduct orderly Meetings. This approach avoids the risks and inconveniences that could result if the Shareholders' Meeting should fail to comply with all of the Regulations' provisions. According to Article 10 of the Bylaws, the Chairman is responsible for determining that a Shareholders' Meeting has been properly convened, overseeing the Meeting's activities and discussions and verifying the outcomes of votes.
Are the Regulations for Stockholders Meeting appended to the Report (or does the Report indicate where the Regulations are available or downloadable)?		X	
Internal Control			
Has the Company appointed Compliance Officers?	X		
Are the Compliance Officers hierarchically independent from executives with operational responsibility?	X		
Department in charge of internal control (as per art. 9.3 of the Code)	X		
Investor relations			
Has the Company appointed an Investor relations officer?	X		
Investor Relations Officer:			Ms Cristina Girelli - Phone: +39 0521 808550 Mail: c.girelli@parmalat.net

COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS

Amounts in thousands of euros

The table below shows the compensation earned under any title in 2005 by Directors and Statutory Auditors for serving on posts within the Group, including the compensation received by Directors who resigned during the year. Until March 1, 2005, as allowed by the provisions of the Proposal of Composition with Creditors and Article 31 of the Bylaws (Transitional Provisions), the Board of Directors had three members. After March 1, 2005, the Board was expanded to seven members, who resigned effective September 26, 2005. Upon its resignation, the Board of Directors convened a Shareholders' Meeting for November 7 and 8, 2005, which elected the current Board of Director. It also elected a Board of Statutory Auditors, in replacement of a Board that had resigned in September 2005.

First name	Lat name	Length of service																	Compensation for services provided to the co. issuing the fin. stats. from 1/1/05 to 12/31/05	Non-monetary benefits	Bonuses and other incentives	Other compen sation
		January 1, 2005 to March 1, 2005					March 1, 2005 to November 8, 2005						November 8, 2005 to December 31, 2005									
		Post held	Date of appoint-ment	Expiration of appointment	Annual compensation approved by Shareholders' Meeting on 7/19/04	Accrued compen-sation	Post held	Date of appoint-ment	Expiration of appointment	Annual compensation approved by Shareholders' Meeting on 3/1//05	Annual compens. approved by Sharehold. Meeting on 3/15//05	Accrued compen-sation	Post held	Date of appointment	Expiration of appointment	Annual compensation approved by the Shareholders' Meeting on 11/8/05		Accrued compen-sation	Cash compen-sation				
Directors																fixed	variable						
Raffaele	Picella						BoD Chairman	3/1/05	9/26/05	50	100	103	BoD Chairman	11/8/05	12/31/07	230	20	34		137			
Enrico	Bondi	BoD Chairman	7/19/04	3/1/05 as per Bylaws	0	0	CEO	3/1/05	9/26/05	50	100	103	CEO	11/8/05	12/31/07	370	20	55		158			
Vittorio	Mincato												Independent Director. (c)	11/8/05	12/31/07	20	20	3		3			
Marco	De Benedetti												Independent Director. (b)	11/8/05	12/31/07	20	20	3	3	6			
Piergiorgio	Alberti												Director	11/8/05	12/31/07	20	20	3		3			
Andrea	Guerra												Independent Director (b)	11/8/05	12/31/07	20	20	3	3	6			
Carlo	Secchi						Independent Director	3/1/05	9/26/05	50		34	Independent Director (a) (b)	11/8/05	12/31/07	20	20	3	8	45			
Massimo	Confortini												Independent Director (c)	11/8/05	12/31/07	20	20	3		3			
Marzio	Saà						Independent Director	3/1/05	9/26/05	50		34	Independent Director (a)	11/8/05	12/31/07	20	20	3	5	42			
Erder	Mingoli												Independent Director	11/8/05	12/31/07	20	20	3		3			
Ferdinando	Superti Furga												Independent Director (a) (c)	11/8/05	12/31/07	20	20	3	3	6			
Directors who left during the year																							
Guido	Angiolini	Director	7/19/04	3/1/05 as per Bylaws	0	0	Director	3/1/05	9/26/05	50		34								34			195
Bruno	Cova*	Director	7/19/04	3/1/05 as per Bylaws	0	0	Director	3/1/05	9/26/05	50		20								20			
Alessandro	Ovi						Director	3/1/05	9/26/05	50		34								34			
Nicola Walter	Palmieri**						Director	7/25/05	9/26/05	50		14								14			184
TOTAL						**0**				**350**	**200**	**376**				**780**	**220**	**116**	**22**	**513**			**379**
Statutory Auditors																							
Alessandro	Dolcetti												Chair. Board Stat. Auditors	11/8/05	12/31/07	50		47		47			
Enzio	Bermani****						Chair. Board Stat. Auditors	3/15/05	12/31/06	Min. rate for CPA, P.D. No. 645/94		7	Statutory Auditor	11/8/05	12/31/07	35		32		39			9
Mario	Magenes												Statutory Auditor	11/8/05	12/31/07	35		32		32			
Stat. Audit. who left during the year																							
Franco	Vesperini***	Chair. Board Stat. Auditors	7/19/04	12/31/06	Min. rate for CPA, P.D. No. 645/94	0.5														0.5			
Giuseppe	Pirola***	Stat. Auditor	7/19/04	12/31/06	Min. rate for CPA, P.D. No. 645/94	0.7	Chair. Board Stat. Auditors	3/1/05	12/31/06	Min. rate for CPA, P.D. No. 645/94		0								0.7			
Mariateresa	Battaini	Stat. Auditor	7/19/04	12/31/06	Min. rate for CPA, P.D. No. 645/94	0.6	Stat. Auditor	7/19/05	12/31/06	Min. rate for CPA, P.D. No. 645/94		5								5.6			
Marco Benvenuto	Lovati						Stat. Auditor	3/1/05	12/31/06	Min. rate for CPA, P.D. No. 645/94		7								7			9
TOTAL						**1.8**						**19**				**120**		**111**		**132.2**			**18**

THE MEMBERS OF THE INTERNAL CONTROL COMMITTEE ARE IDENTIFIED BY THE LETTER (a).
THE MEMBERS OF THE APPOINTMENTS AND COMPENSATION COMMITTEE ARE IDENTIFIED BY THE LETTER (b).
THE MEMBERS OF THE LITIGATION COMMITTEE ARE IDENTIFIED BY THE LETTER (c).

* Resigned on July 18, 2005.
** Coopted on July 25, 2005 to replace Mr. Cova, who resigned.
*** Took over as Chairman of the Board of Statutory Auditors on March 1, 2005 due to the resignation of Mr. Vesperini on February 8, 2005.
**** Took over as Chairman of the Board of Statutory Auditors on March 15, 2005 due to the resignation of Giuseppe Pirola on March 8, 2005.

EQUITY INVESTMENTS HELD BY MEMBERS OF THE CORPORATE GOVERNANCE BODIES

FIRST AND LAST NAME	INVESTEE COMPANY	NUMBER OF SHARES HELD at the beginning of stock market trading on 10/6/05	NUMBER OF SHARES BOUGHT in 2005, from the beginning of stock market trading on 10/6/05 until 12/31/05	NUMBER OF SHARES SOLD in 2005, from the beginning of stock market trading on 10/6/05 until 12/31/05	NUMBER OF SHARES HELD at 12/31/0505
Directors					
Piergiorgio Alberti	-----	-----	-----	-----	-----
Guido Angiolini	-----	-----	-----	-----	-----
Enrico Bondi	-----	-----	-----	-----	-----
Massimo Confortini	-----	-----	-----	-----	-----
Bruno Cova	Parmalat S.p.A.	-----	1	0	1
Marco De Benedetti	-----	-----	-----	-----	-----
Ferdinando Superti Furga	-----	-----	-----	-----	-----
Andrea Guerra	-----	-----	-----	-----	-----
Vittorio Mincato	-----	-----	-----	-----	-----
Erder Mingoli	-----	-----	-----	-----	-----
Alessandro Ovi	-----	-----	-----	-----	-----
Nicola Walter Palmieri	-----	-----	-----	-----	-----
Raffaele Picella	-----	-----	-----	-----	-----
Marzio Saà	-----	-----	-----	-----	-----
Carlo Secchi	-----	-----	-----	-----	-----
Statutory Auditors					
Mariateresa Battaini	Parmalat S.p.A.	2,394	2,394	0	2,394
Enzio Bermani	-----	-----	-----	-----	-----
Alessandro Dolcetti	-----	-----	-----	-----	-----
Marco Lovati	-----	-----	-----	-----	-----
Mario Magenes	-----	-----	-----	-----	-----
Giuseppe Pirola	-----	-----	-----	-----	-----
Franco Vespertini	-----	-----	-----	-----	-----

Events Occurring after December 31, 2005

Brazilian Operations
Following the publication of a press release on July 28, 2005 in which the Company announced that it had developed two separate restructuring plans for its Brazilian subsidiaries (Parmalat Brasil Industria de Alimentos S.A. and Parmalat Participacoes do Brasil Ltda), on January 11, 2006, in accordance with the rules of a local version of composition with creditors proceedings called *Recuperação Judicial,* the meeting of the creditors of Parmalat Brasil Industria de Alimentos S.A. approved the plan, provided a qualified investor interested in acquiring this company's operations can be located. A discussion of the restructuring plan for Parmalat Participacoes do Brasil Ltda, the parent company of Parmalat Brasil Industria de Alimentos S.A., was postponed to March 31, 2006.

Referral of Case to the Italian Supreme Court
On January 17, 2006, as part of an action filed by Parmalat S.p.A. against a pool of banks headed by Banca Monte dei Paschi di Siena, the Court of Parma issued an order asking the Italian Supreme Court to rule on the constitutionality of Article 6 of Decree Law No. 347/2003 (a.k.a. the Marzano Law).
This order is based on the same principles cited in a previous order by which the Court of Parma asked the Italian Supreme Court for a ruling in connection with the Parmalat S.p.A./HSBC lawsuit. The referral of a case to the Italian Supreme Court for a ruling on the constitutionality of Article 6 of the Marzano Law affects only the actions to void in bankruptcy and has no impact on the actions for damages.

Resignation of the Chief Executive Officer of Parmalat Dairy and Bakery Inc.
On January 26, 2006, Marc Caira, Chief Executive Officer of the Canadian subsidiary Parmalat Dairy and Bakery, informed the Board of Directors that he planned to resign from his post but indicated that he was willing to remain on the job for a reasonable period of time in order to ensure continuity and facilitate the transition for his successor.

Admission of New Motions Against Bank of America
As part of the lawsuit filed in the United States by the Extraordinary Commissioner of Parmalat S.p.A. in AS and Parmalat Finanziaria S.p.A. in AS against various companies of the Bank of America banking group and in response to new motions put forth by the Extraordinary Commissioner in response to a motion to dismiss filed by Bank of America, Judge Kaplan issued a new order accepting some of the new motions, including the one calling for the enforcement of the U.S. anticorruption statutes. In the event of a favorable decision, the Company would be entitled to ask for triple the amount of the proven damages, as allowed under the abovementioned U.S. statutes, which allow the award of treble damages or punitive damages.

Progress in Implementing Corrective Actions in the Management Control System
On February 8, 2006, Reply S.p.A., the company tasked with assessing the progress of this project, issued a letter certifying that the programs needed to improve the reliability and effectiveness of the Management Control System are being implemented on schedule.

Protection Under Section 304"
On February 9, the court protection from creditors available to the Parmalat Group under Chapter 11, Section 304, of the U.S. Bankruptcy law, which the Federal Court of New York had earlier granted until December 9, 2005 and later extended until February 8, 2006, was extended further until March 30, 2006. A merit hearing for a further extension has been scheduled for March 19, 2006.

Regional Administrative Court of Latium — Citibank Appeal
On October 7, 2004, Citibank filed an appeal before the Regional Administrative Court of Latium asking, among other remedies, that the Restructuring Program of the Parmalat Group be declared null and void. However, following the approval of the Proposal of Composition with Creditors, Citibank had no further interest in pursuing this case, as it indicated at a hearing held on March 9, 2006. Consequently, Citibank asked that the case pending before the Regional Administrative Court be dismissed. With regard to this issue, Parmalat refuted the comments made in the news bulletin released by ANSA on March 9, 2006 at 3:16 PM, clarifying that Citibank was not victorious in any civil proceedings involving a damage claim of 500

million euros. On the contrary, the Citibank Group was merely allowed to include claims totaling 81.4 million euros among the liabilities of Parmalat S.p.A. in A.S. and 354.6 million euros among the liabilities of the companies of the Parmalat Group included in the Proposal of Composition with Creditors.

Bank Hapoalim (Switzerland) – attachment order against Parmalat International SA

On March 13, 2006 Bank Hapoalim AG, a Swiss bank having its headquarters in Zurich, notified to the Swiss company Parmalat International SA in liquidation an order of attachment granted by the Court of Lugano for Parmalat Spa receivables from Parmalat International SA and Parmalat Spa assets held at the Swiss company's facilities.

Specifically, Bank Hapoalim AG claims for a credit of $15 millions, which was not admitted in the list of creditors of Parmalat Spa under Extraordinary Administration and is presently object of an appeal against insolvency by the Court of Parma. This credit is relating to Parmalat Spa guarantees for promissory notes issued by Wishaw Trading sa in favour of an Italian bank, later transferred to the Swiss bank. Parmalat appealed against the attachment order and will take any action necessary to obtain the Bank Hapoalim attachment rejection.

U.S. Judge Upholds Parmalat's Right to Seek Damages Internationally from Former Auditors

The federal court (the U.S. Southern District Court of New York) overseeing Parmalat's litigation in the U.S. against its former auditors Deloitte & Touche and GrantThornton has upheld Parmalat's key claim that it be allowed to pursue these global firms for damages not only in Italy but also internationally. In a 38-page opinion, Judge Lewis Kaplan largely denied Grant Thornton's and Deloitte & Touche's request to have Parmalat's claims against them dismissed. Specifically the court ruled today that in addition to the global audit firms' Italian affiliates, Parmalat could pursue its claims against the international and U.S. affiliates of Grant Thornton and could also pursue its damages claims against the international parent of Deloitte & Touche – Deloitte Touche Tohmatsu

Allocation of Shares

On January 16, 2006, as a result of the process of crediting Parmalat shares to the creditors of the Parmalat Group, the Company's subscribed capital increased by 3,328,121 euros. As a result, the share capital went from 1,619,945,197 euros to 1,623,273,318 euros.

On February 22, 2006, as a result of the process of crediting Parmalat shares to the creditors of the Parmalat Group, the Company's subscribed capital increased by 2,011,676 euros, rising from 1,623,273,318 euros to 1,625,284,994 euros.

On March 20, 2006, as a result of the process of crediting Parmalat shares to the creditors of the Parmalat Group, the Company's subscribed capital increased by 1,284,518 euros, rising from 1,625,284,994 euros to 1,626,569,512 euros. The share capital increase is due to the conversion of warrants for 201,229 shares and privileged credits converted into unsecured credits with the assignation of 1,083,289 shares.

With reference to the status of the share allocation 80,542,600 shares, equal to 4.9% of the share capital, are still held on deposit by Parmalat S.p.A. A breakdown of these shares is as follows:

- 22,983,527 shares, equal to 1.4% of the share capital, are owned by commercial creditors who have been identified by name and are held by Parmalat S.p.A. as intermediary through the Monte Titoli centralized securities clearing system;
- 57,559,073 shares, equal to 3.5% of the share capital, are registered in the name of Fondazione Creditori Parmalat and comprise the following:
  - 120,000 shares, which represent the initial capital of Parmalat S.p.A.;
  - 57,439,073 shares, equal to 3.5% of the share capital, which are attributable to creditors who have not yet been identified by name.

Outlook for 2006

After completing the fundamental process of restructuring its finances, the Group launched a strategy designed to focus its industrial operations on the objective of increasing revenues in the markets in which the Group operates, while continuing to improve operating efficiency and cutting costs.

With reference to the current year, given the lack of extraordinary non recurring events, of changes in the group's structure or fluctuations in foreign exchange rates, the Group expects to improve EBITDA and net profit. Considering the performance registered during the first two months of the current year, such improvement could be significant.

With reference to the evolution of the net financial position, the payment of liabilities to preferred and prededuction creditors should be balanced by operating cash flow after capital expenditure.

Balance Sheet and Statement of Income

Parmalat S.p.a.

RECLASSIFIED BALANCE SHEET

(in millions of euros)

	December 31, 2005	Pro forma at December 31, 2004 (unaudited)
NON-CURRENT ASSETS	**1,704.9**	**1,581.7**
Intangibles	592.4	472.4
Property, plant and equipment	132.0	112.1
Non-current financial assets	964.6	997.2
	15.9	0.0
AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES	**7.4**	**17.2**
NET WORKING CAPITAL	**70.5**	**54.4**
Inventories	32.6	43.3
Trade receivables	245.7	226.5
Other current assets	181.3	184.7
Trade payables (-)	(286.2)	(305.9)
Other current liabilities (-)	(102.9)	(94.2)
INVESTED CAPITAL NET OF OPERATING LIABILITIES	**1,782.8**	**1,653.3**
PROVISIONS FOR EMPLOYEE BENEFITS (-)	**(40.7)**	**(38.8)**
PROVISIONS FOR RISKS AND CHARGES (-)	**(233.2)**	**(227.0)**
PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS	**(20.9)**	**(46.2)**
NET INVESTED CAPITAL	**1,488.0**	**1,341.3**
Covered by:		
SHAREHOLDERS' EQUITY	**1,812.5**	**1,575.0**
Share capital	1,619.9	1,541.2
Reserve for contested liabilities convertible exclusively into share capital	191.3	238.9
Reserve for claims of late-filing creditors	42.1	0.0
Other reserves	(11.5)	(5.7)
Retained earnings (Loss carryforward)	0.0	(32.6)
Profit (Loss) for the period	(29.3)	(166.8)
NET BORROWINGS	**(324.5)**	**(233.7)**
Loans payable to banks and other lenders	17.7	15.5
Other financial assets (-)	(3.2)	0.0
Cash and cash equivalents (-)	(339.0)	(249.2)
TOTAL COVERAGE SOURCES	**1,488.0**	**1,341.3**

Parmalat S.p.a.

RECLASSIFIED INCOME STATEMENT

(in millions of euros)	*2005*		*2004*
	Actual	Pro forma (unaudited)	Pro forma (unaudited)
TOTAL NET REVENUES	**256.6**	**1,021.2**	**1,045.4**
Revenues from operations	253.3	1,010.6	1,033.3
Other revenues	3.3	10.6	12.1
OPERATING EXPENSES	**(243.4)**	**(964.1)**	**(993.0)**
Purchases, services and miscellaneous costs	(213.7)	(849.4)	(885.4)
Labor costs	(29.7)	(114.7)	(107.6)
Sub total	**13.2**	**57.1**	**52.4**
Writedowns of account receivables and other provisions	(2.4)	(15.4)	(32.1)
EBITDA	**10.8**	**41.7**	**20.3**
Depreciation, amortization and writedowns of non-current assets	(6.9)	(25.5)	(28,0)
Other revenues and expenses			
- Costs incurred due to the alleged ITX contamination	(10.8)	(10.8)	
- Legal fees for actions to void and actions for damages	(6.9)	(6.9)	
- Restructuring costs	(9.4)	(9.4)	
- Addition to provision for losses of subsidiaries	(7.6)	(7.6)	
- Addition to provision for losses of companies under E.A.	(5.5)	(5.5)	
- Miscellaneous revenues and expenses	2.3	1.8	(82.4)
EBIT	**(34.0)**	**(22.2)**	**(90.1)**
Financial income	2.6	21.1	
Financial expense (-)	(0.3)	(5.9)	(6.3)
Shares for companies evaluated with net equity method			(66.1)
PROFIT (LOSS) BEFORE TAXES AND THE RESULT FROM DISCONTINUING OPERATIONS	**(31.7)**	**(7.0)**	**(162.5)**
Income taxes	3.8	(0,6)	(4,8)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(27.9)**	**(7.6)**	**(167.3)**
Net profit (loss) from discontinuing operations	(1.4)	(4.7)	
NET PROFIT (LOSS) FOR THE PERIOD	**(29.3)**	**(12.3)**	**(167.3)**

Parmalat S.p.a.

STATEMENT OF CHANGES IN NET FINANCIAL POSITION IN 2005

(in millions of euros)	
Net borrowings at beginning of period	0.5
Changes during the period:	
- Cash flow from operating activities	(76.9)
- Cash flow from investing activities	(1,582.5)
- Cash flow from financing activities	(254.7)
- Acquisition completed on 1 October 2005	1,600.8
- Cash flow from discontinuing operations	(8.8)
- Miscellaneous items	0.3
Total changes during the year	(321.8)
Net borrowings at end of period	**(321.3)**

Parmalat Group

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(in millions of euros)

	December 31, 2005	Pro forma at December 31, 2004 (unaudited)
NON-CURRENT ASSETS	**2,346.6**	**2,148.6**
Intangibles	1,567.6	1,517.0
Property, plant and equipment	698.3	565.8
Non-current financial assets	39.8	65.8
Prepaid tax	40.9	0.0
AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES	**100.9**	**40.1**
NET WORKING CAPITAL	**337.6**	**319.1**
Inventories	335.6	299.5
Trade receivables	546.1	485.7
Other current assets	266.5	281.9
Trade payables (-)	(567.7)	(532.4)
Other current liabilities (-)	(242.9)	(215.6)
INVESTED CAPITAL NET OF OPERATING LIABILITIES	**2,785.1**	**2,507.8**
PROVISIONS FOR EMPLOYEE BENEFITS (-)	**(113.0)**	**(89.4)**
PROVISIONS FOR RISKS AND CHARGES (-)	**(404.2)**	**(224.3)**
PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS	**(20.9)**	**(46.2)**
NET INVESTED CAPITAL	**2,247.0**	**2,147.9**
Covered by:		
SHAREHOLDERS' EQUITY	**1,877.7**	**1,606.0**
Share capital	1,619.9	1,514.2
Reserve for contested liabilities convertible exclusively into share capital	191.3	238.9
Reserve for claims of late-filing creditors	42.1	0.0
Other reserves	(4.9)	(17.5)
Retained earnings (Loss carryforward)		(41.4)
Profit (Loss) for the period	(0.3)	(173.2)
Minority interest in shareholders' equity	29.6	58.0
NET BORROWINGS	**369.3**	**541.9**
Loans payable to banks and other lenders	871.0	952.4
Loans payable to investee companies	3.5	20.4
Other financial assets (-)	(2.1)	(0.4)
Financial accrued income and prepaid expenses (-)	(0.4)	(65.6)
Cash and cash equivalents (-)	(502.7)	(364.9)
TOTAL COVERAGE SOURCES	**2,247.0**	**2,147.9**

Parmalat Group

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in millions of euros)	*2005*		*2004*
	Actual	Pro forma (unaudited)	Pro forma (unaudited)
TOTAL NET REVENUES	**1,083,5**	**3,901.4**	**3,758.3**
Revenues from operations	1,070.6	3,876.3	3,732.2
Other revenues	12.9	25.1	26.1
OPERATING EXPENSES	**(997.7)**	**(3,588.5)**	**(3,489.4)**
Purchases, services and miscellaneous costs	(873.0)	(3,128.9)	(3,032.2)
Labor costs	(124.7)	(459.6)	(457.2)
Sub total	**85.8**	**312.9**	**268.9**
Writedowns of account receivables and other provisions	(7.0)	(34.8)	(50.8)
EBITDA	**78.8**	**278.1**	**218.1**
Depreciation, amortization and writedowns of non-current assets	(29.7)	(101.7)	(100.0)
Other revenues and expenses			
- Costs incurred due to the alleged ITX contamination	(10.8)	(10.8)	
- Legal fees for actions to void and actions for damages	(6.9)	(6.9)	
- Restructuring costs	(9.4)	(9.4)	
- Addition to provision for losses of companies under E.A.	(5.5)	(5.5)	
- Miscellaneous revenues and expenses	7.8	30.3	(151.7)
EBIT	**24.3**	**174.1**	**(33.6)**
Financial income	13.5	13.5	
Financial expense (-)	(30.7)	(85.1)	(128.3)
Shares for companies evaluated with net equity method	(0.3)	(0.2)	(0.4)
PROFIT (LOSS) BEFORE TAXES AND THE RESULT FROM DISCONTINUING OPERATIONS	**6.8**	**102.3**	**(162.3)**
Income taxes	(4.2)	(47.3)	(11.4)
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	**2.6**	**55.0**	**(173.7)**
Net profit (loss) from discontinuing operations	(1.4)	(4.7)	
NET PROFIT (LOSS) FOR THE PERIOD	**1.2**	**50.3**	**(173.7)**
Minority interest in net (profit) loss	(1.5)	5.0	0.5
Group interest in net profit (loss)	(0.3)	45.3	(173.2)

Current assets:

Basic earnings per share	**0.0028**
Diluted earnings per share	**0.0028**

Parmalat Group

STATEMENT OF CHANGES IN NET FINANCIAL POSITION IN 2005

(in millions of euros)	
Net borrowings at beginning of period	0.5
Changes during the period:	
- Cash flow from operating activities	(35.2)
- Cash flow from investing activities	23.1
- Translation impact on borrowings at beginning of period	370.1
- Cash flow from discontinuing operations	1.4
- Miscellaneous items	9.4
Total changes during the year	368.8
Net borrowings at end of period	**369.3**

COMPOSITION OF NET FINANCIAL POSITION

(in millions of euros)	**12/31/05**	**12/31/04**
Net borrowings		
Loans payable to banks and other lenders	871.0	0.6
Loans payable to other Group companies	3.5	
Other financial assets (-)	(2.1)	
Financial accrued income and prepaid expenses	(0.4)	
Cash and cash equivalents (-)	(502.7)	(0.1)
Total	**369.3**	**0.5**

RECONCILIATION OF NET BORROWINGS AND CASH FLOW (Cash and ash equivalents)

(in millions of euros)	**Cash and cash equivalents**	**Gross indebtedness**	**Net Amount**
Opening balance	**(0.1)**	**0.6**	**0.5**
Cash flow from operations	(35.2)		(35.2)
Capital expenditures	23.1		23.1
Purchase of October 1, 2005	(523.0)	893.1	370.1
Repayment of financial liabilities	31.1	(31.1)	
Cash flow from discontinuing operations	1.4		1.4
Impact of currency translations and other items		9.4	9.4
Closing balance	**(502.7)**	**872.0**	**369.3**

THE CHAIRMAN
Mr Raffaele Picella

THE CHIEF EXECUTIVE OFFICER
Mr Enrico Bondi

Motion submitted by the Board of Directors to the Shareholders' Meeting

Dear Shareholders,

The financial statements closed at 31 December 2005 show a loss of 29,337,671 euros which we propose to carry forward, together with the financial statements approval.

Collecchio, March 24, 2006

On behalf of the Board of Directors

THE CHAIRMAN	THE CHIEF EXECUTIVE OFFICER
Mr Raffaele Picella	Mr Enrico Bondi

Glossary

CAGR	Abbreviation for Compounded Annual Growth Rate.
Dairy	Milk and products derived from milk.
Food Market	Market for food products.
Modern Trade	Modern distribution system that includes supermarkets and retail chains.
Normal Trade	Traditional retail outlets.
Industrial Plan	The 2004-2006 Industrial Plan outlined in the Restructuring Program, updated by management for 2007.
New Industrial Plan	The 2005-2008 industrial plan, updated by management for 2006-2008.
Functional Foods	Products (food or ingredients) enriched in a way that makes them beneficial for health beyond the value of the nutritional elements they contain naturally and gives them specific characteristics, such as making them easily digestible, preventing cardiovascular diseases, etc.
Packaged Foods	Food that has been packaged for sale.
ESL or **Microfiltered**	Extended Shelf Life milk is milk that has been microfiltered and pasteurized so that it can be distributed without refrigeration. ESL milk has a 10-day shelf life.

Parmalat S.p.A.
Annual Report at December 31, 2005

Financial Statements at December 31, 2005

Balance Sheet

Note ref.	*(in euros)*	**12/31/05**	**12/31/04**
	NON-CURRENT ASSETS	**1, 704,907,639**	**0**
(1)	Goodwill	320,892,235	0
(2)	Trademarks with an undefined useful life	236,800,000	0
(3)	Other intangibles	34,699,207	0
(4)	Property, plant and equipment	132,013,052	0
(5)	Investments in associates	724,431,991	0
(6)	Other non-current financial assets	240,122,179	0
(7)	Deferred-tax assets	15,948,975	0
	CURRENT ASSETS	**801,866,461**	**6,301,583**
(8)	Inventories	32,593,186	0
(9)	Trade receivables	245,690,168	0
(10)	Other current assets	184,591,662	6,216,097
(11)	Cash and cash equivalents	338,991,445	85,486
(12)	**Available-for-sale assets**	**7,396,367**	**0**
	TOTAL ASSETS	**2,514,170,467**	**6,301,583**
	SHAREHOLDERS' EQUITY	**1,812,422,906**	**105,343**
(13)	Share capital	1,619,945,197	120,000
	Reserves for contested liabilities convertible exclusively into share capital:		
(14)	Reserve for challenges to rejected claims	191,261,762	0
(15)	Reserve for claims of late-filing creditors	42,081,664	0
(16)	Shares subscribed through the exercise of warrants	198,107	0
(17)	Other reserves	(11,726,153)	0
	Retained earnings (Loss carryforward)	0	(1,761)
(18)	Profit (Loss) for the period	(29,337,671)	(12,896)
	NON-CURRENT LIABILITIES	**301,599,189**	**0**
(19)	Long-term borrowings	6,653,144	0
(20)	Deferred-tax liabilities	12,282,158	0
(21)	Post-employment employee benefits	40,749,819	0
(22)	Provisions for risks and charges	221,000,826	0
(23)	Provision for preferential and prededuction claims	20,913,242	0
	CURRENT LIABILITIES	**400,148,372**	**6,196,240**
	Short-term borrowings	0	614,238
(24)	Financial liabilities for preferential and prededuction claims	11,082,979	0
(25)	Trade payables	216,788,100	5,522,002
(24)	Trade payables with preferential or prededuction status	69,380,661	0
(26)	Other current liabilities	93,475,487	60,000
(24)	Other payables with preferential or prededuction status	8,838,463	0
(27)	Income taxes payable	582,682	0
	Liabilities directly attributable to available-for-sale assets	**0**	**0**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,514,170,467**	**6,301,583**

Income Statement

Note ref.	*(in euros)*	**2005**	**2004**
(28)	**REVENUES**		
	Sales revenues	252,585,575	0
	Service revenues	735,769	0
	Royalties	405,910	0
	Total revenues	**253,727,254**	**0**
(29)	Cost of sales	162,360,663	0
(30)	Distributions costs	76,928,998	0
(31)	Administrative expenses	12,251,212	10,683
(32)	Other (income)/expense	(3,965,737)	711
(33)	Restructuring costs	9,400,000	0
(34)	Cost of disposing of ITX packaging materials	10,761,820	0
(35)	Legal fees paid in actions for damages and actions to void	6,892,792	0
(36)	Allowance for losses of associates	7,611,520	0
(37)	Allowance for expenses of companies under extraordinary administration	5,500,000	0
	EBIT	**(34,014,014)**	**(11,394)**
(38)	Financial income	3,907,828	638
(38)	Financial expense	(1,602,912)	(1,279)
	PROFIT (LOSS) BEFORE TAXES AND RESULT FROM DISCONTINUING OPERATIONS	**(31,709,098)**	**(12,035)**
(39)	Income taxes	(3,787,512)	861
	PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(27,921,586)**	**(12,896)**
(40)	Profit (Loss) from discontinuing operations	(1,416,085)	0
	PROFIT (LOSS) FOR THE YEAR	**(29,337,671)**	**(12,896)**

Cash Flow Statement

(in thousands of euros)	2005	Acquis. from Comp. w. Cred. 10/1/05	2004
OPERATING ACTIVITIES			
Profit (Loss) from operating activities	(27,921)		(13)
Depreciation and amortization	6,944		0
Writedowns of current assets	2,357		0
Change in net working capital – operating assets	31,637	(5,973)	(15)
Net change in other provisions	35,664	259,282	
SUBTOTAL – CASH FLOWS FROM OPERATING ACTIVITIES	**48,681**		**(28)**
Charges and expenses paid in connection with E. A. proceedings	(45,140)		
Prededuction and preferential claims paid	(52,786)		
CASH FLOWS FROM OPERATING ACTIVITIES	**(49,245)**	**253,309**	**(28)**
INVESTING ACTIVITIES			
Additions to intangibles	(22)	(596,410)	
Additions to property, plant and equipment	(3,358)	(131,559)	
Additions to investments in associates	(455)	(723,977)	
Additions to other non-current financial assets	(14,371)	(241,700)	1
CASH FLOWS FROM INVESTING ACTIVITIES	**(18,206)**	**(1,693,646)**	**1**
FINANCING ACTIVITIES			
Short-term borrowings	2,976	(6,247)	
Non-current financial liabilities (lease obligations)	(991)	7,644	
Current financial liabilities	(40)	10,509	
Business combination upon composition with creditors		1,600,807	
Share capital	19,018		110
Reserves	(14,431)	236,261	
CASH FLOWS FROM FINANCING ACTIVITIES	**6,532**	**1,848,974**	**110**
CASH FLOW FROM DISCONTINUING OPERATIONS (including profit or loss)	**16,499**	**(25,311)**	**0**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS IN 2005	**(44,420)**	**383,326**	**83**
CASH AND CASH EQUIVALENTS AT 1/1/05	**85**		**2**
CASH AND CASH EQUIVALENTS AT 12/31/05	**338,991**		**85**

Changes in Shareholders' Equity

The table below shows the changes that affected the Company's shareholders' equity accounts between January 1, 2004 and December 31, 2005:

(in thousands of euros)	**Share capital**	**Reserves converted into share capital**		**Other reserves**		**Loss carry-forward**	**Loss for the year**	**Shareholders' equity**
		For creditor challenges	**For late-filing creditors**	**Other reserves**	**Shares sub-scribed through exercise of warrants**			
Balance at 1/1/04	**10**						**(1)**	**9**
Loss brought forward						(1)	1	0
Share capital increase	110							110
Loss for the year							(14)	(14)
Balance at 12/31/04	**120**			**-**		**(1)**	**(14)**	**105**
Loss brought forward								0
Transfer from reserves								
Contribution to cover losses				1,020		1	14	1,035
Share cap. increase as per Comp. w. Creditors	1,600,807							1,600,807
Reserve for challenges to list of liabilities and late-filing creditors		193,794	54,541					248,335
Allocation of share-listing costs				(12,746)				(12,746)
Share capital incr. (from convertib. provisions)	14,992	(2,533)	(12,459)					0
Share cap. incr. (from waivers of prefer. status)	3,619							3,619
Exercise of warrants	407				198			605
Profit (Loss) for the year							(29,338)	(29,338)
Balance at 12/31/05	**1,619,945**	**191,261**	**42,082**	**(11,726)**	**198**	**0**	**(29,338)**	**1,812,422**

Notes to the Financial Statements

The financial statements for the year ended December 31, 2005 include a balance sheet, an income statement, a cash flow statement, a statement of changes in shareholders' equity and the accompanying notes.

European Regulation (EC) No. 1606/2002 of July 19, 2002 introduced the obligation to adopt the International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") starting in 2005. The IFRSs have been approved by the European Commission for use in the preparation of the consolidated financial statements of companies whose equity and/or debt securities are traded on an EU regulated market. On February 20, 2005, as required by the abovementioned Regulation, the Italian government enacted Legislative Decree No. 38, which incorporated the obligation to adopt the IFRSs into the Italian legal system, extending it to the statutory financial statements of the affected companies starting in 2006, and gave companies that are not subject to the requirements of the abovementioned Regulation the option to adopt the IFRSs as well.

Parmalat S.p.A. is required to prepare its consolidated financial statements for the year ended December 31, 2005 in accordance with the IFRSs because it has issued shares that are traded on the Milan Stock Exchange. It also opted to apply the IFRSs to the preparation of its statutory financial statements for the same year.

The abbreviation IFRSs means all of the International Financial Reporting Standards; all of the International Accounting Standards ("IAS"); and all of the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC"), as approved by the European Commission through March 24, 2006 and incorporated in Regulations issued up to that date.

The IFRSs are concurrently being applied for the first time in Italy and other countries. Moreover, many IFRSs are new or revised and there is no established practice that can be followed insofar as their interpretation and implementation is concerned. Consequently, while the financial statements at December 31, 2005 have been prepared based on management's best available knowledge of the IFRSs and their interpretation and considering that this approach to financial reporting is an evolving process, adjustments may be required in future years in response to interpretations that differ from those used in preparing these financial statements.

As allowed under the options provided by Legislative Decree No. 38/2005, Parmalat S.p.A. has chosen to apply the international accounting principles approved by the European Commission to the preparation of its statutory financial statements for the year ended December 31, 2005. Its financial statements were therefore drawn up in accordance with the abovementioned accounting principles. The criteria used to prepare the 2005 financial statements are reviewed below.

The financial statements were prepared in accordance with the International Financial Reporting Standards (hereinafter "IFRSs" or "international accounting principles") published by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure set forth in Article 6 of Regulation (EC) No. 1606/2002 enacted by the European Parliament and European Council on July 19, 2002. Specifically, the financial statements of the Group's Parent Company for the year ended December 31, 2005 were prepared in accordance with the disclosure requirements of IAS 1 "Presentation of Financial Statements."

The financial statements at 31 December 2005 reflect the preliminary allocation of the transaction value at the acquired assets and liabilities' fair value.

In view of the amounts involved, the financial statement data listed in these notes are in millions of euros, except as noted.

Valuation Criteria

The main valuation criteria adopted in the preparation of the financial statements at December 31, 2005 are reviewed below.

Current Assets

INVENTORIES

Inventories are carried at the lower of purchase/production cost or net realizable value, which is the amount that an enterprise expects to receive by selling these items in the normal course of business.

The cost of inventories is determined by the weighted average cost method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist mainly of cash on hand, sight deposits with banks, other highly liquid short-term investments (that can be turned into cash within 90 days) and overdraft facilities. Overdraft facilities are listed as current liabilities. The components of net cash are valued at fair value and any gains or losses are recognized in earnings.

Non-current Assets

Property, Plant and Equipment
Property, plant and equipment is recognized at purchase or production cost, including directly attributable incidental expenses that are necessary to make the assets available for use. Asset purchase or production costs are shown before deducting attributable capital grants, which are recognized when the conditions for their distribution have been met.

Assets acquired under finance leases are recognized as components of property, plant and equipment as an offset to the liability toward the lessor and are depreciated. When there is no reasonable certainty that the Company will exercise its buyout option, the asset is depreciated over the life of the lease, if the asset's useful life is longer.

Property, plant and equipment is depreciated on a straight line over the useful life of the assets. The estimated useful life is the length of time during which the Company expects to use an asset. When an asset classified as property, plant and equipment consists of several components, each with a different useful life, each component should be depreciated separately. The amount to be depreciated is the asset's carrying value, less the asset's net realizable value at the end of its useful life, if such value is material and can be reasonably determined.

Land, including land purchased together with a building, is never depreciated.

Costs incurred for improvements and for modernization and transformation projects that increase the value of the assets are added to the assets' value and depreciated over their remaining useful lives.

The costs incurred to replace identifiable components of complex assets are recognized as assets and depreciated over their useful lives. The residual carrying value of the component that is being replaced is charged to income. The cost of regular maintenance and repairs is charged to income in the year it is incurred.

When an item of property, plant and equipment is affected by events that are presumed to have impaired its value, the recoverability of the affected asset should be tested by comparing its carrying value with its recoverable value, which is the larger of the asset's fair value, net of disposal costs, and its value in use.

Absent a binding sales agreement, fair value is determined based on the valuations available from recent transactions in an active market or based on the best available information that can be used to determine the amount that the Company could obtain by selling a given asset.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, if significant and reasonably measurable, and from its disposal at the end of its useful life. Cash flows should be determined based on reasonable and documentable assumptions that represent a best estimate of future economic conditions over the remaining useful life of an asset. The present value is determined by applying a rate that takes into account the risks inherent in the Company's business.

Each Strategic Business Unit (SBU) should be valued separately. When the reason for a writedown ceases to apply, the affected asset is revalued and the adjustment is recognized in the income statement as a revaluation (reversal of writedown) in an amount equal to the adjustment made or the lower of the asset's recoverable value or its carrying value before previous writedowns, but reduced by the depreciation that would have been taken had the asset not been written down.

Depreciation begins when an asset is available for use, i.e., the moment when this condition actually occurs.

The estimated useful lives of the various types of assets are as follows:

➢ Buildings	10 - 25 years
➢ Plant and machinery	5 – 10 years
➢ Office furniture and equipment	4 – 5 years
➢ Other assets	4 – 8 years
➢ Leasehold improvements	Length of lease

Intangibles

Intangibles are recorded at cost, which is determined by using the same criteria as those used for property, plant and equipment.

Intangibles with a finite useful life are amortized on a straight line according to an estimate of the length of time the Company will use them. The recoverability of their carrying value is tested using the criteria provided above for property, plant and equipment.

(i) Goodwill and Other Assets with an Undefined Useful Life

Goodwill represents the portion of the purchase price paid in excess of the fair value on the date of acquisition of the assets and liabilities that comprise a company or business. Goodwill is not amortized on a straight line. However, its carrying amount should be tested at least once a year for impairment losses. Such tests are carried out based on the individual cash generation units to which goodwill has been allocated. Goodwill is written down when its recoverable value is lower than its carrying amount. Recoverable value is the greater of the fair value of a cash generating unit, net of the cost to sell it, and its value in use, which is equal to the present value of future cash flows generated by the cash generating unit during its years of operation and by its disposal at the end of its useful life. Writedowns of goodwill may not be reversed subsequently.

If a writedown required by the results of an impairment test is greater than the value of the goodwill allocated to a given cash generating unit, the balance is allocated among the assets included in the cash generating unit, proportionately to their carrying amounts. The minimum limit of such an allocation is the greater of the following two amounts:

- the fair value of an asset, net of the cost to sell it;
- an asset's value in use, as defined above.

(ii) Industrial Patents and Intellectual Property Rights, Licenses and Similar Rights
The costs incurred to acquire industrial patents and intellectual property rights, licenses and similar rights are capitalized in the amounts actually paid.

Amortization is computed on a straight line so as to allocate the costs incurred to acquire the abovementioned rights over the expected period of utilization of the rights or the lengths of the underlying contracts, counting from the moment the purchase right is exercisable, whichever is shorter.

(iii) Trademarks
At this point, it is impossible to set a time limit to the cash flow generating ability of trademarks recognized on the balance sheet that are strategically important and for which a registration application has been on file for at least 10 years. These trademarks include "global" trademarks that are registered and used in all of the Group's core countries (Parmalat and Santal), international trademarks (Chef and Kyr) and local trademarks (Berna, Lactis, Elena, etc.). Consequently, these trademarks are deemed to have an indefinite useful life and are not amortized.

Other trademarks that do not have unlimited strategic value for the Company are valued at cost and amortized over five years.

Financial Assets

Investments in Associates
Investments in subsidiaries are valued at cost, adjusted for impairment losses.

Investments in joint ventures and affiliated companies are valued by the equity method.

Other investments in associates are valued at their fair value. When their fair value cannot be determined reliably, investments are valued at cost, adjusted for impairment losses.

The risk that arises from losses in excess of an investee company's shareholders' equity is recognized in a special reserve in an amount commensurate to the Company's commitment to honor the legal or implied obligations of the investee company or to cover its losses.

When initially recognized, financial assets other than investments in associates are classified under one of the following categories and valued accordingly:

- *Financial assets valued at fair value, with changes in value recognized in earnings*: This category includes primarily financial assets that are purchased mainly to resell them over the short term; those assets that are earmarked for inclusion in this category upon initial recognition, provided they meet the applicable requirements and the fair value option can be exercised; and derivatives, except for derivatives that are designated as cash flow hedges and limited to their effective portion. Financial assets that are included in this category are valued at fair value and any changes in fair value that occur while the Company owns them are recognized in earnings. Financial assets that are included in this category but for which the fair value cannot be determined reliably are carried at cost, adjusted for impairment losses. Writedowns for impairment losses cannot be reversed. Financial instruments included in this category are classified as short term if they are "held for trading" or the Company expects to sell them within one year from the balance sheet date. Derivatives are treated as assets, if their fair value is positive, or as liabilities, if their fair value is negative. The positive and negative fair values generated by outstanding transactions executed with the same counterparty are offset, when contractually permissible.

- *Loans and receivables*: This category includes financial instruments that are primarily related to trade receivables (which are neither derivatives nor instruments traded on an active market) that are expected to produce fixed and determinable payments. They are listed as current assets, unless they are due after one year from the balance sheet date, in which case they are listed as non-current assets. These assets are valued at their amortized cost, which is determined by the effective interest-rate method. When there

is objective evidence of the occurrence of impairment, the affected asset is written down by the amount necessary to make its carrying amount equal to the discounted value of future cash flows. Impairment losses are recognized in earnings. When the reason for a writedown ceases to apply, the affected asset is revalued up to the value at which the asset would have been carried under the amortized cost method, had it not been written down.

- *Held-to-maturity investments*: These are financial instruments other than derivatives that have fixed payments and a fixed maturity and that the Company has the intention and the ability to hold to maturity. These assets are valued by the amortized cost method, using the low effective interest criterion, adjusted for any decrease in value. The same principles described in the Loans and receivables paragraph apply in the event of impairment losses.

- *Held-for-sale investments:* These are financial instruments other than derivatives that are explicitly designated as held for sale or which cannot be classified in any of the other categories. These financial instruments are valued at fair value and any resulting gains or losses are posted to an equity reserve. Their impact is reflected on the income statement only when a financial asset is actually sold or, in the case of cumulative losses, when it becomes evident that the impairment loss recognized in equity cannot be recovered. In the case of debt securities only, if, at a later date, the fair value of an asset increases and after an impairment loss has been recognized in earnings, the impairment loss must be derecognized and the amount charged in the income statement must be reversed. The classification of these assets as current or non-current depends on the strategic choices made with regard to their holding period and the actual ability to sell them. They are classified as current assets if they can be sold within one year from the balance sheet date.

Financial assets are removed from the balance sheet when the right to receive cash flows from a financial instrument has been extinguished and the Company has transferred substantially all of the risks and benefits inherent in the financial instrument as well as its control over the financial instrument.

Financial Liabilities
Initially, financial liabilities are recognized at cost, which must correspond to their fair value. Subsequently, financial liabilities that are held to maturity are valued at their amortized cost. Transaction costs that are incurred directly in connection with the process of incurring the liability are amortized over the useful life of the respective financing facility.

Provisions for Risks and Charges
Provisions for risks and charges are established to fund quantifiable charges, the existence of which is certain or probable, but the amount or date of occurrence of which could not be determined as of the close of the reporting period. Additions are made to these provisions when: (i) it is probable that the Company will incur a statutory or implied obligation as a result of a past event; (ii) it is probable that meeting this obligation will be onerous; and (iii) the amount of the obligation can be estimated reliably. Additions are recognized at an amount that represents the best estimate of the sum that the Company will be reasonably expected to pay to satisfy an obligation or transfer it to a third party at the end of the reporting period. When the financial effect of the passing of time is material and the date when an obligation will become due can be reliably estimated, the addition to the provisions should be recognized at its present value.

The costs that the Company expects to incur in connection with restructuring programs should be recognized in the year in which the program is officially approved and there is a settled expectation among the affected parties that the restructuring program will be implemented.

These provisions are updated on a regular basis to reflect changes in estimates of costs, redemption timing and discount rates. Changes in the estimates of provisions are posted to the same income statement item under which the addition was originally recognized. Liabilities attributable to property, plant and equipment are recognized as offsets to the corresponding assets.

Post-employment Benefits

(i) Benefits Provided After the End of Employment

Defined-benefit pension plans, which include the severance benefits payable to employees pursuant to Article 2120 of the Italian Civil Code, are based on the length of the working lives of employees and the wages earned by employees over a predetermined period of service. Specifically, the liability for severance benefits is recognized in the financial statements at its actuarial value because it can be classified as an employee benefit payable on the basis of a defined-benefit plan. The recognition of defined-benefit plans requires the use of actuarial techniques to estimate the amount of the benefits accrued by employees in exchange for the work performed during the current year and in previous years. The resulting benefit must then be discounted to determine the present value of the Company's obligation. The determination of the present value of the Company's obligation is made by an independent actuary, using the projected unit credit method. This method, which is part of a broad category of techniques applicable to vested benefits, treats each period of service provided by an employee to a company as an additional accrual unit. The actuarial liability must be quantified exclusively on the basis of the seniority achieved as of the date of valuation. Consequently, the total liability is prorated based on a ratio between the years of service accrued as of the valuation reference date and the total seniority that an employee is expected to have achieved when the benefit is paid. Moreover, this method requires taking into account future wage increases due for any reason (inflation, career moves, labor contract renewals, etc.) until the end of the employment relationship.

The cost of severance benefits accrued during the year, which is reflected in the income statement as part of labor costs, is equal to the sum of the average present value of the accrued benefits of current employees for service provided during the year and their annual vested interest in the present value of the Company's obligations at the beginning of the year, computed by discounting future outlays by the same rate as that used to estimate the Company's liability at the end of the previous year. The annual discount rate used for these computations was the same as the year-end market rate for zero-coupon bonds with a maturity equal to the average residual duration of the liability.

Actuarial gains and losses (defined as the difference between the carrying amount of the Company's liability and the present value of its obligation at the end of the year) that result from changes from the actuarial parameters used in the past are recognized in accordance with the "corridor" method, i.e., only when they exceed 10% of the present value of the Company's obligation at the end of the previous period. In such cases, the amount in excess of 10% is charged to income, based on the average remaining working lives of the employees, counting from the following year.

(ii) Benefits payable to employees upon termination of employment and incentives to resign

Benefits owed to employees upon termination of employment are recognized as a liability and as a labor cost when a company is demonstrably committed to terminate the employment of an employee or group of employees before the normal retirement age or to provide incentives to the termination of employment in connection with a proposal to address redundancies with incentives to resign voluntarily. Benefits owed to employees due to termination of employment do not provide the Company with future economic benefits and, consequently, they are charged to income when incurred.

Income taxes

Current income taxes are computed on the basis of the taxable income for the year and the applicable tax laws by applying the tax rates in force on the date of the financial statements.

Deferred taxes are computed on all temporary differences between the values attributed to assets and liabilities for tax purposes and for financial reporting, with the exception of goodwill and temporary differences that arise from investments in subsidiaries when the Company has control over the timing for the reversal of the difference and it is likely that they will not be reversed over a reasonably foreseeable length of time. Deferred-tax assets, including those stemming from a tax loss carryforward, are recognized to the extent that it is likely that the Company will generate future earnings against which they may be recovered. The balance is shown under Deferred-tax assets. Deferred tax liabilities are posted to the account of the same name. Deferred-tax liabilities are computed using the tax rates that are expected to be in force in the years when the temporary difference will be realized or cancelled.

Current and deferred taxes are reflected on the income statement, except for those attributable to items that are debited or credited directly to shareholders' equity.

Available-for-sale Non-current Assets

These assets include non-current assets (or discontinuing operations) the carrying amount of which will be recovered mainly through a sale, rather than through their continuing use. Available-for-sale assets are valued at their net carrying amount or their fair value, net of costs to sell the assets, whichever is lower. When a depreciable or amortizable asset is reclassified under this category, the depreciation or amortization process stops upon reclassification.

Revenue Recognition

Initially, revenues are always recognized at the fair value of the consideration received, net of allowances and discounts.

Revenues from the sale of goods are recognized when the Company has transferred to the buyer substantially all of the risks and benefits inherent in the ownership of the goods.

Foreign Exchange Differences

Revenues and expenses arising from transactions in foreign currencies are recognized at the exchange rate in force on the day the underlying transaction is executed. Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rate in force at the end of the reporting period and any resulting gains or losses are recognized in earnings. Non-cash assets and liabilities denominated in foreign currencies are recognized at the historical exchange rate and valued at cost.

Recognition of Government Grants

Grants that are the subject of a formal distribution resolution are recognized on an accrual basis, in direct correlation to the costs incurred. Operating grants are reflected on the income statement as Other income.

Capital grants that are attributable to property, plant and equipment are recognized as deferred income. Such deferred income is recognized in the income statement in equal installments computed on the basis of the useful life of the assets for which the grant was received.

Financial Income and Expense

Interest is recognized on an accrual basis in accordance with the effective interest method, i.e., using an interest rate that equalizes all incoming and outgoing flows that are part of a given transaction.

Dividends

Dividends are recognized when shareholders become entitled to receive them. As a rule, this happens when the Shareholders' Meeting approves a resolution to distribute a dividend. The dividend distribution amount is then recognized as a liability on the balance sheet for the period during which the distribution was approved by the Shareholders' Meeting.

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For details about the transactions with related parties, please refer to the related section of Illustrative Notes to the consolidated Financial Statements.

Assets and Liabilities Acquired on October 1, 2005 Pursuant to the Court Decision Approving the Proposal of Composition with Creditors

The implementation of the Composition with Creditors resulted in the transfer of the assets of Parmalat in AS to the new Parmalat S.p.A. (the Assumptor) in exchange for the distribution of shares and warrants of the new company to the unsecured creditors (information about the number of shares issued is provided in the note to Shareholders' equity).

On October 1, 2005, following the approval of the Composition with Creditors by the Court of Parma, the assets and liabilities of the 16 companies that were parties to the Proposal of Composition with Creditors were transferred to the Assumptor.

As a consequence, the result for the year ended December 31, 2005 is attributable almost entirely to the acquired business operations. If the acquisition had taken place on January 1, 2005, Parmalat S.p.A. would have reported sales of 1,010.6 million euros and a profit of minus 12.3 million euros (without counting the impact of the purchase price allocation).

The table on the following page shows a balance sheet of Parmalat S.p.A. at October 1, 2005 that reflects the temporary impact of the post-acquisition allocation process. During the first nine months of 2005, Parmalat S.p.A. did not transact any business. Consequently, the Company's pre-acquisition account balances are not significant.

Balance Sheet at October 1, 2005

(in millions of euros)		**10/1/05**
NON-CURRENT ASSETS		**1,564.3**
Goodwill	149.1	
Other intangible assets with an undefined useful life	240.0	
Other intangibles	77.9	
Property, plant and equipment	131.6	
Investments in associates	724.0	
Other non-current financial assets	241.7	
CURRENT ASSETS		**812.7**
Inventories	33.1	
Trade receivables	212.9	
Other current assets	184.3	
Cash and cash equivalents	382.4	
Available-for-sale assets		**33.9**
TOTAL ASSETS		**2,410.9**
SHAREHOLDERS' EQUITY		**1,837.2**
Share capital	1,600.9	
Reserves for contested liabilities convertible exclusively into share capital:		
Reserve for challenges to rejected claims	193.8	
Reserve for claims of late-filing creditors	54.5	
Other reserves	(11.2)	
Retained earnings (Loss carryforward)	0.0	
Profit (Loss) for the period	(0.8)	
NON-CURRENT LIABILITIES		**137.4**
Long-term borrowings	7.6	
Deferred-tax liabilities	0.7	
Post-employment employee benefits	39.8	
Provisions for risks and charges	66.8	
Provision for preferential and prededuction claims	22.5	
CURRENT LIABILITIES		**427.7**
Short-term borrowings	0.0	
Financial liabilities from preferential and prededuction claims	10.5	
Trade payables	202.5	
Trade payables with preferential or prededuction status	124.2	
Other current liabilities	78.3	
Other payables with preferential or prededuction status	9.7	
Income taxes payable	2.5	
Liabilities directly attributable to available-for-sale assets		**8.6**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,410.9**

Allocation of Goodwill Paid

Goodwill, equal to 406,9 million euros, includes the value generated, upon conveyance, from the difference between the value of the operations carried out directly by the 16 companies included in the Composition with Creditors (determined as mentioned before) and the book value of the same 16 companies.

A portion of Goodwill was allocated to those Company trademarks, land and buildings the carrying amount of which was significantly different from their fair value. In connection with this process, Ernst & Young Financial Business Advisors S.p.A. were asked to provide an appraisal that could be used to determine the fair value of the assets referred to above.

The valuation of the trademark portfolio was carried out by quantifying the "royalty savings" they produce, i.e., the economic benefit that can be derived from the ownership of the trademarks. It also involved determining the useful lives of these assets. This can be accomplished using different parameters:

- The remaining residual statutory life of a licensable asset;
- The length of existing contracts executed by the Company or other operators in the same industry licensing the use of intangible assets, taking into account any contract renewals;
- The life cycle of the products sold under the trademark being appraised;
- Other specific factors, to be taken into account on a case-by-case basis,

In the food area, which is the industry in which the Company operates, a trademark is an especially important asset that requires substantial investments to develop and maintain it, and to create and increase its recognition and image among consumers. Specifically, the trademarks subject of the abovementioned evaluation process are of fundamental importance for the continued success and the very survival of the Company.
The foregoing considerations produced the following conclusions:

- Trademarks for which a registration application has been on file for at least 10 years prior to the date of transfer were classified as having an undefined life;
- Trademarks for which a registration application has been on file for a shorter period were assigned a 20-year life.

The Company "fair values" resulting from the abovementioned appraisal, which was performed on the whole Group, are summarized below:

(in millions of euros)	**Trademarks**	**Land**	**Buildings**	**Total**
Parmalat S.p.a.	240.0	14.5	43.9	298.4

On the basis of the same appraisal, the company was able to preliminarily allocate a portion of goodwill for 226,8 million euros to trademarks and for 29,9 million euros to land and buildings, as shown in the table below.

(in millions of euros)	**Trademarks**	**Land**	**Buildings**	**Total**
- Fair value (a)	240.0	14.5	43.9	298.4
- Carrying amount of the appraised assets (b)	13.2	4.1	24.4	41.7
Allocated surplus (a) – (b)	226.8	10.4	19.5	256.7

Goodwill can therefore be summarized as follows:

(in millions of euros)	
Goodwill generated upon conveyance	**406.9**
IAS/IRFS adjustments	(1.1)
Goodwill to be allocated	405.8
Allocated surplus	(256.7)
Goodwill	**149.1**

All other acquired assets and liabilities were recognized at the acquisition cost, which was computed based on their carrying amounts in the financial statements of the assignor companies at October 1, 2005, since those amounts were deemed to reflect the fair values of the transferred assets and liabilities.

Notes to the Balance Sheet – Assets

Non-current Assets

(1) Goodwill

A breakdown of goodwill, which totaled 320.9 million euros, is as follows:

Goodwill with an indefinite useful life	12/31/05
From business combination upon composition with creditors:	
Parmalat S.p.A. in AS	302.7
Parmalat Finanziaria S.p.A. in AS	37.2
Eurolat S.p.A. in AS	46.8
Centro Latte Centallo S.r.l. in AS	11.5
Other companies under extraordinary administration	8.7
IAS effect at October 1	(1.1)
Total business combination	*405.8*
Goodwill included in transferred assets	
Eurolat goodwill	40.9
Centrali del Latte di Busto Arsizio e Monza goodwill	1.5
Total goodwill included in transferred assets	**42.4**
Goodwill reallocated to Parmalat S.p.A.	**129.4**
Total goodwill with an indefinite useful life	*577.6*
Allocation of goodwill	
Allocation to trademarks	(226.8)
Allocation to land and buildings	(29.9)
Total allocation	*(256.7)*
Total goodwill	**320.9**

The difference between the value allocated to assets upon their transfer from the companies under extraordinary administration to the Assumptor and the historical cost assigned to the same assets in the respective financial statements amounts to 405.8 million euros. A portion of this amount (256.7 million euros) was allocated based on the report of an expert appraiser. The allocation of goodwill can be modified within 12 months of acquisition. The value of goodwill with an indefinite life is tested for impairment annually in accordance with the provisions of the IAS/IFRSs.

Changes in Goodwill

	Goodwill		*Total goodwill*
	Combination upon Composition with Creditors	*Conferred assets*	
Gross carrying amount at 12/31/04	0.0	0.0	**0.0**
Acquisition upon Comp. with Cred. 10/1/05	405.8	0	405.8
Allocation of goodwill as per export report	(256.7)	0.0	(256.7)
Goodwill reallocation	129.4		129.4
Additions			
Disposals			
Reclassifications		42.4	42.4
Impairment			
Gross carrying amount at 12/31/05	**278.5**	**42.4**	**320.9**

Compared to October 1, 2005 the implicit goodwill of the Venezuelan companies was written off due to the uncertainties on the renegotiation of their financial debt.

The value of the same goodwill was reallocated to Parmalat S.p.A whose fair value has increased in comparison with October 1, 2005 for the net impact of Morgan Stanley transaction and higher "restructuring" costs compared with the provisions already made.

(2) Trademarks with an Undefined Useful Life

The balance of 236.8 million euros includes the following:

Trademarks	12/31/05
Parmalat	121.9
Santal	32.6
Chef	16.2
Kyr	2.6
Berna	42.3
Lactis	13.9
Elena	7.3
Total other intangibles with an undefined life	**236.8**

Changes in Trademarks with an Undefined Useful Life

	Trademarks with an undefined useful life
Carrying amount at 12/31/04	**0.0**
Acquisition upon Composition with Creditors 10/1/05	13.2
Allocation of goodwill as per export report	223.6
Additions	
Disposals	
Asset reclassifications	
Impairment	
Carrying amount at 12/31/2005	*236.8*

The valuation of the trademark portfolio was carried out by quantifying the "royalty savings" they produce, i.e., the economic benefit that can be derived from the ownership of the trademarks.

Specifically, the owner of a trademark is not required to execute a licensing contract and pay royalties for the use of the trademark because it already owns the trademark rights.

The amount shown above includes 223.6 million euros generated by the allocation of Goodwill. The above amount will be subject to an annual impairment test.

(3) Other Intangibles

Other intangibles of 34.7 million euros include the following:

	12/31/05	12/31/04
Other trademarks *(see breakdown below)*	31.7	0.0
Licenses and software	3.0	0.0
Total other intangibles	**34.7**	**0.0**

This item includes licenses for corporate software and trademarks with a defined useful life (which can be amortized) that are being used in Parmalat's restructured commercial operations. Trademarks are valued at cost and amortized over five years.

Other Trademarks

	12/31/05
Monza	6.7
Solac	5.6
Optimus	5.4
Stella	3.3
Jeunesse	3.0
Torvis	2.3
Pascolat	1.9
Dolomiti	1.2
Sundry trademark	2.3
Total other trademarks	**31.7**

Changes in Other Intangibles

	Other trademarks	*Licenses and software*	*Total*
Gross carrying amount at 12/31/04	**0.0**	**0.0**	**0.0**
Acquisition upon Composition with Creditors 10/1/05	61.8	16.1	77.9
Allocation of goodwill as per export report	3.2		3.2
Additions			0.0
Disposals			0.0
Asset reclassifications	(29.4)	(13.0)	(42.4)
Gross carrying amount at 12/31/05	35.6	3.1	38.7
Accumulated amortization at 12/31/04	*0.0*	*0.0*	*0.0*
Amortization for the period	*(3.9)*	*(0.1)*	*(4.0)*
Reclassification of amortization			*0.0*
Accumulated amortization at 12/31/05	*(3.9)*	*(0.1)*	*(4.0)*
Net carrying amount at 12/31/05	**31.7**	**3.0**	**34.7**

Asset reclassifications refer to the goodwill of Eurolat and Centrale del Latte di Monza, which were included among the acquired assets and listed under Goodwill, as well as certain minor trademarks originally listed under Software licenses.

(4) Property, Plant and Equipment

Property, plant and equipment totaled 132,0 million euros, broken down as follows:

	12/31/05	12/31/04
Land	25.7	0.0
Buildings	71.8	0.0
Plant and machinery	26.1	0.0
Industrial equipment	1.1	0.0
Other assets	5.8	0.0
Construction in progress	1.5	0.0
Total property, plant and equipment	**132.0**	**0.0**

Land and buildings include 10.4 million euros and 19.5 million euros, respectively, attributable to the partial allocation of Goodwill (see the Goodwill table).

A breakdown of property, plant and equipment acquired under finance leases totaling 7.1 million euros is as follows:

- 1.4 million euros for buildings;
- 2.4 million euros for plant and machinery;
- 3.3 million euros for other assets.

Changes in Property, Plant and Equipment

	Land	*Buildings*	*Plant and machinery*	*Industrial equipment*	*Other assets*	*Construction in progress*	*Total*
Gross carrying amount at 12/31/04	0.0	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Acquisition upon Composition with Creditors 10/1/05	17.2	50.7	25.1	1.1	5.7	1.9	101.7
Allocation of goodwill as per export report	10.4	19.5	0.0	0.0	0.0	0.0	29.9
Transfer to held-for-sale assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additions		0.6	1.4	0.1	0.8	0.4	3.3
Disposals							0.0
Asset reclassifications	(1.9)	1.9	0.8			(0.8)	0.0
Gross carrying amount at 12/31/05	25.7	72.7	27.3	1.2	6.5	1.5	134.9
Accumulated depreciation at 12/31/04	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation for the period		*(0.9)*	*(1.2)*	*(0.1)*	*(0.7)*		*(2.9)*
Change in depreciation due to divestitures							*0.0*
Reclassification of depreciation							*0.0*
Accum. depreciation at 12/31/05	0.0	(0.9)	(1.2)	(0.1)	(0.7)	0.0	(2.9)
Net carrying amt. at 12/31/05	25.7	71.8	26.1	1.1	5.8	1.5	**132.0**

Because Property, plant and equipment was acquired on October 1, 2005, the depreciation of these assets was computed in accordance with rates based on their useful lives, prorated for three-twelfths of the year.

(5) Investments in Associates

A breakdown of this item, which amounted to 724.4 million euros, is as follows:

	12/31/05	12/31/04
Subsidiaries	721.2	0.0
Affiliated companies	0.0	0.0
Other companies	3.2	0.0
Total investments in associates	**724.4**	**0.0**

Changes in Investments in Associates

	Subsidiaries	*Affiliated companies*	*Other companies*	*Total*
Carrying amount at 12/31/04	**0.0**	**0.0**	**0.0**	**0.0**
Acquisition upon Composition with Creditors 10/1/05	720.8	0.0	3.2	724.0
Increases/Purchases	3.0			3.0
Decreases/Divestitures	(2.6)			(2.6)
Reclassifications				0.0
Carrying amount at 12/31/05	**721.2**	**0.0**	**3.2**	**724.4**

The change shown in the Subsidiaries column refers to the Parmalat Distribuzione Alimenti S.r.l. subsidiary, which was recapitalized (Increases/Purchases line) after writing off the loss incurred in 2005 (Decreases/Divestitures line).

A breakdown of the investee companies included under Investments in associates at December 31, 2005 is as follows:

Investments in subsidiaries	**Country**	**% interest held**	**Total value**
Clesa SA	Spain	93.5	168.9
Parmalat Holding Ltd	Canada	100.0	128.3
Parmalat Pacific Holding Pty	Australia	38.3[3]	119.0
Centrale del Latte di Roma S.p.A. -	Italy	75.0	111.0
Parmalat Portugal Produtos Alimentares Ltda	Portugal	100.0	41.6
Latte Sole S.p.A.	Italy	100.0	32.9
Procesadora de Leches SA	Colombia	94.8	27.9
Dalmata S.r.l.	Italy	100.0	16.3
Parmalat Colombia	Colombia	91.0	15.8
OAO Belgorodskij	Russia	64.8	14.1
Compania Agricola Y Forestal	Spain	100.0	11.7
OOO Parmalat Mk	Russia	100.0	8.5
Parmalat Africa Ltd	Mauritius	4.3	6.3
OOO Urallat	Russia	100.0	4.9
Parmalat Romania SA	Romania	73.4	4.2
Citrus International Corp.	Cuba	55.0	2.6
Compagnia Finanziaria Alimenti S.r.l.	Italy	99.5	2.0
Ecuadorian Food Company	British Virgin Islands	51.0	2.0

[3] Percentage calculated on the whole share capital, preference shares included; all ordinary shares are owned by Parmalat Belgium SA

Investments in subsidiaries	Country	% interest held	Total value
Parmalat del Ecuador SA	Ecuador	100.0	1.7
Italcheese S.p.A.	Italy	100.0	0.6
Parmalat Distribuzione Alimenti S.r.l.	Italy	100.0	0.4
OOO Farm	Russia	100.0	0.3
Parmalat International SA in liquidation	Switzerland	96.7	0.2
Total subsidiaries			721.2
Investments in affiliated companies		**% interest held**	**Total value**
Fiordilatte S.r.l.	Italy	40.0	0.0
Total affiliated companies			0.0
Investments in other companies		**% interest held**	**Total value**
Bonatti S.p.A.	Italy	10.3	3.1
Other companies			0.1
Total other companies			3.2
GRAND TOTAL			**724.4**

The Company owns 38 other subsidiaries and has an interest in four more affiliated companies, all of which have a zero carrying amount. A list of all equity investments is provided in the Annex.

The Company prepares consolidated financial statements, which are being provided together with these statutory financial statements. Information about the performance of the Group can be found in the consolidated financial statements.

(6) Other Non-current Financial Assets

Other non-current financial assets totaled 240.1 million euros. A breakdown is as follows:

	12/31/05	12/31/04
Loans receivable from subsidiaries	237.2	0.0
Loans receivable from others	2.9	0.0
Total other non-current financial assets	**240.1**	**0.0**

A breakdown of long-term intra-Group loans receivable is as follows:

Parmalat Austria GmbH	144.0
Parmalat Holdings Limited	53.4
Dalmata S.r.l.	18.0
Latte Sole S.p.A.	6.2
Curcastle Corporation NV	4.2
Parmalat Portugal Produtos Alimentares Ltda	4.0
Parmalat Pacific Holding Pty Ltd	2.1
Parmalat del Ecuador SA	1.6
Parmalat Food Inc.	1.3
Other companies	2.4
Total long-term intra-Group loans receivable	**237.2**

Changes in Other Non-current Financial Assets

	Loans receivable from subsidiaries	*Loans receivable from subsidiaries*	*Loans receivable from others*	*Total*
Carrying amount at 12/31/04	0.0	0.0	**0.0**	**0.0**
Acquisition upon Composition with Creditors 10/1/05 – gross	451.3	0.0	3.2	454.5
Acquisition upon Composition with Creditors 10/1/05 – provision for writedowns	(212.7)		(0.1)	(212.8)
New loans	0.9			0.9
Repayments	(3.2)		(0.2)	(3.4)
Loan amount adjustments for foreign exchange diff.	4.1			4.1
Adjustment to provision for writedowns	(5.4)			(5.4)
Addition to provision for writedowns	(0.3)			(0.3)
Utilization of provision for writedowns	2.5			2.5
Carrying amount at 12/31/05 – gross	453.1	0.0	3.0	456.1
Gross carrying amount at 12/31/05 – provision for writedowns	(215.9)	0.0	(0.1)	(216.0)
Net carrying amount at 12/31/05	237.2	0.0	2.9	**240.1**

(7) Deferred-tax Assets

Deferred-tax assets amounted to 15.9 million euros, compared with a zero balance at the end of 2004. A breakdown is provided below:

Deferred-tax assets	**Tax rate**	**Temporary differences at 12/31/05**	**Balance at 12/31/04**	**Acquis. upon comp. w. cred. 10/1/05**	**Tax amount set aside**	**Utilizations**	**Balance at 12/31/05**
Provision for ITX risks	37.25%	10.8			4.0		4.0
Provision for restructuring	33%	9.4			3.1		3.1
Provision for cos. under EA	33%	5.5			1.8		1.8
Provision for bonuses	37.25%	5.4			2.0		2.0
Maintenance expense	37.25%	4.7			1.8		1.8
Prov. for invent. writedown	37.25%	1.8			0.7		0.7
Recoverable tax losses	33%	4.4			1.5		1.5
Other items	33%	0.7			0.2		0.2
Sundry items	37.25%	2.0			0.8		0.8
TOTAL		**44.7**	**0.0**	**0.0**	**15.9**	**0.0**	**15.9**

The items listed above consist mainly of amounts set aside in 2005, the recoverability of which for tax purposes will take place when the financial impact of the underlying transaction actually occurs.

The table above also includes tax loss carryforwards the recoverability of which is certain to occur within the deadline allowed under the current tax laws.

Current Assets

(8) Inventories

A breakdown of Inventories, which totaled 32.6 million euros, is as follows:

	12/31/05	12/31/04
Raw materials, auxiliaries and supplies	23.9	0.0
Work in progress and semifinished goods	0.0	0.0
Finished goods	15.7	0.0
Provision for inventory writedowns	(7.0)	0.0
Total inventories	**32.6**	**0.0**

The Provision for inventory writedowns includes 3.7 million euros set aside for the cost of disposing of packages and finished goods affected by the ITX coloring agent contamination. Additional information about the full impact on the financial statements of the alleged ITX coloring agent contamination is discussed in a separate note to the income statement.

Changes in Inventories

	Raw materials, auxiliaries and supplies	*Work in progress and semifinished goods*	*Finished goods and merchandise*	*Total*
Carrying amount at 12/31/04	0.0	0.0	**0.0**	**0.0**
Acquisition upon Composition with Creditors 10/1/05 – Inventories	19.0	0.6	14.5	34.1
Increases/Decreases	4.9	(0.6)	1.2	5.5
Carrying amount at 12/31/05	23.9	0.0	15.7	39.6
Acquisition upon Composition with Creditors 10/1/05 – Provision for invent. writedowns	(1.0)			(1.0)
(Additions to)/Utilizations of provision	(1.9)		(4.1)	(6.0)
Provis. for invent. writedowns at 12/31/05	(2.9)	0.0	(4.1)	(7.0)
Net carrying amount at 12/31/05	**21.0**	**0.0**	**11.6**	**32.6**

(9) Trade Receivables

Trade receivables amounted to 245.7 million euros. A breakdown is provided below:

	12/31/05	Increases/ (Decreases) of receivables	(Increases)/ Decreases of allowance	Acquisition upon Composition with Creditors 10/1/05	**12/31/04**
Trade receivables – Customers	359.4	28.2		331.2	0.0
Trade receivables – Subsidiaries	46.5	4.7		41.8	0.0
Allowance for doubtful accounts – customers	(152.5)		(2.7)	(149.8)	0.0
Allowance for doubtful accounts – subsidiaries	(7.7)		2.6	(10.3)	0.0
Total trade receivables	**245.7**	**32.6**	**(0.1)**	**212.9**	**0.0**

The increase in trade receivables owed by customers is due mainly to issues related to the alleged contamination by the ITX coloring agent, which was combined with the effect of the year-end bonuses payable to chain-store retailers (about 17 million euros in total), and to the higher sales volume recorded in the last quarter of 2005 compared with the previous quarter.

Breakdown of Trade Receivables Owed by Subsidiaries

Centrale del Latte di Roma S.p.A.	8.9
Parmalat Distribuzione Alimenti S.r.l.	5.3
Boschi Luigi e Figli S.p.A. in AS	3.5
Parmalat Portugal Produtos Alimentares Sarl	5.0
Parmalat Romania SA	2.2
Latte Sole S.p.A.	2.6
Deutsche Parmalat GmbH in AS	5.8
Clesa SA	1.4
Parmalat Africa Ltd	0.9
Parmalat South Africa (Pty) Ltd	0.7
Parmalat Dairy & Bakery Inc.	0.8
Other companies	1.8
Total intra-Group receivables	**38.9**

These receivables reflect commercial transactions between the Company and its subsidiaries that are executed on market terms.

(10) Other Current Assets

Other current assets amounted to 184.6 million euros. A breakdown is as follows:

	12/31/05	12/31/04
Loans receivable from subsidiaries	3.3	0.0
Miscellaneous receivables	179.9	6.2
Accrued income and prepaid expenses	1.4	0.0
Total other current assets	**184.6**	**6.2**

Loans receivable from subsidiaries refer to loans provided to Curcastle Corporation BV.

A breakdown of Miscellaneous receivables is as follows:

Amount receivable from the tax authorities for VAT	92.9
Estimated tax payments and income taxes withheld	62.6
Advances to suppliers and sales agents	2.8
Amount receivable from the Ministry of Farm Policies	15.5
Accrued interest on VAT refunds receivable	2.3
Sundry receivables	3.8
Total miscellaneous receivables	**179.9**

A portion of the amount receivable from the tax authorities for VAT (31.9 million euros) has been earmarked to offset an equal liability toward the Italian social security administration (INPS). Prior to the approval of the Proposal of Composition with Creditors, Parmalat S.p.A. in AS and Eurolat S.p.A. in AS provided the INPS with irrevocable powers of attorney to collect on their behalf VAT credits amounting to 22.1 million euros and 5.6 million euros, respectively. In November 2005, the Company granted an additional power of attorney for 4.2 million euros.

The balance shown for Miscellaneous receivables is net of an allowance for doubtful accounts amounting to 14.5 million euros, which has been set aside to cover potential collection risks. The net balance shown above is deemed to be fully collectible.

(11) Cash and Cash Equivalents

Cash and cash equivalents totaled 339.0 million euros, broken down as follows:

	12/31/05	Increases/ (Decreases)	Acquisition upon Composition with Creditors 10/1/05	**12/31/04**
Investment securities	256.0	(33.0)	289.0	0
- Bank and postal accounts	82.3	(10.4)	92.7	0
- Cash on hand	0.7	(0.1)	0.7	0.1
Total cash and cash equivalents	**339.0**	**(43.5)**	**382.4**	**0.1**

This item includes amounts deposited by the Company in bank accounts, cash on hand and temporary investments, which, as allowed under IAS 7, Paragraph 7, can be treated as cash.

The amount shown for investment securities (which included 0.7 million euros in accrued interest) refers exclusively to Italian treasury bills bought in November and December 2005, all of which mature no later than February 2006. The decrease in cash and cash equivalents is related mainly to payments made to settle preferential and prededuction claims.

(12) Available-for-sale Assets

A breakdown of the balance of 7.4 million euros is as follows:

	12/31/05	Sales	Change in available-for-sale assets	Acquisition upon Composition with Creditors 10/1/05	**12/31/04**
Bakery Division					
Buildings	0.0	(12.3)		12.3	0.0
Equipment	0.0	(7.5)		7.5	0.0
Other property, plant and equipment	0.0	(0.1)		0.1	0.0
Raw materials	0.0	(3.3)		3.3	0.0
Finished goods	0.0	(0.8)		0.8	0.0
Provision for inventory writedown	0.0	0.3		(0.3)	0.0
Pomì Division					
Raw materials	0.3			0.3	0.0
Finished goods	7.1		(2.8)	9.9	0.0
Total available-for-sale assets	**7.4**	**(23.7)**	**(2.8)**	**33.9**	**0.0**

On the balance sheet, the assets and liabilities or groups of assets and liabilities the carrying value of which will be recovered mainly through their disposal are shown separately from the other assets and liabilities. They are recognized at their carrying value or estimated realizable value, whichever is lower.

The disposal of the Bakery operations was negotiated and agreed upon by Parmalat S.p.A. in AS prior to the implementation of the Composition with Creditors and was approved by the relevant authorities. The signing of the sales agreement on November 30, 2005 was merely the execution of existing stipulations agreed upon by the parties. The sale of the Bakery operations generated a gain of 2.6 million euros.

As a consequence of the disposal, the purchasing counterparty shouldered debts for a total of 8.5 million euros.

Notes to the Balance Sheet — Shareholders' Equity

Summary of the Shareholders' Equity Accounts

	12/31/05	12/31/04
- Share capital	1,619.9	0.1
- Reserve for conversion exclusively into share capital of:		
• challenges to rejected claims	191.3	0.0
• claims of late filing creditors	42.1	0.0
- Shares subscribed through the exercise of warrants	0.2	0.0
- Other reserves	(11.7)	0.0
- Loss carryforward	0.0	(0.0)
- Loss for the period	(29.3)	(0.0)
Total shareholders' equity at 12/31/05	**1,812.5**	**0.1**

The financial statement include a statement of changes in shareholders' equity.

(13) Share Capital

The Company's share capital, which amounts to 1,619,945,197 euros, corresponds to: (i) the amount of unsecured claims verified by the Italian bankruptcy judge (*Giudici Delegati*), which, as decreased by the claim reduction process, is equal to 1,544,586,541 euros (the amount shown on the list of claims that became enforceable upon being deposited on December 16, 2004 is different due to the correction of material errors by the Court of Parma); (ii) the amount, as of December 31, 2005, of prededuction and preferential claims the holders of which have waived their prededuction or preferential status, opting instead to be classified as unsecured creditors, which, as decreased by the claim reduction process, totals 58,249,821 euros; (iii) the amount of the claims of late-filing creditors and/or of creditors who challenged successfully the exclusion of their claims (charged against reserves established for this purpose, which totals 16,581,485 euros; (iv) the amount generated by the conversion of warrants, which totals 407,350 euros; and (v) the Assumptor's initial capital, which amounts to 120,000 euros.

Moreover, on March 1, 2005, the Extraordinary Shareholders' Meeting, having been informed of the favorable opinion of the Board of Statutory Auditors, approved resolutions agreeing to:

a) carry out divisible capital increases:

- up to a maximum amount of 1,502,374,237 euros by issuing at par up to 1,502,374,237 common shares, par value 1 euro each, ranking for dividends as of January 1, 2005, reserving this increase for the exercise of the preemptive right of the Foundation, the Company's sole shareholder, which will subscribe it on behalf of the eligible creditors, as they appear in the enforceable lists filed with the Office of the Clerk of the Bankruptcy Court of Parma by the *Giudici Delegati* on December 16, 2004; this capital increase shall be paid in at par, upon the satisfaction of the condition precedent that the Court of Parma approve the Composition with Creditors of the companies of the Parmalat Group by offsetting the amounts of the various claims in accordance with the percentages determined under the Composition with Creditors;

- up to a maximum amount of 38,700,853 euros by issuing at par up to 38,700,853 common shares, par value 1 euro each, ranking for dividends as of January 1, 2005, reserving this increase for the exercise of the preemptive right of the Foundation, the Company's sole shareholder, which will subscribe it at par (offsetting, in accordance with the percentages determined under the Composition with Creditors, the claims acquired by the Foundation and formerly owed to their subsidiaries by companies that are parties to composition with creditors proceedings), upon the satisfaction of the condition precedent that the Court of Parma approve the Composition with Creditors of the companies of the Parmalat Group;

b) carry out a further capital increase that, as an exception to the requirements of Article 2441, Section Six, of the Italian Civil Code, will be issued without requiring additional paid-in capital, will be divisible, will not be subject to the preemptive

right of the sole shareholder, will be carried out by the Board of Directors over ten years in multiple installments, each of which will also be divisible, and will be earmarked as follows:

- up to a maximum amount of 238,892,818 euros by issuing at par up to 238,892,818 common shares, par value 1 euro each, ranking for dividends as of January 1, 2005, allocating to:
  - unsecured creditors who have challenged the sum of liabilities shares that shall be paid in at par by offsetting the amounts of their claims in accordance with the percentages determined under the Composition with Creditors, once their claims have been effectively verified as a result of a court decision that has become final, and/or an enforceable settlement;
  - unsecured creditors with conditional claims shares that shall be paid in at par upon the satisfaction of the condition precedent by offsetting the amounts of their claims in accordance with the percentages determined under the Composition with Creditors;
- up to a maximum amount of 150,000,000 euros by issuing at par up to 150,000,000 common shares, par value 1 euro each, regular ranking for dividends, allocating to unsecured creditors with a title and/or cause that predates the date when the companies that are parties to the Composition with Creditors were declared eligible for Extraordinary Administration Proceedings, including unsecured creditors whose claims were not included in the sum of liabilities but whose claims were later verified by a court decision that has become final and, therefore, can no longer be challenged (so called late-filing creditors), shares that shall be paid in at par by offsetting the amounts of their claims in accordance with the percentages determined under the Composition with Creditors, once their claims have been effectively verified as a result of a court decision that has become final, and/or an enforceable settlement;
- up to a maximum amount of 80,000,000 euros by issuing at par up to 80,000,000 common shares, par value 1 euro each, regular ranking for dividends, which shares will be used to allow conversion of the warrants allotted to eligible creditors, unsecured creditors who challenged the sum of liabilities, conditional creditors, late-filing creditors and the Foundation, on the basis of the capital increase subscribed by the latter (offsetting the claims acquired by the Foundation and formerly owed to their subsidiaries by companies that are parties to composition with creditors proceedings), at the exercise ratio of 1 new common share, par value 1 euro each, for each warrant tendered for the purpose of exercising the subscription right, up to the first 650 shares attributable to the unsecured creditors and the Foundation;

c) carry out the abovementioned increases of the Company's share capital in a manner consistent with the methods and regulations provided in the Proposal of Composition with Creditors;

d) carry out the abovementioned warrants in accordance with the provisions of the Warrants Regulations that are annexed to the Prospectus (see Section Three, Chapter XIII, Paragraph 13.1.9).

The Extraordinary Shareholders' Meeting of September 19, 2005 approved a motion allowing the "permeability" of the different installments of the share capital increase approved by the Shareholders' Meeting of March 1, 2005, meaning that if any one of the installments (excluding the first installment of 1,502,374,237 euros reserved for the verified claims and the last installment of 80,000,000 reserved for the exercise of the warrants) into which the overall capital increase of 2,010.00 million euros is divided should prove to be greater than the actual amount needed to convert the claims that the installment in question was supposed to cover into capital, the excess of this capital increase installment may be used to cover the claims of another class of creditors (particularly creditors who asked that preferential claims be converted into unsecured claims) when such claims exceed the funds provided by the capital increase installment allocated to them under the resolution approved by the Extraordinary Shareholders' Meeting of March 1, 2005.

Warrants

The warrants are issued in dematerialized form and have been negotiable on the Online Stock Market since the date of listing (October 28, 2005).

Each warrant conveys the right to subscribe at par for cash on a continuous basis, effective on the tenth day of the month following the month when the application to exercise is filed in a given calendar year, from 2005 to 2015.

The terms and conditions for the exercise of the warrants are set forth in the respective regulations, which were approved by the Issuer's Board of Directors on March 1, 2005 and are available at the Parmalat website (www.parmalat.com).

The additional shares issued through the exercise of the warrants will be issued with regular ranking, i.e., with a valid coupon as of the effective exercise date of the warrants.

Maximum Share Capital Amount

In accordance with the resolutions approved on March 1, 2005 and September 19, 2005, the Company's share capital may reach a maximum of 2,010 million euros as a result of the following increases:

- Increase reserved for creditors with unsecured claims included in the lists of verified claims	1,541.1
- Increase reserved for unsecured creditors with conditional claims and/or who are challenging their exclusion from the lists of verified claims	238.9
- Increase reserved for late-filing creditors	150.0
Total increases reserved for creditors	**1,930.0**
- Shares available for the conversion of warrants	80.0
Total capital increase	**2,010.0**

As of the writing of these Notes, counting the prededuction and preferential claims that were converted into unsecured claims and satisfied through the issuance of shares, the subscribed and paid-in capital amounted to 1,626.6 million euros (including 1.0 million euros for shares issued upon the conversion of warrants). Based on the claims received from creditors, the share capital could increase further, as follows:

- **191.3 million euros** for challenges filed by creditors excluded from the sum of liabilities (coverage is already provided by a special equity reserve);
- **103.1 million euros** for claims of late-filing creditors that are being reviewed by the Court of Parma (the Company has established a special equity reserve of 42.1 million euros);
- **4.2 million euros** for contested offset claims.

If all of these claims were to be accepted, the share capital would increase to 1,925,2 million euros. If the remaining 79,0 million shares that have been reserved for the conversion of warrants are added, the total would rise to 2,004.2 million euros.

(14) Reserve for Conversion into Share Capital of Challenges to Rejected Claims

Based on the final lists of creditors published on December 28, 2004 in Issue No. 303 of the *Official Gazette of the Italian Republic*, unsecured verified claims totaled 19,953,147,095 euros, including conditional claims amounting to 509,834,148 euros. Rejected claims the rejection of which was challenged amounted to 4,384.1 million euros, including claims totaling 3,428.0 million euros that required the establishment of a reserve that, after decreasing its amount by the claim reduction percentage, amounted to 193.8 million euros as of October 1, 2005.

If these claims should be verified with a final court decision or accepted as part of a settlement, the creditors holding them will be entitled to receive shares and warrants of Parmalat S.p.A. in accordance with the terms of the Proposal of Composition with Creditors. At December 31, 2005, due to settlements reached in the last quarter of 2005, the balance available in the reserve had decreased to 191.3 million euros.

The utilization of this reserve will cause the share capital of Parmalat S.p.A. to increase by an amount equal to the additional claims verified in the manner described above. The remainder of the reserve, equal to the amount of the rejected claims, will become a freely available reserve. As explained before, Parmalat S.p.A. has already approved a capital increase in an amount equal to the balance in this reserve.

(15) Reserve for Conversion into Share Capital of Claims of Late-filing Creditors

Subsequent to the publications of the final lists of creditors on December 28, 2004 in Issue No. 303 of the *Official Gazette of the Italian Republic*, the Court of Parma received late filings by creditors, which have to be reviewed by the *Giudici Delegati*. The claims received prior to the approval of the Composition with Creditors on October 1, 2005 (as decreased by the claim reduction process) resulted in the establishment of a reserve amounting to 54.5 million euros, 12.4 million euros of which had been utilized through December 2005.

If these claims should be verified with a final court decision or accepted as part of a settlement, the creditors holding them will be entitled to receive shares and warrants of Parmalat S.p.A. in accordance with the terms of the Proposal of Composition with Creditors.

The utilization of this reserve of 42.1 million euros will cause the share capital of Parmalat S.p.A. to increase by an amount equal to the additional claims verified in the manner described above. The remainder of the reserve, equal to the amount of rejected claims, will become a freely available reserve.

(16) Shares Subscribed Through the Exercise of Warrants

This reserve, which amounts to 0.2 million euros, refers to the warrants exercised in December 2005 (the corresponding 198,107 shares were issued in January 2006).

At December 31, 2005, there were 67,002,230 warrants outstanding. These warrants may be exercised until December 31, 2015.

(17) Other Reserves

This reserve reflects the costs incurred to list the securities of Parmalat S.p.A., which totaled 12.7 million euros (and are shown as a deduction from the shareholders' equity as required by IFRS No.3 paragraph 31), net of a reserve for the coverage of losses amounting to 1.0 million euros.

DISTRIBUTABILITY OF RESERVES

None of the abovementioned reserves (notes 14 and 17) is distributable, as specifically bound or negative.

(18) Profit (Loss) for the Period

The loss for the period amounted to 29.3 million euros.

Notes to the Balance Sheet — Liabilities

Non-current Liabilities

(19) Long-term Borrowings

Long-term borrowings of 6.7 million euros represent the indebtedness outstanding under finance leases, recognized in accordance with IAS accounting principles. The value at which they were recognized upon the conveyance of assets to Parmalat S.p.A. in performance of the Composition with Creditors amounted to 7.6 million euros. The decrease from the previous period reflects the payment of lease installments in the last quarter of 2005.

(20) Deferred-tax Liabilities

Deferred-tax liabilities amounted to 12.3 million euros, broken down as follows:

	12/31/05	**12/31/04**
Deferred taxes on finance leases	0.1	0.0
Deferred taxes from the use of IAS 19 to measure employee severance benefits	0.1	0.0
Other deferred taxes	12.1	0.0
Total deferred-tax liabilities	**12.3**	**0.0**

Other deferred taxes refer to taxes on temporary differences related to the amortization of assets with an undefined useful life, which was recognized exclusively for tax purposes.

Changes in Deferred-tax Liabilities

The table that follows shows the origin of the Deferred-tax liabilities and the changes that occurred during the period:

Deferred-tax liabilities	Tax rate	Temporary differences at 12/31/05	Balance at 12/31/04	Acquis. upon comp. w. cred. 10/1/05	Additional liabilities	Utilizations	Balance at 12/31/05
Amortization of goodwill for tax purposes	37.25%	8.6			3.2		3.2
Amortization of trademark for tax purposes	37.25%	23.7			8.8		8.8
Capitalization of leases	37.25%	0.5		0.4		(0.2)	0.2
Use of IAS 19 to measure employee severance benefits	33.00%	0.2		0.3		(0.2)	0.1
TOTAL		**33.0**	**0.0**	**0.7**	**12.0**	**(0.4)**	**12.3**

Deferred taxes are computed on the portion of amortization booked exclusively for tax purposes, since it applies to assets with an undefined useful life that, as such, cannot be amortized for reporting purposes.

(21) Post-employments Benefits

The following demographic assumptions were made when measuring the Plans:

- The mortality assumptions used for the Italian population, broken down by sex, were those developed by the ISTAT in 2002;
- The disability assumptions used for the Italian population, broken down by sex, were taken from INPS model, projected to 2010;
- The general retirement assumption for active staff was retirement taken when the minimum retirement requirements under the rules of the General Mandatory Insurance system could be met;
- The probabilities of leaving the workforce due to causes other than death were determined by reviewing annual turnover rates, estimated in accordance with historical trends that were analyzed and projected in accordance with the projections provided by the relevant public agencies.

The financial assumptions used to measure the Plans are summarized in the table below:

Technical annual discount rate	4.00%
Annual inflation rate	2.00%
Average annual rate of wage increases	2.85%
Annual rate of increase of severance benefits	3.00%
Probability of annual advances	3.00%

The Provision for employee severance benefits is a defined-benefit plan and, accordingly, it is measured by the actuarial method.

The table below provides a breakdown of the Provision for employee severance benefits and shows the changes that occurred during the period.

Changes in Post-employments Benefits

	12/31/05	Utilizations	Additions	Acquis. upon comp. w. cred. 10/1/05	12/31/04
Production staff	15.8	(0.6)	0.9	15.5	0.0
Office staff	21.4	(0.6)	1.2	20.8	0.0
Management	3.5	(0.2)	0.2	3.5	0.0
Total provision for employee sever. benefits	**40.7**	**(1.4)**	**2.3**	**39.8**	**0.0**

The addition to the Provision for employee severance benefits includes 0.2 million euros classified as borrowing costs in accordance with IAS 19.

(22) Provisions for Risks and Charges

Provisions for risks and charges totaled 91.6 million euros. They include the items listed below:

	12/31/05	Utilizations	Additions	Acquis. upon comp. w. cred. 10/1/05	12/31/04
Provisions for taxes (see detail)	19.6	0.0	1.5	18.1	0.0
Allowance for risks on investee companies	21.4	0.0	5.1	16.3	0.0
Provision for Venezuela equity	129.4	0.0	129.4	0.0	0.0
Allowance for antitrust risks	11.2	0.0	0.0	11.2	0.0
Allowance for staff downsizing	14.8	(1.1)	9.8	6.1	0.0
Allowance for INPS installment plan	1.0	(3.2)	0.0	4.2	0.0
Provision for prize contests	7.2	(2.5)	5.4	4.3	0.0
Provision for costs of ITX disputes	7.0	0.0	7.0	0.0	0.0
Provision for disputes with former Group cos.	4.2	0.0	4.2	0.0	0.0
Provisions for supplemental sales agents benefits	2.4	0.0	0.1	2.3	0.0
Miscellaneous provisions	2.8	(1.6)	0.1	4.3	0.0
Total provisions for risks and charges	**221.0**	**(8.4)**	**162.6**	**62.5**	**0.0**

Provisions for risks and charges are established to fund quantifiable charges, the existence of which is certain or probable, but the amount or date of occurrence of which could not be determined as of the close of the reporting period. Additions are made to these provisions when: (i) it is probable that the Company will incur a statutory or implied obligation as a result of a past event; (ii) it is probable that meeting this obligation will be onerous; and (iii) the amount of the obligation can be estimated reliably. Additions are recognized at an amount that represents the best estimate of the sum that the Company will be reasonably expected to pay to satisfy an obligation or transfer it to a third party at the end of the reporting period. When the financial effect of the passing of time is material and the date when an obligation will become due can be reliably estimated, the addition to the provisions should be recognized at its present value.

The provisions for risks and charges acquired as a result of the Composition with Creditors amounted to 66.8 million euros (including provisions for taxes of 18.1 million euros, which are shown separately).

The provisions for risks and charges were adjusted by 129.4 million euros since compared to October 1, 2005 the implicit goodwill of the Venezuelan companies was written off due to the uncertainties on the renegotiation of their financial debt.

The value of the same goodwill was reallocated to Parmalat S.p.A whose fair value has increased in comparison with October 1, 2005 for the net impact of Morgan Stanley transaction and higher “restructuring” costs compared with the provisions already made.

These provisions increased furthermore by 33.2 million euros during the period (1.5 million euros were added to the provisions for taxes) as a result of the following items:

- The allowance for risks on investee companies (5.1 million euros) refers mainly to the loss reported by the Venezuelan subsidiaries in the fourth quarter of 2005.

- The allowance for staff downsizing (9.8 million euros) consist mainly of amounts set aside in connection with a plan (to which the unions have agreed) to provide resignation incentives, starting in 2006.

- The provision for prize contests (and the allowance for the period in the amount of 5.4 million euros) reflects the best available estimate of the bonus points earned by customers and not yet redeemed as of December 31, 2005.

- The allowance added to the provision for costs of ITX disputes (7.0 million euros) reflects the costs that will be incurred (in addition to the cost of merchandise returned through December 31, 2005, which has been reflected in the provision for inventory writedowns) for merchandise returned in 2006, the cost of reimbursing licensees and disposal costs. No allowance has been made for insurance settlements, since their amount cannot be estimated reliably at this point.

- The provision for disputes with former Group companies (4.2 million euros) refers to contested claims that were offset and for which the Company may be required to issue shares.

A breakdown of the reserve for taxes is as follows:

	12/31/05
Tax risks related to Italian businesses	13.0
Tax risks related to foreign Group companies	6.3
Other tax risks	0.3
Total reserves for taxes	**19.6**

The tax risks related to Italian businesses refer mainly to disputed tax items that have to do with sponsoring arrangements executed in previous years.

The tax risks related to foreign Group companies refer to commitments that the Company may be required to honor to settle disputed items involving Parmalat TechHold (USA) and Bonnita (South Africa).

(23) Provision for Preferential and Prededuction Claims

	12/31/05	Increases	Decreases	Acquis. upon comp. w. cred. 10/1/05	12/31/04
Provision for preferential and prededuction claims	**20.9**	0.0	(1.6)	22.5	0.0

The decrease of 1.6 million euros reflects the utilizations deducted from this provision during the fourth quarter of 2005.

Current Liabilities

(24) Financial Liabilities for Preferential and Prededuction Claims

By assuming the obligations that arise from the Composition with Creditors, the Company has agreed to satisfy in full, within six months of the approval of the Composition with Creditors, all preferential and prededuction claims, in accordance with the lists prepared and published by the *Giudici Delegati.*

A portion of the preferential claim held by the INPS was satisfied by means of a power of attorney granted to the INPS by which the INPS was authorized to collect VAT credits amounting to 4.2 million euros.

A breakdown of preferential and prededuction claims at December 31, 2005 is as follows:

	12/31/05	Increases	Decreases	Acquis. upon comp. w. cred. 10/1/05	12/31/04
Short-term borrowings	11.1	0.6		10.5	0.0
Trade payables	69.4	0.5	(55.3)	124.2	0.0
Other payables	8.8	0.0	(0.9)	9.7	0.0
Total liabilities for preferential and/or prededuction claims	**89.3**	**1.1**	**(56.2)**	**144.4**	**0.0**

The decrease of 55.3 million euros in trade payables with preferential or prededuction status reflects partial payments totaling 52.8 million euros made through December 31, 2005 and the decision by creditors to waive preferential or prededuction status for claims totaling 2.5 million euros (reclassified as unsecured claims).

The increases consist mainly of statutory interest accrued since October 1, 2005 and, for a lesser amount, the inclusion of new claims with preferential and/or prededuction status by the Giudici Delegati after October 1, 2005.

(25) Trade Payables

Trade payables totaled 216.7 million euros. A breakdown is as follows:

	12/31/05	Increases	Decreases	Acquis. upon comp. w. cred. 10/1/05	12/31/04
Advances	0.0		(1.0)	1.0	0.0
Trade payables – Suppliers	184.5	4.8		174.2	5.5
Trade payables – Subsidiaries	32.2	4.9		27.3	0.0
Total trade payables	**216.7**	**9.7**	**(1.0)**	**202.5**	**5.5**

The increase in trade payables reflects the gradual return to normal procurement terms, which include longer terms of payment. The increase in trade payables owed to subsidiaries is due mainly to the start of operations by the Parmalat Distribuzione Alimenti S.r.l. subsidiary.

Breakdown of trade payables owed to subsidiaries:

Centrale del Latte di Roma S.p.A.	13.4
Deutsche Parmalat GmbH in AS	9.2
Parmalat Distribuzione Alimenti S.r.l.	4.0
Boschi Luigi e Figli S.p.A. in AS	2.8
Parmalat Molkerei GmbH in AS	1.1
Latte Sole S.p.A.	0.6
Parmalat Portugal Produtos Alimentares Sarl	0.4
Other companies	0.7
Total intra-Group trade payables	**32.2**

These payables reflect commercial transactions between the Company and its subsidiaries that are executed on market terms.

(26) Other Current Liabilities

Other current liabilities of 93.5 million euros include the following:

	12/31/05	12/31/04
Amounts owed to the tax authorities	23.4	0.1
Contributions to pension and social security institutions	31.2	0.0
Accounts payable to employees	18.9	0.0
Accounts payable to others	0.6	0.0
Accrued expenses and deferred income	19.4	0.0
Total other current liabilities	**93.5**	**0.1**

The main components of the amounts owed to the tax authorities are: liabilities for corporate income taxes (IRES) and regional taxes (IRAP) owed by companies under extraordinary administration and transferred to Parmalat S.p.A.; liabilities for income taxes withheld from employees, professionals and other consultants; and the liability for the registration tax owed on transfer to the Assumptor of the businesses of the companies under extraordinary administration that were included in the Proposal of Composition with Creditors.

The amount owed to the INPS was covered in part through the earmark of a VAT credit amounting to 27.7 million euros. Special powers of attorney to collect the VAT credits were issued to the INPS prior to the approval of the Composition with Creditors by Parmalat S.p.A. in AS (for 22.1 million euros) and Eurolat S.p.A. in AS (for 5.6 million euros). The Company issued another power of attorney in November 2005 to cover 4.2 million euros in preferential claims of the INPS that were transferred to the Company upon the approval of the Proposal of Composition with Creditors.

Accrued expenses and deferred income refer mainly to deferred income that arises from grants approved pursuant to Legislative Decree No. 173/1998.

The value of the individual grants attributable to the various assets will be reflected in the income statement, as part of Other income, in equal installments over the useful life of the underlying assets.

(27) Income Taxes Payable

Income taxes payable of 0.6 million euros reflect exclusively the Company's IRAP liability for 2005.

Guarantees and Other Memorandum Accounts

Guarantees

	12/31/05			12/31/04		
	Sureties	**Collateral**	**Total**	**Sureties**	**Collateral**	**Total**
Guarantees provided by outsiders on behalf of the Company	179.0		**179.0**	0.0	0.0	**0.0**
Total guarantees	**179.0**		**179.0**	**0.0**	**0.0**	**0.0**

The Guarantees provided by outsiders on behalf of the Company (179.0 million euros) refer mainly to guarantees provided by banks and/or insurance companies to government agencies in connection with VAT refunds and with bonus contests.

Other Memorandum Accounts

	12/31/05	**12/31/04**
Commitments		
Other commitments	15.3	0.0
Other		
Admission to composition with creditors proceedings	978.7	0.0
Total other memorandum accounts	**994.0**	**0.0**

Other commitments of 15.3 million euros refer to a commitment undertaken by Parmalat S.p.A. in AS toward the European Bank for Reconstruction and Development (EBRD) prior to the start of the extraordinary administration proceedings, which was then transferred to the Company, according to which Parmalat S.p.A. in AS agreed to buy from the EBRD shares of stock of O.A.O. Belgorodskij Molochnnij Kombinat (EBRD owns a 34.9% interest, with a put option exercisable between September 2007 and September 2010) and Parmalat Romania (EBRD owns a 19.696% interest, with a put option exercisable through November 2006).

As the successor in the rights of the companies included in the Composition with Creditors, the Company holds verified claims in several composition with creditors proceedings.

Specifically, the Company holds the following verified claims:

- unsecured claims against travel companies (form. Parmatour) for 628.9 million euros
- unsecured claims against licensee companies under extraordinary administration for 34.1 million euros
- unsecured claims against companies of the former Parmalat Group that are not included in the composition with creditors for 126.0 million euros
- unsecured claims against Sata and Agis for 156.9 million euros
- preferential claims against Boschi Luigi e Figli S.p.A. in AS for 1.4 million euros
- unsecured claims in the bankruptcy of Horus S.r.l. for 31.4 million euros
- **Total** **978.7 million euros**

Legal Disputes and Contingent Liabilities at December 31, 2005

Foreword

The Group is a party to civil and administrative proceedings related to events that affected the companies included in the Composition with Creditors prior to their becoming eligible for Extraordinary Administration status. Based on the information currently available and in view of the provisions that have already been set aside, these proceedings and actions are not expected to have a negative impact on the consolidated financial statements.

The Group has also filed a number of civil actions for damages and actions to void in bankruptcy that could have a positive financial impact of significant magnitude on its consolidated balance sheet.

Approval and challenge of the Proposal of Composition with Creditors

On October 1, 2005, the Court of Parma filed Decision No. 22/05 with the Office of the Clerk of the Court of Parma. This decision approved the Proposal of Composition with Creditors pursuant to Article 4 *bis* of Law No. 39 of February 18, 2004, as amended (Marzano Law). The Proposal of Composition with Creditors was put forth on March 3, 2004 by the following 16 companies under extraordinary administration: Parmalat S.p.A., Parmalat Finanziaria S.p.A., Eurolat S.p.A., Lactis S.p.A., Geslat S.r.l., Parmengineering S.r.l., Contal S.r.l., Dairies Holding International BV, Parmalat Capital Netherlands BV, Parmalat Finance Corporation BV, Parmalat Netherlands BV, Olex SA, Parmalat Soparfi SA, Newco S.r.l., Panna Elena C.P.C. S.r.l. and Centro Latte Centallo S.r.l.

The approval of the Composition with Creditors entails the "*succession*" of the company Parmalat S.p.A. as "*Assumptor of the position held by the Extraordinary Commissioner*" with "*the obligatory transfer consequences,*" as set forth in the court decision.

As of the writing of these Notes, the abovementioned court decision has not become final because it has been challenged by certain small shareholders. The Bologna Court of Appeals has scheduled the first hearing on April 10, 2006 to hear this challenge. If the Bologna Court of Appeals rules that the challenge is without merit, the court decision approving the Composition with Creditors will become final immediately, causing the extraordinary administration proceedings that involve the 16 companies included in the Composition with Creditors to come to an end.

Even though the court decision is not yet final, it is enforceable on a provisional basis, as allowed by an express provision of the Marzano Law and in accordance with the terms of the decision itself. Specifically, the decision expressly orders "*the immediate transfer to the Assumptor, Parmalat S.p.A., a company with registered office at 26 Via Oreste Grassi, Collecchio (PR), (…) of all of the assets, rights, equity investments and pending court actions,*" and extends the right to transfer *"all other rights, assets or contracts outstanding and in effect that belong to the companies included in the Composition with Creditors."*

The Composition with Creditors thus resulted in the transfer to Parmalat S.p.A. of all claims held by the abovementioned companies and therefore of the actions to void, actions for damages and liability actions filed by the Extraordinary Commissioner prior to the date of the court decision that approved the Composition with Creditors. Likewise, all procedings filed against the 16 companies included in the Composition with Creditors were transferred to Parmalat S.p.A.

Consequently, the Company has standing in the proceedings filed by or against the 16 companies under extraordinary administration that were included in the Proposal of Composition with Creditors.

The main proceedings involving the Parmalat Group are reviewed below.

Criminal Proceedings

Criminal Proceedings Filed by the Public Prosecutors of Milan and Parma

For several months, the Public Prosecutors of Milan and Parma have been conducting investigations to determine, among other things, if certain individuals who in the past were members of the corporate governance bodies of certain companies of the Parmalat Group and former employees and external consultants of those companies are criminally liable. Following investigations conducted by the Public Prosecutor of Milan, the Judge of Preliminary Inquiries at the Court of Milan indicted several individuals and companies. Preliminary hearings are currently under way, to which Parmalat Finanziaria S.p.A. and Parmalat S.p.A. joined as plaintiffs for damages, but only in the proceedings involving individuals.

On March 16, 2005, the Public Prosecutor of Milan filed a notice that it had completed its investigation. The notice listed facts that are relevant from the standpoint of criminal law and listed the counts (mostly related to stock manipulations) in indictments against certain employees of Italian and foreign banks and against the banks themselves.

On June 27, 2005, the preliminary hearing judge, Cesare Tacconi, filed an indictment with the Office of the Clerk of the Court charging, pursuant to Legislative Decree No. 231/2001, the individuals and companies listed in the report that concluded the preliminary investigation. The first hearing in the case was held on September 28, 2005. Subsequent hearings were held in December 2005 and January 2006, with additional hearings scheduled for February and March 2006. Some of the defendants have agreed to plea bargains, and their involvement in the case ended at the preliminary hearing level.

A preliminary hearing before Judge Cesare Tacconi in the proceeding filed against Bank of America, pursuant to Legislative Decree No. 231/2001, was held on February 22, 2006 at the Court of Milan. Parmalat Finanziaria is a plaintiff in these proceedings.

A preliminary hearing was held before Judge Tacconi on March 1, 2006, seeking the indictment of some banking institutions and several individuals. These proceedings represent an outgrowth of the investigation carried out by the Public Prosecutor of Milan, mainly in connection with allegations of stock manipulation.

If previous corporate governance bodies of certain companies of the Parmalat Group are found to be liable under criminal or administrative law, it is possible that the companies that employed them would be held liable under administrative law, in accordance with Legislative Decree No. 231 of June 8, 2001, and, consequently, be the target of fines or restrictive measures. To the best of the Group's knowledge, no such investigations are currently under way. However, the possibility that investigations of this type may be launched in the future cannot be excluded.

On May 11, 2005, the Public Prosecutor of Parma filed a notice of completion of the preliminary investigation that set forth facts that are relevant from the standpoint of criminal law and charged 71 individuals with crimes related mainly to fraudulent bankruptcy. On December 29, 2005, the abovementioned individuals were formally indicted on all charges, except for some that were (or will be) dismissed. A preliminary hearing has been scheduled for June 5, 2006.

Investigations in other matters are ongoing, but they are now close to completion.

Civil Proceedings Filed Against the Group

Insurance Companies vs. Parmalat Finanziaria S.p.A. in A.S.

Parmalat Finanziaria S.p.A. in A.S. is being sued by the insurance companies that had written policies providing coverage for the risks inherent in the exercise of the offices of Director, Statutory Auditor and General Manager. More specifically, in 1999, the insurance companies Chubb Insurance Company of Europe SA and AIG Europe SA provided Parmalat Finanziaria S.p.A. with a first-risk insurance policy covering the civil liability risks of the Directors, Statutory Auditors and General Managers of the Parmalat Group. In 2003, the insurance companies AIG Europe SA and XL Europe Ltd. issued as coinsurers a second-risk insurance policy covering the civil liability risks of the Directors, Statutory Auditors and General Managers of Parmalat Finanziaria S.p.A. in A.S. and its subsidiaries. These insurance companies have sued Parmalat Finanziaria S.p.A. in A.S. before the Court of Milan, asking the Court to void the abovementioned policies, alleging that the respondent company, acting fraudulently or with gross negligence, provided a deceptive representation of the Group and of the risks that the policies were covering, thereby inducing the plaintiff companies to issue policies that they would not have issued otherwise. The plaintiff companies are not requesting payment of any amount. Should the Court grant the plaintiffs' request that the insurance policies be voided, the decision would have a retroactive effect canceling the benefits of the challenged policies as of the date when they were first stipulated.

Eurofood IFSC Limited and Parmalat Finance Corporation BV

Subsequent to Eurofood IFSC Limited becoming eligible for extraordinary administration on February 9, 2004, two similar lawsuits were filed before the Civil Court of Parma. The first one was filed by Pearse Farrell, who, acting in his capacity as the liquidator of the Irish company Eurofood IFSC Limited appointed by the Court of Dublin on January 27, 2004, sued Enrico Bondi, in his capacity as Extraordinary Commissioner of the abovementioned company. In the second lawsuit, the plaintiff, Bank of America, sued Bondi, in his capacity as Extraordinary Commissioner of Eurofood. In both lawsuits, the plaintiffs are challenging Eurofood's declaration of insolvency delivered by the Court of Parma. As regards the first lawsuit, the plaintiff's requests were rejected in February 2006 and Mr. Farrell appealed against this decision. The second lawsuit, was adjourned to October 2007 for the specification of the conclusions.

Moreover, in a lawsuit filed by Fortune S.p.A. against Enrico Bondi, in his capacity as Extraordinary Commissioner of Parmalat Finance Corporation BV, the plaintiff challenges the decision finding the abovementioned company eligible for extraordinary administration status.

With regard to the dispute involving the Irish company Eurofood IFSC Limited, in connection with which extraordinary administration proceedings began before the Court of Parma in February 2004, Bank of America had asked Irish court authorities to place Eurofood in liquidation under the supervision of the Court of Dublin, which Bank of America claimed has sole jurisdiction to oversee Eurofood's liquidation. The conflict between Italian and Irish courts has been referred to the European Court of Justice, which is being asked to provide answers to five queries concerning the interpretation of certain provisions of EU Regulation No. 1346/2000. The Court of Justice has not deposited the final decision yet.

Class Action Lawsuits

In the United States, U.S. and foreign investors filed three class action lawsuits against Parmalat Finanziaria S.p.A. under E.A., other Group companies under extraordinary administration and other defendants, including the financial institutions that handled the issuance of certain financial instruments. These lawsuits have been consolidated into a single civil suit, which is currently pending before the U.S. District Court, Southern District of New York. At present, these proceedings are in the initial phase, and the plaintiffs have filed a general complaint demanding the payment of damages, which they did not quantify.

On October 18, 2004, the plaintiffs filed an amended complaint in the consolidated proceedings. The companies of the Parmalat Group were not named as defendants in the amended complaint by virtue of the protection provided by a Section 304 order, which is discussed below.

On August 22, 2005, the plaintiffs filed a second amended complaint that did not name any company of the Parmalat group as a defendant. Here too, the plaintiffs have not specified the amount of the damages they are claiming.

Petition Under Section 304

On June 22, 2004, several companies, including the 16 companies included in the Composition with Creditors, filed a petition with the New York Bankruptcy Court, invoking Section 304 of the U.S Bankruptcy Law.

Such petitions may be filed by companies with a registered office outside the United States (Foreign Debtors) when they are parties to composition-with-creditors proceedings outside the United States, so that the court where the motion is being filed, having ascertained that the foreign proceedings meet the requirements listed in Section 304, may prevent U.S. creditors from attaching the assets of the companies that are filing the petition and order that the actions of the creditors be filed within the framework of existing composition-with-creditors proceedings.

Presently, the temporary injunction has been extended until March 30, 2006 and the judge scheduled a hearing for March 29, 2006.

As a result of the approval of the Composition with Creditors, after clearing some critical aspects with some foreign investors, the New York Bankruptcy Court will consider the possibility of replacing the temporary injunction with a permanent injunction, which would permanently block any lawsuits in the United States against the Foreign Debtors. Conversely, if the New York Bankruptcy Court were to revoke the temporary injunction or refuse to grant a permanent injunction, all creditors of the Foreign Debtors (including those that are parties to the class action lawsuits — see the preceding paragraph) could file or continue to pursue legal actions against the Foreign Debtors in the United States, requesting, if appropriate, protective attachments of assets. Parmalat S.p.A. under E.A. believes, also based on the advice of counsel, that should the plaintiffs prevail in such proceedings, the provisions of the Proposal of Composition with Creditors would apply.

UBAE Arab Italian Bank

A lawsuit has been filed by UBAE Arab Italian Bank against Parmalat S.p.A. under E.A. before the Court of Parma. The plaintiff is asking the Court to order Parmalat S.p.A. under E.A. and other respondents to repay a loan of 15 million euros it provided to Parmalat S.p.A. under E.A. at the end of 2003, plus damages. As shown in the final list of creditors, a claim of the same amount as the loan of which the plaintiff is demanding repayment has been included among the liabilities of Parmalat S.p.A. under E.A. and will be satisfied in the same manner as the claims of all voting unsecured creditors. The lawsuit has been postponed for the specifications of the conclusions.

ACLU Sec (formerly Groupe Lactel Sec) VS Industria Lactea Venezolana (Indulac)

In Venezuela, ACLU Sec (formerly Groupe Lactel Sec) is suing Industria Lactea Venezolana ("Indulac"), a company of the Parmalat Group, and other companies outside the Parmalat Group for payment of an alleged trade receivable totaling US$2,633,438. The amount of this claim has not been included among the liabilities since the Group believes that it is unlikely that the plaintiff will prevail.

Wishaw Trading SA

Three civil actions have been filed against Wishaw Trading, an offshore company based in Montevideo, Uruguay. All actions are related to the defendant's failure to repay its promissory notes (guaranteed by Parmalat S.p.A.). Two cases are pending before a New York court. The first two were filed, respectively, by Abn Amro, which is seeking to recover US$10 million, and by Fortis Bank, which is demanding the repayment of about US$24.5 million. It is important to point out that the claims of both banks have been included among the liabilities of Parmalat S.p.A. under E.A. and are duly reflected on the Company's balance sheet. Lastly, Rabobank, a Dutch bank that was the guarantor of the unpaid promissory notes, filed a lawsuit in Uruguay against Wishaw Trading S.A. and Parmalat S.p.A. under E.A. seeking to attach assets or receivables held by the Group in Uruguay for an amount of about US$5 million. The Company is not in a position to predict the outcome of these lawsuits.

In the lawsuit filed by Fortis Bank, the plaintiff submitted as evidence a confirmation that Wishaw had been served with the summons by a Uruguayan public official and, on June 15, 2005, the court in New York confirmed that the summons had been validly served. Subsequently, Fortis Bank petitioned the same New York court, asking that it find Wishaw in default and order Wishaw to pay the amount of the notes, plus accrued interest. On August 24, 2005, the court ordered Wishaw to pay the abovementioned amount, which Fortis, the plaintiff, can now attempt to recover in Uruguay.

With regard to the company's tax status, based on the information currently available, there appear to have been no new developments in connection with the tax audit carried out by the Uruguayan authorities.

As already explained, Wishaw Trading S.A. is classified as an offshore holding company and, as such, enjoys an advantageous tax status in Uruguay.

It is important to keep in mind that, based on the activities actually carried out by Wishaw Trading S.A., the company could risk being stripped of its offshore company status and become for all purposes a regular Uruguayan company subject to the tax rates normally applied to commercial companies that operate in Uruguay.

Alternatively, there is a concrete risk that the tax authorities could challenge the criteria used to determine the taxable assets for the years from 1999 to 2002. The resulting risk is estimated at about 20 million euros.

Parmalat Brasil S.A. Industria de Alimentos

On July 28, 2005, the Group's Brazilian companies (Parmalat Brasil Industria de Alimentos SA and Parmalat Participacoes do Brasil Ltda), which in 2004 had been found eligible for a local type of composition with creditors proceedings called *Concordata*, petitioned the Brazilian court of venue asking it to declare them eligible for a new form of composition with creditors proceedings called *Recuperacao Judicial*, as allowed under a new bankruptcy law enacted in Brazil in the spring of 2005. The court granted the petitions, and the decision was published in Brazil pursuant to law. At the end of 2005, the plan filed by Parmalat Brasil S.A. Industria de Alimentos was approved by its creditors with certain amendments required by the withdrawal of a potential local buyer.

With regard to Parmalat Partecipacoes do Brasil Ltda, which is a holding company, a meeting of the creditors scheduled for January 16, 2006 to approve the restructuring plan was postponed to March 31, 2006. It is possible that the terms of the restructuring plan may change during this period.

Moreover, it is important to underline that the Brazilian tax authorities, following a tax audit for year 1999, issued a notice of assessment for additional taxes, penalties and interest in the amount of 10,718,598,913 reals. The amount currently in dispute is 12,889,694,854.70 reals.

The company defended its position in the administrative venue, filing a brief supported by ample documentation. It contested the assessment from both a formal and substantive standpoint, asking that the assessment be declared null and void due to the unlawful manner in which the assessment was carried out.

The situation described above has not changed and no new developments pointing to a quick solution of this dispute have emerged. The only development worth noting is that, based on the arguments put forth by the company in its

defense, the Administrative Court has ordered that officials of the Brazilian tax agency go back to the company to determine whether the arguments put forth by the company in its defense have merit. Based on the most recent information available, the officials of the Brazilian tax agency have not yet gone back to the company.

Moreover, in December 2005, Parmalat Brasil received an additional notice of assessment for 1,020,761,198 reals for federal taxes, penalties and interest for 2000. The company challenged this assessment before an Administrative Court in January 2006. Due to the lack of progress in this dispute, Parmalat is not able to provide an opinion about its outcome. At this point, no provision has been set aside for these contingent liabilities, which at present can be qualified as unlikely to occur.

With regard to this issue, Parmalat S.p.A. has been informed by counsel that, notwithstanding the general principle of the limited liability of shareholders for the obligations of a company in which he/she has an investment or controls, under Brazilian law, shareholders can be held liable for a company's tax or social security contribution obligations, particularly when the shareholders serve as Directors, managers or agents, and the abovementioned obligations are the result of actions carried out by the shareholders in violation of the law and/or the company's Articles of Incorporation or the Bylaws. In cases involving a mere delay in payment or failure to pay taxes absent the serious violations referred to above, the Brazilian courts have excluded the liability of shareholders. The Group is not aware of any past facts or circumstances in the operations of the Group under extraordinary administration that would make the abovementioned provisions applicable.

Lawsuits by Former Directors of Companies of the Group Under Extraordinary Administration

On March 9, 2005, the Group was served with a summons by Michael Rosicki, the former Chief Executive Officer of Parmalat Dairy & Bakery Inc., whose contract expired in 2004. This dispute was settled during the second half of 2005.

In February 2005, Giovanni Bonici, the former President of Industria Lactea Venezolana C.A. ("Indulac"), served a summons on Indulac challenging his dismissal, of which he was informed in 2004. The plaintiff is asking that his dismissal be declared invalid and that Indulac be ordered to pay damages for various reasons totaling US$20 million (equal to about 14.7 million euros). At present, the lawsuit is pending before the Labour Judge of the Court of Caracas.

Civil Proceedings Filed by the Group and Settlements

Protective Attachment, Prior to the Start of the Proceedings, Against Former Directors and Liability Actions

Early in 2004, the Extraordinary Commissioner filed a protective attachment by the Court of Parma against former members of the Boards of Directors and Boards of Statutory Auditors of Parmalat Finanziaria S.p.A., under extraordinary administration, and of Parmalat S.p.A., under extraordinary administration, who, in addition to other activities, approved the financial statements at December 31, 2002. This action also applies to certain former employees and external consultants who are deemed to have contributed to the creation of the Group's state of insolvency. The Civil Court of Parma granted to the complainants Parmalat Finanziaria S.p.A. under E.A. and Parmalat S.p.A. under E.A. two protective attachment orders against the abovementioned people in the amount of 11.9 billion euros.

In a subsequent action for protective remedies, which was filed within the statutory deadline, Parmalat Finanziaria S.p.A. under E.A. and Parmalat S.p.A. under E.A. served two summons on the individuals who were the target of the orders of attachment, thereby filing merit proceedings before the Court of Parma. The complainants have requested that these proceedings be consolidated. The purpose of these proceedings is: (a) to ascertain the contractual and extra-contractual liability of each of the respondents — in their capacities as Directors, Statutory Auditors, consultants or employees — in causing the financial collapse of the complainant companies, and (b) to obtain that all of the respondents be found jointly liable and ordered to pay damages in the maximum amount mentioned above.

Subsequently, Parmalat Finanziaria S.p.A. in AS and Parmalat S.p.A. in AS served a third summons on other individuals in a similar position, whom it alleges are jointly liable, asking the court to issue the same ruling as in the other two lawsuits. The plaintiffs asked that this action be joined with the other two.

Thus far, oral arguments have been scheduled (for May 26, 2006) only in connection with the first liability action filed pursuant to Article 16 of Legislative Decree No. 5/2003. In the other actions, the parties are still in the process of filing the briefs required pursuant to Article 7, Section III, of Legislative Decree No. 5/2003.

Civil Lawsuits in the United States of America

The Extraordinary Commissioner filed three lawsuits in the United States: the first one was filed against certain companies of the Citibank Group (Citigroup Inc., Citibank N.A., Vialattea LLC, Buconero LLC and Eureka PLC); the second one was filed against the independent auditors Deloitte & Touche and Grant Thornton; the third one was filed against certain companies of the Bank of America Group (Bank of America Corporation, Bank of America National Trust and Savings Association Ltd and Bank of America NA). All three lawsuits are based on the assumption that in the years up to and including 2003, the defendants acted while they were aware, or should have been aware, of Parmalat's state of insolvency and cooperated with the Group's senior management in hiding from the public the Group's insolvent condition, thereby unduly delaying the disclosure of its financial collapse. As a result of these actions, the defendants aggravated the Group's insolvency while earning considerable sums of money for the services they provided to the Group. The purpose of these civil actions is to obtain that the defendants be found liable for their actions and ordered to pay all damages, including punitive damages, allowed under U.S. law.

In civil lawsuits filed in the United States, the defendants routinely file motions to dismiss on preliminary, jurisdictional or merit grounds. The completion of this phase and therefore of the motions filed by the defendants is in itself a positive development and allows a lawsuit to continue, but does not yet mean that the complaint filed by the plaintiff will be found to have merit.

On July 29, 2004, the Extraordinary Commissioner filed a complaint with the Superior Court of the State of New Jersey (USA) asking that Citigroup and some of its subsidiaries be ordered to pay damages caused to Parmalat S.p.A. through the consulting activity rendered for many years with regards to several transactions carried out on behalf of several Group companies. The respondents filed a motion to dismiss asking that all claims put forth by the Extraordinary Commissioner be rejected on jurisdictional grounds. In a decision handed down on February 28, 2005, the judge in these proceedings denied the respondent's motion and ruled that the Superior Court has jurisdiction over the complaint. On March 17, 2005, Citigroup Inc. and the other respondents filed response briefs in which they contested the complainant's allegations and claims and asked that the complainant be ordered to pay financial damages of more than US$500 million and punitive damages, interest and costs of an undetermined amount. These countersuits are subject to the restrictions provided under a temporary restraining order granted pursuant to Section 304 of the U.S. Bankruptcy Law to protect certain companies of the Group under extraordinary administration. Consequently, it is possible that these demands could be declared inadmissible before a hearing on the merits even begins.

On April 18, 2005, the New Jersey Superior Court, Appellate Division, denied Citigroup's right to appeal the rejection of its motion to dismiss. However, on July 11, 2005, the Supreme Court of New Jersey, in response to a motion filed by Citigroup, granted Citigroup the right to appeal the rejection of its motion to dismiss. The appeal will be heard by the New Jersey Court Appellate Division and will be decided by a panel of judges. Citigroup filed its motion, followed by Parmalat's response and Citigroup's redress. At the moment, the parties are waiting for the Appellate Court to set the date for the hearing. In the meantime, the process called discovery has been suspended waiting for a decision from the Appellate Court.

On August 18, 2004, the Extraordinary Commissioner filed a complaint with the Circuit Court of Cook County in the State of Illinois (USA) asking that Parmalat's independent auditors, Grant Thornton International and Deloitte Touche Tohmatsu and their U.S. and Italian branches, be ordered to pay damages. The damages that are being claimed should not be less than US$10 billion. The lawsuit was transferred to the Court of New York.

On July 14, 2005, Judge Kaplan of the New York District Court rejected a motion to dismiss filed by the independent auditors, who claimed that they had no connection to the Italian companies that had worked with the Parmalat group, claiming that they could not be held responsible for the actions of separate and autonomous legal entities.

Judge Kaplan found that the local independent auditors acted as branches of the companies that controlled them and confirmed that Parmalat's complaints were admissible, but excluded the U.S. companies from the proceedings. He then granted the Extraordinary Commissioner an opportunity to file an amended complaint that would allow the inclusion of the U.S. companies in the proceedings. The counsel retained in this case filed the amended complain on September 30, 2005.

On November 4, 2005, the independent auditors filed a new motion to dismiss alleging that the amended complaint filed by the Extraordinary Commissioner was not admissible, owing in part to the complicity of the former Parmalat Directors in causing the Company's collapse (motion known as "in pari delicto"). However, this argument does not appear to meet the test of highest diligence that the laws of Illinois impose on independent auditors. In a decision handed down on March 16, 2006, Judge Kaplan admitted that Grant Thornton U.S. branch could be included in the proceedings, but excluding Deloitte one; all other Parmalat complaints remained unchanged since the Judge denied all other motions.

In the meantime, as is the case for the Citigroup lawsuit, the proceedings have entered the discovery phase. At the request of the Extraordinary Commissioner, the independent auditors have produced a massive quantity of new documents. If an examination of these documents reveals significant information that was not known and could not have been known before, the Extraordinary Commissioner may ask to file a new amended complaint.

Moreover, since the documents produced by the independent auditors were incomplete and unsatisfactory, Judge Kaplan granted the Extraordinary Commissioner's request that the independent auditors be ordered to produce all of the documents requested in connection with these proceedings.

On October 7, 2004, the Extraordinary Commissioner of Parmalat S.p.A. under E.A. and Parmalat Finanziaria S.p.A. under E.A., filed a complaint against various companies of the Bank of America Group in the District Court of Asheville, North Carolina (U.S.A.). This lawsuit is based on the fact that, at least since 1997, Bank of America had been assisting the Parmalat Group in raising financing using different types of transactions. These transactions are unique because Bank of America was aware of the precarious financial condition of the Parmalat Group and because of other features. Based on these considerations, the plaintiffs believe that Bank of America knowingly took advantage of its position to artificially prolong the survival of the Parmalat Group, even though it was insolvent, thereby significantly worsening its debt exposure. As a result, the plaintiffs are suing for damages in an amount that will be determined by a jury in the course of the proceedings.

Bank of America and the other defendant companies filed a motion to dismiss on several grounds. In August 2005 Judge Kaplan of the New York District Court rejected some of the complaints filed by the Extraordinary Commissioner but granted the Extraordinary Commissioner an opportunity to file an amended complaint, presenting additional arguments that may make a portion of the complaint admissible. However, the judge allowed the most important of the complaints put forth by the Extraordinary Commissioner, in which he asked the court to find the defendant companies guilty of conspiring with top managers of the Group (before the start of the extraordinary administrations proceeding) to violate innumerable fiduciary obligations and thereby concurring to bring about and aggravate the Group's financial collapse. Lastly, Judge Kaplan rejected a petition filed by a British subsidiary of Bank of America, which asked to be excluded from the proceedings on jurisdictional grounds.

On January 31, 2006, in response to the amended complaint filed by the Extraordinary Commissioner and the motion to dismiss filed by Bank of America, Judge Kaplan issued a new order accepting some of the new motions, including the one calling for the enforcement of the U.S. anticorruption statutes (known as "RICO claims") to three specific operations. In the event of a favorable decision, the Company would be entitled to ask for triple the amount of the proven damages, as allowed under the abovementioned U.S. statutes, which allow the award of treble damages or punitive damages.

The lawsuit against Bank of America is also in the discovery phase. The parties have started to produce the required documents, and this process will continue in the coming months.

Actions for Damages

The Extraordinary Commissioner, among the initiatives taken to identify the possible liability of other parties, in addition to the individuals and companies sued in the actions described in the Prospectus, has filed additional civil actions with Italian courts. These actions are described in the table provided on the following page. The purpose of these actions is to determine the existence of liability (based on contractual obligations or, when applicable, other obligations) of the Italian

and foreign defendants who are presumed to have contributed to or aggravated the financial collapse of the plaintiff companies or of the entire Group under Extraordinary Administration.

The purpose of the actions listed in the abovementioned table is to have the courts order the defendants to pay for the damages they caused to the plaintiff companies. The yardstick used to quantify those damages is the impairment loss suffered by the plaintiff companies. Based on an analysis carried out by the Extraordinary Commissioner with the support of consultants, the maximum amount of the impairment loss incurred as of December 31, 2003 was estimated at 13,140 million euros for the Group under Extraordinary Administration and 13,889 million euros for the subsidiary Parmalat S.p.A. in AS.

The following additional clarifications also appear to be in order:

First, in accordance with the general principles of Italian law, the only damages that can be compensated are those that have actually been incurred and ascertained through court proceedings. Therefore, the maximum compensation that can be awarded to a plaintiff company is the amount of the total damages incurred and ascertained in court proceedings — in case in point, the amount of the impairment losses listed above — and may never be greater than that amount. Consequently, compensation paid for damages may at best restore a plaintiff's condition to that which existed before the occurrence of the event that caused the damages but may never enrich the injured party. Insofar as the companies of the Group under extraordinary administration are concerned, there is only one exception to this principle: the actions filed by the Extraordinary Commissioner in the United States of America could result in awards in excess of the damages actually incurred and proved in court proceedings, since the U.S. legal system allows different types of damage awards (such as treble damages or punitive damages) that are greater than those allowed under Italian law.

Second, consistent with the findings of the plaintiff's consultants, the damage that the Extraordinary Commissioner is claiming from the various defendants is a single amount and corresponds to the amount of the impairment loss suffered by the Group under extraordinary administration, i.e., of the companies that became eligible for extraordinary administration. This approach has two consequences: first, the Extraordinary Commissioner, based on the principle of joint liability set forth in Article 2055 of the Italian Civil Code, can claim for each of the parties that he believes have participated in causing the damage the entire amount of the damage caused during the period from the time the defendants' unlawful conduct occurred and the date of the declaration of insolvency. The other consequence of the single-amount approach is that, should the civil actions filed by the Extraordinary Commissioner result in the payment of compensation, the amount of the damage payable by the other defendants would be reduced by a corresponding amount. Such a reduction has already occurred as a result of the settlements reached thus far. These settlements have been communicated to the market.

The foregoing considerations also show that there is a difference between the actions for damages discussed above and the actions to void in bankruptcy. While the purpose of the former is to effectively restore a plaintiff's assets through the payment of monetary compensation, the actions to void are filed to void payments made to the defendants by each of the companies that are parties to the composition with creditors, provided the requirements of the bankruptcy law are met, in order to ensure that all creditors of the companies under extraordinary administration are treated equally (equal treatment of creditors). In addition, these two types of actions clearly have different effects: payments received as a result of actions for damages reduce the amount of the overall damage suffered by the companies under extraordinary administration, while the amounts paid in connection with actions to void increase the liabilities of those companies by a corresponding amount. A creditor who received a payment that was later voided can include the resulting claim among the debtor's liabilities for the full amount of the voided payment and the claim can be satisfied with shares of the Issuer based on the final recovery ratios applicable to the claim, as well as with the warrants owed in accordance with the provisions of the Composition with Creditors.

Lastly, the Extraordinary Commissioner, based on facts and documents that have come to light and have been verified by the Extraordinary Commissioner and his consultants, believes that all of the civil actions that he filed in Italy and abroad are meritorious and deserve to be pursued. Nevertheless, all of these actions are in the initial stage and, consequently, it is impossible to make predictions about their outcome or about the amounts that could be recovered.

ACTIONS FOR DAMAGES

Plaintiffs	Defendants	Court where filed	Status of the dispute	Principal claim (millions of euros)	Subordinated claim (millions of euros)	Supple-mental claim (millions of euros)
Parmalat S.p.A. in AS; Parmalat Finanziaria S.p.A. in AS; Parmalat Finance Corporation BV in AS; Parmalat Capital Netherlands BV in AS; Parmalat Netherland BV in AS; Parmalat Soparfi SA in AS.	UBS Limited; Deutsche Bank AG; Deutsche Bank AG London	Parma	First hearing scheduled	The amount determined in the course of the proceedings, but not less than 2,199	1,210.9	420 UBS 350 DB
Parmalat S.p.A. in AS; Contal S.r.l. in AS	IFITALIA International Factors Italia S.p.A.	Parma	First hearing scheduled	An amount to be determined in the proceedings in proportion to the liability for contributing to the financial collapse of the plaintiff companies from 1999 on	151.3 or any greater or smaller amount determined in the course of the proceedings	
Parmalat S.p.A. in AS; Parmalat Finance Corporation BV in AS	Credit Suisse First Boston International; Credit Suisse First Boston (Europe) Ltd	Parma	First hearing scheduled	7,113 or any other amount determined in the course of the proceedings.	248 (in addition to two other items) or any other amount determined in the course of the proceedings	
Parmalat S.p.A. in AS; Parmalat Finance Corporation BV in AS	Merrill Lynch International, Sires Star Limited	Parma	First hearing scheduled	126.5 or any other amount determined in the course of the proceedings		
Parmalat S.p.A. in AS	Cassa di Risparmio di Parma e Piacenza S.p.A.	Parma	First hearing scheduled	An amount to be determined in proportion to the liability for contributing to the financial collapse of the plaintiff companies from 1999 on, but not less than 700	1,210.9	420 UBS 350 DB
Parmalat S.p.A. in AS; Parmalat Finanziaria in AS; Parmalat Finance Corporation BV in AS; Parmalat Soparfi SA in AS; Parmalat Netherlands BV in AS; Parmalat Capital Netherlands BV in AS;	JPMorgan Europe Limited; JPMorgan Securities Ltd; Unicredito Italiano S.p.A.; Unicredit Banca Mobiliare – UBM S.p.A.; Unicredit Banca d'Impresa S.p.A	Parma	First hearing scheduled	4,400 plus financial expenses for the bond issues in question (to be quantified in the course of the proceedings) or any other amount awarded by the court		

Plaintiffs	Defendants	Court where filed	Status of the dispute	Principal claim (millions of euros)	Subordinated claim (millions of euros)	Supple-mental claim (millions of euros)
Parmalat S.p.A. in AS; Parmalat Finanziaria S.p.A. in AS; Parmalat Finance Corporation BV in AS; Parmalat Soparfi SA in AS; Parmalat Netherlands BV in AS; Parmalat Capital Netherlands BV in AS	Unicredit Banca Mobiliare S.p.A. – UBM S.p.A.; Banca Caboto S.p.A.; Banca Intesa S.p.A	Parma	First hearing scheduled	1,861.8 plus financial expenses for the bond issues in question (to be quantified in the course of the proceedings) or any other amount awarded by the court		
Parmalat S.p.A. in AS	Banca di Roma S.p.A	Parma	First hearing scheduled	To be determined in proportion to the liability for contributing to the financial collapse, plus an amount to be substantiated in the course of the proceedings, but not less than 265		
Parmalat S.p.A. in AS; Parmalat Finance Corporation BV in AS	Banca d'Intermediazione Mobiliare IMI S.p.A	Parma	First hearing scheduled	An amount to be substantiated in the course of the proceedings, but not less than 1,300		
Parmalat S.p.A. in AS; Parmalat Finance Corporation BV in AS	Banca Monte dei Paschi di Siena Spa; MPS Finance Banca Mobiliare Spa	Parma	First hearing scheduled	An amount to be substantiated in the course of the proceedings, but not less than 1,300		
Parmalat S.p.A. in AS	The McGraw-Hill Companies (Standard & Poor's Market Services Srl); The McGraw-Hill Companies (Standard & Poor's Rating Services) SA	Milan	First hearing scheduled	4,857 plus an amount corresponding to the liability for contributing to the financial collapse, which will be determined in the course of the proceeding.		
Parmalat S.p.A. in AS	Banca AKROS Spa, Credit Suisse First Boston International, Deutsche Bank AG, J.P. Morgan Chase Bank NA, Merrill Lynch Capital Markets Bank Limited, UBS AG	Parma	First hearing scheduled	2,006.3 or any other amount determined in the course of the proceedings		

Actions to Void in Bankruptcy

As is customary in such situations, the Extraordinary Commissioner has filed those actions to void in bankruptcy with respect to which he has ascertained or is in the process of ascertaining his right to file. Specifically, actions to void have thus far been filed with the Court of Parma against 71 Italian and foreign companies, in addition to those already filed before the Court of Parma against CSFB, Deutsche Bank, UBS and Morgan Stanley. The latter are reviewed below and have already been discussed in communications to the financial markets. Other actions to void are about to be filed by the Extraordinary Commissioner.

On August 19, 2004, the Extraordinary Commissioner of Parmalat S.p.A. in A.S. sued Credit Suisse First Boston International ("CSFB") before the Court of Parma in an action to void in bankruptcy, pursuant to Article 67 of the Bankruptcy Law, a forward sale agreement (the "Agreement") executed in January 2002. The Agreement subject of the action to void was executed as part of a transaction that involved the placement of convertible bonds totaling 500 million euros issued by Parmalat Partecipaçoes do Brasil Ltda and subscribed in full by CSFB. Under the Agreement, CSFB sold forward to Parmalat the conversion rights it acquired by virtue of the abovementioned 500-million-euro convertible bond issue, receiving as consideration the advanced payment by Parmalat of the sum of 248.3 million euros. The amount that Parmalat is asking CSFB to repay is 248.3 million euros, plus accrued interest. The Extraordinary Commissioner has reserved the right to sue CSFB separately for damages.

The Extraordinary Commissioner of Parmalat Finance Corporation BV in A.S. and Parmalat S.p.A. in A.S. sued Deutsche Bank S.p.A. ("Deutsche Bank") before the Court of Parma in an action to void in bankruptcy, pursuant to Article 67 of the Bankruptcy Law, a transaction executed in December 2003, as a result of which Deutsche Bank was able to reduce its exposure toward Parmalat S.p.A. by a total of about 17 million euros. The transaction amount that the court is being asked to void is 17 million euros, plus accrued interest. The Extraordinary Commissioner has reserved the right to sue Deutsche Bank separately for damages.

The Extraordinary Commissioner of Parmalat Finance Corporation BV in A.S. ("Parmalat BV") sued UBS Limited ("UBS") before the Court of Parma in an action to void in bankruptcy, pursuant to Article 67 of the Bankruptcy Law, a transaction executed in July 2003 that involved the placement of two bond issues with a total par value of 420 million euros (see Section One, Chapter I, Paragraph 1.1.2), as part of which Parmalat Finance Corporation BV agreed to buy 290 million euros of Banco Totta & Açores S.A. debt securities from UBS. The latter securities are credit-linked notes that were purchased from UBS as protection against the risk of default by the Parmalat Group. The transaction amount that the court is being asked to void is 290 million euros, plus accrued interest. The Extraordinary Commissioner has reserved the right to sue UBS separately for damages.

In all of these actions to void and in those filed earlier, the first hearing in which the parties appear before a judge have been held, and the defendants, in response to the summons, raised numerous objections on the merit of the actions.

In August 2005, the Extraordinary Commissioner served banks that are part of the Intesa Group with summons to appear in seven actions to void filed pursuant to Article 67 of the Bankruptcy Law.

The Extraordinary Commissioner has also sued TetraPak International S.A. (TetraPak International) in an action to void filed pursuant to Article 67, Section Two, and Article 64 of the Bankruptcy Law in connection with a financing transaction executed in April 2003 under a loan agreement pursuant to which TetraPak International loaned Parmalat Finance Corporation BV 15 million euros. This agreement was also signed by Parmalat S.p.A. as guarantor for Parmalat Finance Corporation BV. The purpose of the lawsuit is to recover about 15.1 million euros, which is the amount that Parmalat Finance Corporation BV paid the defendant on August 4, 2003.

In the action to void filed against Banca Popolare di Vicenza S.c.a.r.l., the defendant responded by raising preliminary and merit objections. It also countersued the plaintiff, Parmalat S.p.A. in AS, asking that it be ordered to pay 22.5 million euros for the monetary and moral damages caused by the fraudulent behavior of the previous Directors of the Group under extraordinary administration. The defendants in the other actions to void have not countersued.

The action to void filed by Parmalat S.p.A. in AS and Parmalat Finance Corporation BV in AS against Morgan Stanley and Morgan Stanley Bank was dropped when the Extraordinary Commissioner and the abovementioned banks reached a settlement in the amount of 155 million euros. This settlement was explained in greater detail in a press release issued by Parmalat Finanziaria S.p.A. in AS on July 19, 2005.

The action to void originally filed by Parmalat S.p.A. in AS against Irfis Medio Credito della Sicilia was dropped due to a subsequent lack of interest in pursuing it.

In certain cases, within the framework of actions filed by creditors with totally or partially excluded claims who are contesting the computation of the sum of liabilities, it became necessary for the Extraordinary Commissioner to demand the cancellation of the guarantees provided by companies of the Group under extraordinary administration during the year that preceded the declaration of insolvency, as allowed by Article 67 of the Bankruptcy Law. More specifically, if a creditor asks that a claim be included among the liabilities based on a guarantee provided by a company of the Group under extraordinary administration, the company in question, acting within the framework of the same legal action, must countersue, when the law so requires, asking that the guarantees provided during the year that preceded its declaration of insolvency be cancelled. Such counteractions to void may be filed only for an amount equal to the claim of the opposing party and solely for the purpose of securing rejection of the claim. In other words, the purpose of these actions to void is not to add cash to the Group's treasury but to prevent the alleged claim of a creditor from being included among the Group's liabilities.

Many defendants have questioned the constitutionality of the portion of Article 6 of the Marzano Law that allows the filing of actions to void, as allowed under Articles 49 and 91 of Legislative Decree No. 270/99, as part of a restructuring program, because it violates Articles 3 and 41 of the Constitution. As regards 13 of the actions to void, the Judges convened by the Court of Parma referred the matter to the Constitutional Court, therefore the affected proceedings have temporarily been put on hold, pending a decision by the Constitutional Court. Currently, the discussion hearing has been scheduled for April 4, 2006.

However, it is important to keep in mind that the assumptions that underpin the Restructuring Program and the expectations of its success are based on industrial considerations and are independent of any gains that may be obtained by filing the abovementioned actions to void.

For the sake of full disclosure and given the impossibility at this point to make predictions about the outcome of the abovementioned actions to void, it is important to point out thatany gain that may be generated by these actions, according to the Proposal of Composition with Creditors, will obviously inure to Parmalat S.p.A., and that, therefore, such gain will benefit indiscriminately all of the creditors who have become shareholders of Parmalat S.p.A., irrespective of which of the companies included in the Proposal of Composition with Creditors has filed a given action to void. Moreover, as a result of the approval of the Proposal of Composition with Creditors, all of the actions to void filed thus far against banks and bank-like institutions have been transferred to Parmalat S.p.A. As of the date of this Report, the aggregate euro amount claimed through these actions to void (the damage claims of existing actions to void) is 7,458 million euros, 92% of which refers to Parmalat S.p.A. in A.S.

Settlement with Morgan Stanley

In July 2005, acting with the approval of the Italian Ministry of Production Activities and having received a favorable opinion from the Oversight Committee, the Extraordinary Commissioner entered into an agreement with Morgan Stanley, Morgan Stanley & Co International Limited and Morgan Stanley Bank International Limited to settle any and all claims arising from transactions between the abovementioned companies and the Parmalat Group under extraordinary administration in consideration of the payment of 155 million euros to Parmalat S.p.A. in AS by the abovementioned companies. Parmalat S.p.A. in AS agreed to abandon all actions (to void) previously filed against Morgan Stanley and refrain from filing any actions for damages against the abovementioned companies in connection with any liability for participating in bringing about and/or aggravating the financial collapse of the Parmalat Group.

Boschi Luigi & Figli S.p.A. Liability Action

Parmalat S.p.A. in A.S. is the owner of an 89.44% interest in Boschi Luigi & Figli S.p.A. ("**Boschi**"). On May 31, 2004, the Extraordinary Commissioner filed a complaint with the Court of Parma requesting an order of protective attachment of the personal and real property of Boschi's former Directors and Statutory Auditors.

By an order filed on July 5, 2004, the Court of Parma granted to the complainant, Parmalat S.p.A. in A.S., an order of protective attachment for the aggregate amounts of 3,000,000.00 euros for the former Directors and 2,000,000.00 euros for the former Statutory Auditors.

Subsequently, by a summons served on September 22, 2004, Parmalat S.p.A. in A.S. filed an action on the merits against all of the abovementioned individuals in which it asked the Court to (a) find that the defendants were contractually and extracontractually liable for Boschi's financial collapse and (b) order them jointly to pay damages estimated in the aggregate at 2,800,000 euros, or any larger or smaller amount that may be determined in the course of the proceedings.

Administrative Proceedings Filed Against the Group

Complaints Filed with the Administrative Regional Court of Latium

In the administrative venue, three complaints have been filed with the Administrative Regional Court of Latium against several defendants, including Parmalat S.p.A. in A.S., the Ministry of Production Activities and the Ministry of Agricultural and Forest Policies challenging the decrees (Ministerial Decrees of December 24, 2003, January 30, 2004 and February 9, 2004) that declared certain Group companies eligible for Extraordinary Administration and appointed the Extraordinary Commissioner. These complaints were rejected by the Administrative Regional Court of Latium with decisions dated July 12, 2004 and July 16, 2004.

On September 20, 2004, an organization that represents Italian consumer groups called Codacons, which was the losing complainant in one of the complaints, asked the Council of State to set aside the decision of July 12, 2004, with which the Administrative Regional Court of Latium rejected a complaint filed by Codacons asking that the ministerial decrees that declared Parmalat S.p.A. and Parmalat Finance Corporation B.V. eligible for Extraordinary Administration Proceedings be declared invalid. To this date, no appeal of the rejections of the other two complaints has been filed.

Other complaints that are pending before administrative judges are reviewed below.

Citibank N.A. Complaint

On October 7, 2004, Citibank NA filed a complaint with the Regional Administrative Court of Latium against the Ministry of Production Activities, the Ministry of Farming and Forestry Policies and the Extraordinary Commissioner of Parmalat Finanziaria S.p.A. in A.S. and other companies of the Group under extraordinary administration. The complaint also names eight financial institutions, which it targets as respondents. The complainant asks the Court to annul or amend the Restructuring Program prepared by the Extraordinary Commissioner, the remarks attached by the Extraordinary Commissioner to the provisional list of creditors and the Ministerial Decree approving the abovementioned Restructuring Program (Ministerial Decree of July 23, 2004). The complainant has also requested damage compensation; however, during the first hearing on March 9, 2006, Citibank required the Court to declare the case barred from prosecution.

UBS AG Complaint

In a complaint dated December 15, 2004, UBS AG, a Swiss bank, sued before the Regional Administrative Court of Latium the Parmalat Group companies that have been placed under extraordinary administration, the Italian Ministries of Production Activities and of Agricultural and Forest Policies, Banca Intesa BCI and Banca Popolare di Lodi, asking that the Ministerial Decree authorizing the implementation of the Restructuring Program, certain related official acts and the Decree by which the Italian Minister of Production Activities authorized the establishment of Fondazione Creditori Parmalat be declared null and void. UBS is also demanding compensation for the damages it suffered. The date of the first hearing has yet to be set.

JP Morgan – Unicredito Complaints

In two separate complaints filed on November 15, 2005 before the Regional Administrative Court of Latium, JP Morgan Europe Ltd and JP Morgan Securities Ltd sued Parmalat Finance Corporation BV in AS, Parmalat Netherlands BV in AS, Parmalat Capital Netherlands in AS, Parmalat Soparfi SA in AS and the Ministry of Production Activities, asking that the Ministerial Decrees authorizing the start of the extraordinary administration proceedings and the appointment of the Extraordinary Commissioner of the respondent companies and all related acts be declared null and void. The first hearing in this case has been scheduled for July 20, 2006.

On November 15, 2005, Unicredito Italiano SpA and Unicredito Banca Mobiliare SpA filed similar but separate complaints against the Ministry of Production Activities and the companies listed in the preceding paragraph, asking that the Ministerial Decrees authorizing the start of the extraordinary administration proceedings and the appointment of the Extraordinary Commissioner of the respondent companies and all related acts be declared null and void. The first hearing in this case has been scheduled for July 20, 2006.

Complaint by Minority Shareholders of Boschi Luigi & Figli S.p.A. in A.S.

In a complaint dated February 21, 2005 and notified only very recently, Messrs. Ljdia Manfredi, Paolo Boschi, Francesco Maini and Adolfo Cecchi sued, before the Administrative Court of Latium, the Italian Ministry of Production Activities, the Extraordinary Commissioner of Parmalat S.p.A. in A.S., Parmalat S.p.A. in A.S., the Extraordinary Commissioner of Boschi Luigi & Figli S.p.A. in A.S. and Boschi Luigi & Figli S.p.A. in A.S., asking that the Ministerial Decree of December 31, 2004, by which the Ministry of Production Activities declared Boschi Luigi & Figli S.p.A. eligible for extraordinary administration proceedings in accordance with the Marzano Law and extended the eligibility of Parmalat S.p.A. in A.S., appointing Enrico Bondi Extraordinary Commissioner, be declared null and void. The complainants are minority shareholders of Boschi Luigi &

Figli S.p.A., owning together about 7.90% of the capital stock. The complainants contest the legality of the decree because, among other issues, Boschi Luigi & Figli S.p.A. was not insolvent, and they claim damages, the amount of which will be determined and quantified in the course of the proceedings. The first hearing in this case has been scheduled for July 20, 2006.

Dutch Authority for Financial Markets

In February 2005, the Dutch government agency charged with overseeing the financial markets (Dutch Authority for Financial Markets) informed Parmalat Finance Corporation BV in A.S. that it is planning to levy fines against it, the maximum amount of which is currently estimated at 330,000 euros, for the alleged violation of Dutch laws governing the issuance of financial instruments. Subsequently, on August 2, 2005, the above mentioned Authority for Financial Markets decided not to impose any fine on Parmalat Finance Corporation BV in AS.

Centrale del Latte di Roma S.p.A.

On May 3, 2005, the Italian Supreme Court, meeting with all Justices in attendance, ruled that the Administrative Court had jurisdiction over the action filed by Ariete Fattoria Latte Sano S.p.A. ("Ariete Fattoria") against the City of Rome and Cirio S.p.A., Parmalat S.p.A. in AS and Granarolo Felsinea S.p.A. These proceedings, in which Parmalat S.p.A. in AS is a respondent, stems from a complaint filed by Ariete Fattoria against the City of Rome in which Ariete Fattoria requested the rejection of the opposition by the City of Rome to a notice filed by Ariete Fattoria in 2000 by which the latter asked the City of Rome to cancel a contract to sell to Cirio S.p.A. a majority interest it owned in Centrale del Latte di Roma S.p.A. and issue a new call for tenders. Ariete Fattoria claims that the City of Rome was aware that Cirio S.p.A. had allegedly violated the sales agreement by first transferring its interest in Centrale del Latte di Roma S.p.A. to Eurolat S.p.A. in AS, which it sold to Parmalat S.p.A. in AS in 1999. The administrative judge is being asked to rule on the merit of the action filed by Ariete Fattoria, which requested (a) that the City of Rome be ordered to cancel the agreement to sell its interest in Centrale del Latte di Roma S.p.A. to Cirio S.p.A., which would then force the current owner (Eurolat S.p.A. in AS, now the Assumptor) to relinquish ownership, and issue a new call for tenders; or (b) that the City of Rome be ordered to pay the corresponding damages in cash. A decision about this lawsuit is currently being taken .
It is important to note the following: (i) A ruling has yet to be handed down on the merit of this lawsuit, since the judges involved have only ruled on jurisdictional issues; (ii) no claim for damages has been filed against Parmalat S.p.A. in AS.

Administrative Proceedings Filed by the Group

Parmalat S.p.A. is a party to proceedings filed before the Regional Administrative Court of Latium by Granarolo S.p.A., challenging a decision in which the Italian Antitrust Agency, acting pursuant to a complaint filed by Parmalat S.p.A. in A.S., found that advertisements published by Granarolo were deceptive.

Decisions and Investigative Proceedings by the Italian Antitrust Agency

Newlat S.r.l. and Carnini S.p.A. Investigative Proceedings

On July 22, 2004, the Italian Antitrust Agency (abbreviated as AGCM in Italian) launched two investigative proceedings involving Parmalat S.p.A. in A.S. In the first complaint, which has to do with Newlat S.r.l., the AGCM charged Parmalat S.p.A. in A.S. with failing to comply with the terms of its Resolution No. 7424 of July 27, 1999, with which it authorized Parmalat to buy Eurolat from the Cirio Group. These terms specifically included the obligation to sell Newlat S.r.l., a company to which certain brands and production facilities had been conveyed. The second complaint charged Parmalat with failing to provide the AGCM with prior notice of its planned purchase of a controlling interest in Carnini S.p.A.

In a decision handed down on January 31, 2005, the AGCM found that Carnini is in fact under the control of Parmalat S.p.A., which, therefore, was in violation of the obligation to provide prior notice before carrying out a business combination and was ordered to pay a penalty of 1,000 euros. The penalty is to be collected in a manner consistent with the principle of equal treatment of all creditors. With regard to the Newlat issue, the AGCM also found that Parmalat S.p.A. failed to comply with its requirements and ordered it to pay the minimum statutory penalty, which amounts to 11,180,718 euros. This penalty will also be included in the composition with creditors proceedings and an appropriate reserve has been established.

In January 2005, the AGCM launched two investigative proceedings against Parmalat S.p.A. in A.S. in connection with events involving Newlat and Carnini. The AGCM is seeking to determine whether the actions that are being investigated in these proceedings have enabled Parmalat S.p.A. in A.S. to secure a dominant position in the milk and dairy markets. On March 10, 2005, the AGCM authorized the concentration of Parmalat S.p.A. in A.S. and Carnini S.p.A., since the combination of the market shares of these two companies, particularly in the fresh milk segment, does not constitute or strengthen a dominant position.

At the end of March 2005, Parmalat S.p.A. in A.S. received notice of a complaint filed against the AGCM before the Regional Administrative Court, in January 2005, asking that the decision issued by the AGCM in 1999 with regard to the Newlat concentration be set aside. The complainant is making no demand against Parmalat S.p.A. in A.S. No date has yet been set for the first hearing.

On July 8, 2005, the decision of the AGCM in the investigative proceedings launched in January 2005 was handed to Parmalat S.p.A. in AS. The AGCM ordered that Parmalat S.p.A. in AS : (a) in view of its ownership of Newlat S.r.l., sell the *Matese* and *Torre in Pietra* brands to a third party who meets certain requirements within 12 months of the date of the decision; (b) sell to the qualified buyer, if the buyer requests them, the production facilities located in Frosinone and Paestum-Capaccio Scalo; (c) within six months of the date of the decision, file with the AGCM an initial report on its compliance with the above requirements; (d) inform the AGCM if it is unable to locate willing buyers within the time frame specified in (c); and (e) within 12 months of the date of the decision, file a second report with the AGCM to confirm that the abovementioned brands and/or production facilities have been sold.

On July 18, 2005, S.E.I.T. S.p.A., which is licensed to collect taxes on behalf of the Province of Parma, served Parmalat S.p.A. with a notice of assessment that included the fines levied on Parmalat S.p.A. by the AGCM as a result of the AGCM's decision on the Newlat case, which amounted to 11,188,394.14 euros.

On July 19, 2005, S.E.I.T. S.p.A. filed an application, as a late-filing creditor, seeking to include among the liabilities of Parmalat S.p.A. in AS a prededuction claim amounting to 11,181,718.93 euros and an unsecured claim amounting to 519,949.93 euros. This application has not yet been transmitted to Parmalat S.p.A. in AS.

The lawyers retained by the Company are studying how to best respond to these developments.

Challenges and Oppositions

On December 16, 2004, the final list of creditors of the Companies Included in the Composition with Creditors that was drawn up by the Giudici Delegati was filed with the Office of the Clerk of the Court of Parma. On December 28, 2004, the list was published in issue No. 303 of the Official Gazette of the Italian Republic, together with an indication of the deadline within which creditors may challenge the computation of liabilities pursuant to Article 98 of the Italian Bankruptcy Law or oppose it pursuant to Article 100 of the same law. The deadline for creditors residing in Italy expired 15 days after the abovementioned date of publication and the deadline for creditors residing outside Italy expired 30 days after the abovementioned date of publication. Presently, a total of 544 challenges and oppositions are pending pursuant to the two abovementioned articles of the Italian Bankruptcy Law.

Oppositions filed pursuant to Article 100 of the Italian Bankruptcy Law are reviewed below.

In two complaints filed on January 12, 2005, the joint representative of the holders of the Parmalat Finanziaria S.p.A. 1997/2007, Parmalat Finanziaria S.p.A. 1997/2007 (second issue) and Parmalat Finanziaria S.p.A. 1998/2010 bond issues filed oppositions before the Court of Parma pursuant to Article 100 of the Italian Bankruptcy Law and Article 4-bis, Section 6, of the Marzano Law. These opposition actions were dropped on March 3, 2005.

In a complaint filed pursuant to Article 100 of the Italian Bankruptcy Law on January 27, 2005, Parmalat Pacific Holdings (Pty) Ltd asked the Court of Parma to remove from the liabilities of Parmalat S.p.A. in A.S. a claim put forth by Bank of America N.A. ("BofA") in the amount of US$119,243,637.88 (96,109,968.47 euros). This claim stems from a loan agreement executed on November 8, 2002 by Parmalat Capital Finance Limited (a Cayman-based company of the Group under extraordinary administration), as borrower, and Cur Holding Limited, as lender. The claim was transferred to BofA on July 16, 2003. If the complainant's demands are granted, the Group would have to recognize a corresponding prior-period gain in its financial statements.

In a complaint filed pursuant to Article 100 of the Italian Bankruptcy Law on January 27, 2005, Parmalat Pacific Holdings (Pty) Ltd asked the Court of Parma to remove from the liabilities of Parmalat S.p.A. in A.S. a claim put forth by Credit Suisse First Boston International ("CSFB") in the amount of 245,400,499.08 euros. This claim stems from a complex transaction involving a convertible bond issue floated by the subsidiary Parmalat Participacoes do Brasil Lda ("Parmalat Participacoes") and subscribed in full by CSFB. As part of this transaction, Parmalat S.p.A. and CSFB executed a forward sale agreement covering the shares that Parmalat Participacoes would have been required to issue when the bonds matured and CSFB exercised its conversion rights. The forward sales agreement specifically provides for Parmalat S.p.A. to pay CSFB an additional settlement amount, should certain events (one of which is the insolvency of Parmalat S.p.A.) occur.

On January 12, 2005, Parmafactor S.p.A. ("Parmafactor") filed, before the Court of Parma, a challenge pursuant to Article 98 of the Italian Bankruptcy Law and an opposition pursuant to Article 100 of the same law (as well as a late application for claim verification pursuant to Article 101 of the Italian Bankruptcy Law for additional amounts) putting forth claims that arise from factoring transactions it executed with Parmalat S.p.A. in which several legal entities were the assignors.

Notes to the Income Statement

(28) Revenues

Revenues totaled 253.7 million euros. They were booked in the fourth quarter of 2005 following the business combination carried out upon the approval of the Proposal of Composition with Creditors put forth by the Extraordinary Commissioner of Parmalat S.p.A. in AS.

The Company did not engage in any industrial and/or commercial activity in 2004 and the first nine months of 2005.

A breakdown of sales revenues is as follows

	2005	**2004**
Gross sales revenues	291.5	0.0
Returns, discounts and promotions	(57.8)	0.0
Net sales to Group companies	18.8	0.0
Total sales revenues	**252.5**	**0.0**

A breakdown of sales to Group companies is as follows:

Centrale del Latte di Roma S.p.A.	7.7
Deutsche Parmalat GmbH in AS	1.7
Parmalat Distribuzione Alimenti S.r.l.	5.4
Boschi Luigi e Figli S.p.A. in AS	2.2
Clesa SA	0.6
Latte Sole S.p.A.	0.4
Parmalat Australia	0.2
OOO Parmalat MK	0.2
Italcheese S.p.A.	0.2
Other companies	0.2
Total net sales to Group companies	**18.8**

Sales to Group companies were made on standard market terms.

A breakdown of sales by type of product is as follows:

	2005
Milk	198.8
Fruit juices	14.6
Fresh dairy division	30.0
Other products	9.1
Total sales revenues	**252.5**

A breakdown of sales by geographic region as follows:

	2005
Italy	248.2
Other EU countries	2.3
Other countries	2.0
Total sales revenues	**252.5**

Expenses

Parmalat S.p.A. incurred operating expenses only in the fourth quarter of 2005, following the transfer to the Company of the assets and liabilities of the companies under extraordinary administration upon the approval of the Proposal of Composition with Creditors.

(29) Cost of Sales

Cost of sales of 162.4 million euros includes the following:

	2005	2004
Raw materials and finished goods used	112.8	0.0
Services and maintenance	25.9	0,0
Personnel	14.9	0.0
Depreciation and amortization	2.8	0.0
Energy, natural gas and water	4.4	0.0
Miscellaneous	1.6	0.0
Total cost of sales	**162.4**	**0.0**

The item “Raw materials and finished goods used” is shown net of inventory writedowns for 1.9 million euros.

A breakdown of intra-Group sales is as follows:

Centrale del Latte di Roma S.p.A.	12.6
Deutsche Parmalat GmbH in AS	2.0
Boschi Luigi e Figli S.p.A. in AS	3.5
Parmalat Molkerei GmbH	3.3
Parmalat Hungaria RT	0.4
Total net sales to Group companies	**21.8**

(30) Distribution Costs

Distribution costs amounted to 76.9 million euros, broken down as follows:

	2005	2004
Advertising and promotions	39.7	0.0
Sales commissions	10.4	0.0
Distribution freight	7.3	0.0
Fees to licensees	7.8	0.0
Personnel	8.7	0.0
Addition to the allowance for uncollectible accounts	2.4	0.0
Other distribution services	0.6	0.0
Total distribution costs	**76.9**	**0.0**

Fees paid to licensees and Other distribution services include 4.4 million euros paid to the Parmalat Distribuzione Alimenti S.r.l. subsidiary.

(31) Administrative Expenses

A breakdown of Administrative expense, which totaled 12.3 million euros, is provided below:

	2005	2004
Personnel	6.0	0.0
Auditing and certification fees	1.4	0.0
Depreciation and amortization	4.2	0.0
Fees paid to Directors	0.6	0.0
Fees paid to the Board of Statutory Auditors	0.1	0.0
Total administrative expenses	**12.3**	**0.0**

The Report on Operations, which should be consulted for additional information, provides the disclosures required by Article 78 of Consob Resolution No. 11971/1999, listing by name the fees paid to Directors and Statutory Auditors.

(32) Other (income)/expense

Net other income amounted to 4.0 million euros, broken down as follows:

	2005	2004
Rental income	(0.2)	0.0
Gain on the sale of business operations	(2.6)	0.0
Other revenues and income	(9.9)	0.0
Other expenses	8.7	0.0
Total other (income)/expense	**(4.0)**	**0.0**

Gain on the Sale of Business Operations

This gain was earned on the sale of the Bakery operations, which was negotiated in the months prior to the approval of the Composition with Creditors but closed in November 2005.

Other Revenues and Income

The main components of Other revenues and income are: 3.2 million euros from the recognition in earnings of a portion of the provision for penalties and interest on late payments to the INPS in 2004, 2.5 million euros from the recognition in earnings of a portion of the provision for writedowns of receivables owed by foreign subsidiaries; 0.7 million euros in revenues received from suppliers for sales support activities and reproduction of the Company logo and 0.7 million euros for rebilling of insurance premiums

Other Expenses

The main components of Other expenses are: 4.2 million euros added to the provision for contested offset claims (concerning the companies included in the Composition with Creditors), 1.6 million euros added to the provision for tax disputes of foreign subsidiaries and 0.4 million euros in plant decommissioning costs.

(33) Restructuring Costs

Restructuring costs include 9.4 million euros set aside in connection with a plan (approved by the unions) to provide resignation incentives, which will be implemented in 2006.

(34) Cost of Disposing of ITX Packaging Materials

This item reflects the value of merchandise returned by customers due to alleged contamination by the ITX coloring agent (10.8 million euros), which is not included in Inventory, and the amount set aside to dispose not only of the merchandise, but also of packaging materials that have become unusable for the same reasons. A claim has been filed with the Company's insurance carrier and a dispute is pending with the supplier of the packaging materials. These processes have to be completed before the Company can determine the damage amount that it should recognize.

(35) Legal Fees Paid in Actions for Damages and Actions to Void

The balance in this account reflects the fees paid to law firms (6.9 million euros) retained as counsel in connections with the actions for damages and actions to void filed by the companies under extraordinary administration prior to the implementation of the Composition with Creditors, which the Company is entitled to pursue.

(36) Allowance for Losses of Associates

The allowance added to the provision for losses of associates (7.6 million euros) includes the amounts set aside to cover the losses incurred by the Venezuelan subsidiaries (5.0 million euros) and the Parmalat Distribuzione Alimenti S.p.A. subsidiary (2.6 million euros).

(37) Allowance for Expenses of Companies Under Extraordinary Administration

This item reflects the writeoff of 5.5 million euros in advances provided by Parmalat S.p.A. to the companies under extraordinary administration that were included in the Composition with Creditors to cover the costs they incurred in the final phase of their respective proceedings. Parmalat S.p.A. has agreed to cover possible future requirements, while the companies under extraordinary administration that received these advances have agreed to provide a detailed accounting of the costs incurred, so as to allow Parmalat S.p.A. to deduct the corresponding amounts for tax purposes and return any unspent balances.

(38) Financial Income and Expense

The tables below provide breakdowns of the financial income and expense amounts attributable to 2005:

Financial income	**2005**	**2004**
Income from cash-equivalent securities	1.1	0.0
Interest and financial income from subsidiaries	0.7	0.0
Interest earned on bank accounts	0.7	0.0
Gain on translation of receivables/payable in foreign currencies	1.3	0.0
Other financial income	0.1	0.0
Total financial income	**3.9**	**0.0**

A breakdown of interest and financial income from subsidiaries, which is shown net of a 1.8-million-euro writedown attributable to Curcastle Corp. NV, is as follows:

- Parmalat Holdings Ltd 0.3 million euros
- Dalmata S.r.l. 0.2 million euros
- Other companies 0.2 million euros

Total **0.7 million euros**

Financial expense	**2005**	**2004**
Bank interest and fees paid	0.1	0.0
Interest paid on finance leases	0.5	0.0
Loss on translation of receivables/payable in foreign currencies	0.2	0.0
Interest on late payment of prededuction and preferential claims	0.6	0.0
Other financial expense	0.2	0.0
Total financial expense	**1.6**	**0.0**

(39) Income Taxes

Reconciliation of the Theoretical Tax Liability to the Actual Tax Liability Shown in the Income Statement

(in thousands of euros)		IRES	IRAP	Total
Profit (Loss) before taxes	(a)	(33,125)	(33,125)	
Difference in taxable income for IRPEG and IRAP purposes	(b)	-	51,452	
	(c) = (a+/-b)	(33,125)	18,327	
Applicable tax rate (%)	(d)	33.00	4.25	37.25
Theoretical tax liability	(e) = (d) x (c)	(10,931)	779	(59,267)
Tax effect of permanent differences due to writedowns	(f)	2,499		45,501
Tax effect of sundry permanent differences	(g)	3,770	96	9,979
Actual income tax liability shown on the income statement at December 31, 2005	**(h) = (e) + (f) + (g)**	**(4,662)**	**875**	(3,787)
Actual tax rate (%)		*n.s.*	*n.s.*	

(40) Profit (Loss) from Discontinuing Operations

Profit (Loss) from discontinuing operations	Pomì	Bakery	Total
- Net revenues	4.2	8.1	12.3
- Cost of sales	(4.0)	(9.7)	(13.7)
Net profit (loss) from discontinuing operations	**0.2**	**(1.6)**	**(1.4)**

Other Information

(41) Breakdown of labor Costs by Type

A breakdown is as follows:

	2005	2004
Wages and salaries	18.6	0.0
Social security contributions	6.4	0.0
Severance benefits	2.3	0.0
Other labor costs	2.4	0.0
Total labor costs	**29.7**	**0.0**

The Company has had employees on its payroll since October 1, 2005, following approval of the Proposal of Composition with Creditors. Until September 30, 2005, the Company had no employees.

(42) Number of Employees

The table below provides a breakdown by category of the Company's staff at December 31, 2005:

	12/31/05
Executives	70
Middle managers and office staff	1,003
Production staff	988
Total number of employees	**2,061**

(43) Depreciation and Amortization

A breakdown is as follows:

	2005		
Description	Amortization of intangibles	Depreciation of property, plant and equipment	Total
Cost of sales	0.0	2.7	2.7
Distribution costs	0.0	0.0	0.0
Administrative expenses	4.0	0.2	4.2
Total	**4.0**	**2.9**	**6.9**

(44) Security Planning Document

As required by Annex B, Item 26, of Legislative Decree No. 196/2003, which sets forth the Code for the protection of Personal Data, the Board of Directors attests that the Company has upgraded the systems it uses to protect personal data, making them consistent with the requirements introduced by Legislative Decree No. 196/2003 in accordance with the terms and methods set forth therein.

Annex – IFRS 1 reconciliations: first-time adoption of the IFRSs

The financial statements at December 31, 2005 are the first financial statements prepared in accordance with International Financial Reporting Standards, as approved by the European Commission (hereinafter referred to individually as IAS/IFRS or collectively as IFRSs).

As required by the transitional provisions of Issuer Regulation No. 11971/1999, as amended, the Company has prepared the reconciliations required by Paragraphs 39 and 40 of IFRS 1 "First-time Adoption of the International Financial Reporting Standards," as approved by the European Commission. These reconciliations are accompanied by notes that explain the criteria applied and the individual items included in the reconciliation schedules.

The data included in the balance sheet and income statement at December 31, 2004 have been restated to comply with the IFRSs that have been approved as of the date of this Report and are commented below. They are used as comparative data in the statutory financial statements and the consolidated financial statements of the Group at December 31, 2005.

The information provided below, which has been compiled as part of the migration to the IFRSs and is consistent with the requirements of Issuer Regulation No. 11971/1999, does not include all of the schedules, comparative data and detailed notes that would be necessary to provide a complete presentation, in accordance with IFRS requirements, of the Company's balance sheet, operating performance and financial position at December 31, 2004, which, in any case, did not involve material amounts.

ADOPTION OF IFRS 1

The transition date to the IFRSs is January 1, 2004. Accordingly, the Company prepared an opening balance sheet as of that date by applying the IFRSs retroactively. In order to facilitate the transition process, IFRS 1 "First-time Adoption of International Financial Reporting Standards" provides optional and mandatory exceptions to retroactive implementation.

Since the Company's business operations wereextremely limited at January 1, 2004, none of the optional exemptions provided by IFRS 1 was applicable.

EVENTS OCCURRING SUBSEQUENT TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2004

No subsequent events that would have required a restatement of the data or disclosures provided have occurred since the reference date of the financial statements at December 31, 2004.

As required by IFRS 1, in preparing the requisite balance sheet and income statement schedules, no change was made to the estimates and underlying assumptions used to measure the assets and liabilities shown on the financial statements at December 31, 2004, which were prepared in accordance with Italian accounting principles.

Annex

IFRS 1 RECONCILIATIONS: FIRST-TIME ADOPTION OF THE IFRSs (Continued)

Reconciliation of the Balance Sheet at January 1, 2004

Reconciliation of the Balance Sheet at January 1, 2004	**Italian principles**	**Impact of Transition to the IFRSs**	**IFRS**
ASSETS			
Other intangible assets	2,312	(2,312)	-
Prepaid-tax assets		861	861
Total non-current assets	**2,312**	**(1,451)**	**861**
			-
Receivable from shareholders	7,000		7,000
Other receivables	3		3
Cash and cash equivalents	2,185		2,185
Prepaid expenses			
Total current assets	**9,188**	**-**	**9,188**
TOTAL ASSETS	**11,500**	**(1,451)**	**10,049**
			-
LIABILITIES AND SHAREHOLDERS' EQUITY			-
			-
Share capital	10,000		10,000
Retained earnings (Loss carryforward)		(1,451)	(1,451)
Profit (Loss) for the period	(310)		(310)
Total shareholders' equity	**9,690**	**(1,451)**	**8,239**
			-
Total non-current liabilities	-		-
			-
Trade payables	1,810		1,810
Loans payable	-		
Other current payables	-		
Total current liabilities	**1,810**	**-**	**1,810**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,500	(1,451)	10,049

Notes to the Reconciliation of the Balance Sheet at January 1, 2004

The data shown in the "Italian principles" column have been reclassified to comply with the guidelines of IAS 1 on the presentation and content of financial statements.

Notes explaining the restatements of balance sheet accounts are provided below.

Other Intangible Assets

The amount recognized in the balance sheet prepared in accordance with the old principles represented incorporation costs incurred in 2003, which did not meet IAS/IFRS requirements for capitalization. The derecognition of this amount (2,312 euros), was offset by a charge to the shareholders' equity account "Retained earnings (Loss carryforward)."

Prepaid-tax Assets

This restatement reflects the tax impact of the derecognition of intangible assets explained above.

Annex

IFRS 1 RECONCILIATIONS: FIRST-TIME ADOPTION OF THE IFRSs (Continued)

Notes to the Reconciliation of the Balance Sheet at December 31, 2004

Reconciliation of the Balance Sheet at December 31, 2004	Italian principles	Impact of Transition to the IFRSs	IFRS
ASSETS			
Other Intangible assets			-
Prepaid -tax assets			-
Total non-current assets	**-**	**-**	**-**
			-
Receivable from shareholders			
Other receivables	510,690		510,690
Cash and cash equivalents	85,486		85,486
Prepaid expenses	5,705,407		5,705,407
Total current assets	**6,301,583**	**-**	**6,301,583**
TOTAL ASSETS	**6,301,583**	-	**6,301,583**
			-
LIABILITIES AND SHAREHOLDERS' EQUITY			-
			-
Share capital	120,000		120,000
Retained earnings (Loss carryforward)	(310)	(1,451)	(1,761)
Profit (Loss) for the period	(14,347)	1,451	(12,896)
Total shareholders' equity	**105,343**	**-**	**105,343**
			-
Total non-current liabilities	-		-
			-
Trade payables	5,522,002		5,522,002
Loans payable	614,238		614,238
Other current payables	60,000		60,000
Total current liabilities	**6,196,240**	**-**	**6,196,240**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,301,583**	**-**	**6,301,583**

Notes to the Reconciliation of the Balance Sheet at December 31, 2004

The data shown in the “Italian principles” column have been reclassified to comply with the guidelines of IAS 1 on the presentation and content of financial statements.

The reclassification from “Retained earnings (Loss carryforward)” to “Profit (Loss) for the period” is explained in detail in the reconciliation of the income statement for the 2004 fiscal year, which is provided below.

Annex

IFRS 1 RECONCILIATIONS: FIRST-TIME ADOPTION OF THE IFRSs (Continued)

Notes to the Reconciliation of the Income Statement for the 2004 Fiscal Year

Reconciliation of the Income Statement for the 2004 Fiscal Year	Italian principles	Impact of Transition to the IFRSs	IFRS
Revenues	-		
Overhead	(10,683)		(10,683)
Other revenues (expenses)	(3,023)	2,312	(711)
Total operating costs	**(13,706)**	**2,312**	**(11,394)**
EBIT	**(13,706)**	**2,312**	**(11,394)**
Financial income	638		638
Financial expense	(1,279)		(1,279)
Loss before taxes	**(14,347)**	**2,312**	**(12,035)**
Current taxes	-	(861)	(861)
Total taxes	**-**	**(861)**	**(861)**
Profit (Loss) for the year	**(14,347)**	**1,451**	**(12,896)**

Notes to the Reconciliation of the Income Statement for the 2004 Fiscal Year

The data shown in the “Italian principles” column have been reclassified to comply with the guidelines of IAS 1 on the presentation and content of financial statements.

Notes explaining the restatements of accounts of the income statement for the 2004 fiscal year are provided below.

In 2004, the Company decided to write off incorporation costs that it capitalized in 2003. For IFRS purposes, these costs had been expensed out in the opening financial statements. As a result, the 2004 income statement reflects among the IFRS adjustments the time difference between the occurrence of write off and the corresponding tax impact.

Equity Investments Held by Parmalat at December 31, 2005

Company		Share capital			Equity investment			
Name – Registered office	Type of company	Curr.	Amount	Voting shares/ interest held	No. of shares/ interest	% of tot. No. of shares/ interest	Company's shareholders' equity	Group interest in sharehold. equity
EUROPE								
ITALIAN SUBSIDIARIES								
Boschi Luigi & Figli SPA in AS - Fontanellato (PR)	CORP	EUR	6,000,000	5,336,400	5,336,400	89.440	-352,118	-314,934
CE.DI. Spezia SRL in liquidation – Collecchio (PR)	LLP	EUR	10,320	2,000	2,000	100.000	80,545	80,545
Centrale del Latte di Roma SPA Rome	CORP	EUR	37,736,000	5,661,400	5,661,400	75.013	57,029,547	42,777,863
Compagnia Finanziaria Alimenti SRL – Collecchio (PR)	LLP	EUR	10,000	9,946	9,946	99.455	465,917	463,373
Dalmata SRL – Collecchio	LLP	EUR	120,000	1	1	100.000	3,916,264	3,916,264
Fratelli Strini Costruzioni Meccaniche. SRL in AS – Fontevivo (PR)	LLP	EUR	52,000	51,000	51,000	51.000	-2,387,469	-1,217,606
Gelateria Parmalat SRL in liquidation – Collecchio (PR)	LLP	EUR	100,000	100	100	100.000	-1,660,541	-1,660,541
Giglio SPA in liquidation – Reggio Emilia	CORP	EUR	20,000,000	20,000,000	20,000,000	100.000	n.a.	
Impianti Sportivi Parma SRL – Parma	LLP	EUR	40,000	40,000	40,000	100.000	147,164	147,164
Interlatte SRL – Collecchio (PR)	LLP	EUR	130,000	123,500	123,500	95.000	240,785	228,746
Italcheese SPA – Mag. Gen. Reggiani – Reggio Emilia	CORP	EUR	1,630,000	1,630,000	1,630,000	100.000	1,473,665	1,473,665
Latte Sole SPA – Collecchio (PR)	CORP	EUR	3,230,073.60	6,211,680	6,211,680	100.000	4,184,734	4,184,734
Lucana Club Pallavolo Femm. SRL in liquidation - Matera	LLP	EUR	10,400	10,400	10,400	100.000	n.a.	
Margherita Yogurt SRL in liquidation - Rome	LLP	EUR	50,000	50,000	50,000	100.000	1,647,564	1,647,564
Parmalat Distribuzione Alimenti SRL – Collecchio (PR)	LLP	EUR	2,960,000	2,960,000	2,960,000	100.000	513,532	513,532
SARAL SRL in liquidation - Collecchio	LLP	EUR	128,750	2 q.i.		100.000	-1,644,123	-1,644,123
ITALIAN AFFILIATED COS.								
Comunicazione 2000 SRL – Collecchio (PR)	LLP	EUR	50,000	1	1	33.340	n.a.	
Fiordilatte SRL - Parma	LLP	EUR	10,000	4,000	4,000	40.000	n.a.	
Food Receivables Corporation SRL – Collecchio (PR)	LLP	EUR	41,339	20,256	20,256	49.000	n.a.	
Parmafactor SPA – Milan	CORP	EUR	5,160,000	154,800	154,800	30.000	n.a.	
Parmacqua SRL – Sestri Levante (GE)	LLP	EUR	10,000	4,900	4,900	49.000	n.a.	
OTHER ITALIAN COMPANIES								
Bonatti SPA – Parma	CORP	EUR	28,813,403.88	572,674	572,674	10.256	n.a.	
CE.PI.M SPA – Fontevivo (PR)	CORP	EUR	n.d.	n.d.		0.840	n.a.	
Marsh & CO SPA – Milan	CORP	EUR	260,000	2,400	2,400	12.000	n.a.	
SOGEAP SPA – Parma	CORP	EUR	n.d.	n.d.	n.d.	5.050	n.a.	

Company		Share capital			Equity investment			
Name – Registered office	Type of company	Curr.	Amount	Voting shares/ interest held	No. of shares/ interest	% of tot. No. of shares/ interest	Company's shareholders' equity	Group interest in sharehold. equity
AUSTRIA								
Parmalat Austria GMBH - Vienna	FOR	EUR	36,336.42	1	1	100.000	-142,985,616	-142,985,616
BELGIUM								
Parmalat Belgium NV – Brussels	FOR	EUR	1,000,000	40,000	40,000	100.000	1,389,903	1,389,903
FRANCE								
Parmalat France SA in liquidation - Bretteville-Caen	FOR	EUR	6,539,200	8,173,940	8,173,940	99.999	n.a.	
GERMANY								
Deutsche Parmalat GMBH in AS - Weissenhorn	FOR	EUR	4,400,000	4,400,000	4,400,000	100.000	-485,034	-485,034
GREAT BRITAIN								
Parmalat Food Holdings (UK) Limited –in Administration London	FOR	GBP	142,794,926	140,814,926	140,814,926	98.613	n.a.	
IRELAND								
Euro Financial Management LTD - Dublin	FOR	EUR	2	2	2	100.000	n.a.	
PORTUGAL								
Parmalat Portugal Prod. Alimentares Lda	FOR	EUR	11,651,450.04	11,646,450	11,646,450	99.957	-8,645,033	-8,641,315
ROMANIA								
La Santamara SRL – Baia Mare	FOR	RON	6,667.50	535	535	84.252	5,654	4,763
Parmalat Romania SA – Comuna Tunari	FOR	RON	26,089,760	1,913,911	1,913,911	73.359	9,672,374	7,095,557
RUSSIA								
OAO Belgorodskij Molocnij Kombinat - Belgorod	FOR	RUB	67,123,000	43,528,000	43,528,000	64.848	11,423,080	7,407,639
OOO Dekalat - San Pietroburgo	FOR	RUB	100,000	1	1	100.000	-409,820	-409,820
OOO FARM - Nizhnij Novgorod	FOR	RUB	80,891,950	80,891,950	80,891,950	100.000	137,755	137,755
OOO PARMALAT EAST - Moscow	FOR	RUB	42,147,000	2	2	100.000	-30,818,250	-30,818,250
OOO PARMALAT MK - Moscow	FOR	RUB	124,000	1	1	100.000	1,926,023	1,926,023
OOO PARMALAT SNG - Moscow	FOR	RUB	152,750	2	2	100.000	-5,296,990	-5,296,990
OOO URALLAT - Berezovsky	FOR	RUB	129,618,210	1	1	100.000	4,177,488	4,177,488
SPAIN								
ARILCA SA - Madrid	FOR	EUR	270,454.50	448	448	99.556	-6,102,319	-6,075,225
CLESA SA – Madrid	FOR	EUR	9,291,647.13	289,213	289,213	93.536	26,049,463	24,365,626
Compania Agricola Y Forestal SA – Madrid	FOR	EUR	339,540.96	56,496	56,496	100.000	-2,289,363	-2,289,363
SWITZERLAND								
Parmalat International SA - Lugano	FOR	CHF	150,000	150	150	100.000	149,867	144,871
HUNGARY								
Parmalat Hungaria RT - Szekesfehervar	FOR	HUF	1,385,980,000	138,418,990	138,418,990	99.87	n.a.	
NORTH AMERICA								
CANADA								

Company		Share capital			Equity investment			
Name – Registered office	**Type of company**	**Curr.**	**Amount**	**Voting shares/ interest held**	**No. of shares/ interest**	**% of tot. No. of shares/ interest**	**Company's shareholders' equity**	**Group interest in sharehold. equity**
Parmalat Holdings Limited - Toronto	FOR	CAD	878,479,000	878,479	878,479	100.000	540,020,401	540,020,401
MEXICO								
PARMALAT DE MEXICO S.A. de C.V. - Jalisco	FOR	MXN	390,261,812	390,261,812	390,261,812	100.000	-29,896,658	-29,896,658
CENTRAL AMERICA								
BRITISH VIRGIN ISLANDS								
ECUADORIAN FOODS COMPANY INC - Tortola	FOR	USD	50,000	25,500	25,500	51.000	4,614,766	2,353,531
COSTA RICA								
Parmaleche de Costarica SA* - San Juan	FOR	CRC	10,000	10	10	100.000	-623,888	-623,888
CUBA								
Citrus International Corporation SA – Pinar del Rio	FOR	USD	11,400,000	627	627	55.000	8,915,547	4,903,551
NICARAGUA								
Parmalat Nicaragua SA - Managua	FOR	NIO	2,000,000	57	57	2.850	-5,757,354	-135,298
SOUTH AMERICA								
BRAZIL								
Parmalat Admin e Part do Brasil – São Paulo	FOR	BRL	1,000,000	999,999	810,348	81.035	-46,510,844	-37,690,062
Parmalat Participacoes do Brasil Ltda – São Paulo	FOR	BRL	1,271,257,235	1,177,921,807	1,177,921,807	92.660	214,168,983	212,434,214
CHILE								
Parmalat Chile SA – Santiago del Chile	FOR	CLP	13,267,315,372	2,096,083	2,096,083	100.00	-31,821,803	-31,821,485
COLOMBIA								
Gelateria Parmalat Colombia Ltda	FOR	COP	32,480,000	990	990	6.096	-217,342	-13,249
Parmalat Colombia Ltda - Santafè de Bogotà	FOR	COP	20,466,360,000	18,621,581	18,621,581	90.986	13,532,985	12,313,663
Procesadora De Leches SA (PROLECHE SA) - Medellin	FOR	COP	173,062,136	131,212,931	131,212,931	94.773	28,048,556	26,582,458
ECUADOR								
Parmalat del Ecuador SA – Quito	FOR	USD	345,343.96	8,633,599	8,633,599	100.000	329,272	329,272
PARAGUAY								
Parmalat Paraguay SA* - Asuncion	FOR	PYG	9,730,000,000	9,632	9,632	98.993	**-10,696,301**	**-10,589,338**
URUGUAY								
AIRETCAL SA - Montevideo	FOR	UYU	9,198,000	9,198,000	9,198,000	100.000	**n.a.**	
Gelateria Parmalat Uruguay SA - Montevideo	FOR	UYU	262,500	26,250	26,250	90.000	**n.a.**	
Parmalat Trading South America - Montevideo	FOR	UYU	400,000	400,000	400,000	100.000	**237,016**	**237,016**
WISHAW TRADING SA - Montevideo	FOR	USD	30,000	50	50	16.667		
VENEZUELA								

Company		Share capital			Equity investment			
Name – Registered office	**Type of company**	**Curr.**	**Amount**	**Voting shares/ interest held**	**No. of shares/ interest**	**% of tot. No. of shares/ interest**	**Company's shareholders' equity**	**Group interest in sharehold. equity**
Gelateria Parmalat de Venezuela CA - Caracas	FOR	VEB	10,000,000	1,000	1,000	10.000	-1,526,924	-152,692
Parmalat de Venezuela CA – Caracas	FOR	VEB	2,324,134,000	2,324,134	2,324,134	100.000	-26,253,574	-26,253,574
AFRICA								
MAURITIUS								
Parmalat Africa Limited – Port Louis	FOR	USD	55,982,304	55,982,304	2,421,794	4.326	67,041,927	2,902,915
ASIA								
CHINA								
Parmalat (Zhaodong) Dairy Corp. Ltd* - Zhaodong	FOR	CNY	56,517,260	53,301,760	53,301,760	94.311	**n.a.**	
INDIA								
SWOJAS ENERGY FOODS LIMITED - Shivajinagar	FOR	INR	309,626,500	21,624,311	21,624,311	69.840	**n.a.**	
OCEANIA								
AUSTRALIA								
Parmalat Pacific Holding Pty Limited – South Brisbane	FOR	AUD	522,932,237	200,313,371	200,313,371	38.306[4]	147,406,998	56,471,621

The Chairman
Raffaele Picella

The Chief Executive Officer
Enrico Bondi

[4] Percentage calculated on the whole share capital, preference shares included: all ordinary shares are owned by Parmalat Belgium SA

Parmalat S.p.a. - Auditor's Report

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT EX ART. 156 D. LGS. 24.2.1998, N. 58

To the Shareholders of Parmalat SpA

1 We have audited the financial statements of Parmalat SpA, consisting of balance sheet, income statement, cash flow statement, changes in shareholders' equity and notes thereto, as at 31 December 2005. These financial statements are the responsibility of Parmalat SpA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The above mentioned financial statements have been prepared for the first time in accordance with International Financial Reporting Standards adopted by the European Union.

2 We conducted our audit in accordance with the auditing standards and criteria for audits recommended by CONSOB. In accordance with such standards and criteria, we have planned and performed the audit to obtain every element necessary to verify whether the financial statements are free of material misstatements and, taken as a whole, are reliable. The audit process includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present, for comparative purposes, the amounts related to prior year prepared in accordance with the same accounting principles. In addition, the Appendix to the explanatory notes shows the effect of the transition to International Financial Reporting Standards adopted by the European Union. The disclosure presented in such Appendix to the explanatory notes has been examined by us for the purpose of expressing our opinion on the financial statements as of 31 December 2005.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel 0277851 Fax 027785240 Cap Soc. 3 754 400,00 Euro i v., C F e P.IVA e Reg Imp Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel 0554627100 – **Genova** 16121 Piazza Dante 7 Tel 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 0817644441 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Manzoni 16 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel 0458002561

PRICEWATERHOUSECOOPERS

3 In our opinion the financial statements of Parmalat SpA as of 31 December 2005 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union and, therefore, have been drawn up clearly and give a true and fair view of the financial position, of the changes in shareholders' equity and of the results of operations and cash flows for the year then ended of Parmalat SpA.

4 For the purpose of a better understanding of the financial statements, we draw your attention to the following circumstances, which are disclosed in greater detail in the notes to the financial statements.

(a) The implementation of the Composition with Creditors resulted in the transfer of the assets of Parmalat in AS to the new Parmalat SpA (the Assumptor). On October 1, 2005, following the approval of the Composition with Creditors by the Court of Parma, the assets and liabilities of the 16 companies that were parties to the Proposal of Composition with Creditors were transferred to the Assumptor. The financial statements at 31 December 2005 reflect the preliminary allocation of the transaction value at the acquired assets and liabilities fair value.

(b) Parmalat SpA is a party to civil and administrative proceedings related to events that affected the companies included in the Composition with Creditors prior to their becoming eligible for Extraordinary Administration status. The proceedings in place, by and against the Company, are detailed in section "Legal Disputes and Contingent Liabilities at December 31, 2005" of the notes to the financial statements.

Milan, 7 April 2006

This report has been translated from the original Italian which was issued in accordance with Italian legislation. References in this report to the financial statements refer to the financial statements in the original Italian and not to their translation.

PricewaterhouseCoopers SpA

Elena Cogliati
(Partner)

(2)

Parmalat Group

Annual Report at December 31, 2005

Consolidated Financial Statements at December 31, 2005

Consolidated Balance Sheet

Note ref.	*(in millions of euros)*	*12/31/05*	*12/31/04*
	NON-CURRENT ASSETS	**2,346.6**	**0.0**
(1)	Goodwill	713.6	0.0
(2)	Trademarks with an undefined useful life	798.6	0.0
(3)	Other intangibles	55.4	0.0
(4)	Property, plant and equipment	698.3	0.0
(5)	Investments in associates	23.4	0.0
(6)	Other non-current financial assets	16.4	0.0
(7)	Deferred-tax assets	40.9	0.0
	CURRENT ASSETS	**1,653.4**	**6.3**
(8)	Inventories	335.6	0.0
(9)	Trade receivables	546.1	0.0
(10)	Other current assets	266.9	6.2
(11)	Cash and cash equivalents	502.7	0.1
(12)	Current financial assets	2.1	0.0
(13)	**Available-for-sale assets**	**148.7**	**0.0**
	TOTAL ASSETS	**4,148.7**	**6.3**
	SHAREHOLDERS' EQUITY	**1,877.7**	**0.1**
(14)	Share capital	1,619.9	0.1
(15)	Reserve for contested liabilities convertible exclusively into share capital	191.3	
(16)	Reserve for claims of late-filing creditors	42.1	0.0
	Other reserves:		
(17)	*- Reserve for currency translation differences*	6.6	0.0
(18)	*- Exercise of warrants*	0.2	
(19)	*- Miscellaneous reserves*	(11.7)	0.0
(20)	Profit (Loss) for the period	(0.3)	0.0
	Shareholders' equity attributable to the shareholders of the Group's Parent Company	**1,848.1**	
(21)	**Minority interest in shareholders' equity**	**29.6**	
	NON-CURRENT LIABILITIES	**1,148.9**	**0.0**
(22)	Long-term borrowings	610.8	0.0
(23)	Deferred-tax liabilities	231.0	0.0
(24)	Provisions for employee benefits	113.0	0.0
(25)	Provisions for risks and charges	173.2	0.0
(26)	Provision for preferential and prededuction claims	20.9	0.0
	CURRENT LIABILITIES	**1,074.3**	**6.2**
(27)	Short-term borrowings	252.6	0.6
(28)	Financial liabilities from preferential and prededuction claims	11.1	0.0
(29)	Trade payables	498.3	5.5
(30)	Trade payables with preferential or prededuction status	69.4	0.0
(31)	Other current liabilities	206.7	0.1
(32)	Other payables with preferential or prededuction status	8.8	0.0
(33)	Income taxes payable	27.4	0.0
(34)	**Liabilities directly attributable to available-for-sale assets**	**47.8**	**0.0**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,148.7**	**6.3**

Consolidated Income Statement

Note ref.	*(in millions of euros)*	*2005*	*2004*
(35)	**REVENUES**	**1,083.5**	**0.0**
	Sales revenues	1,070.6	0.0
	Service revenues	12.9	0.0
(36)	Cost of sales	(796.0)	0.0
(36)	Distributions costs	(192.7)	0.0
(36)	Administrative expenses	(45.7)	0.0
	Other (income) expense:		
(37)	- Costs related to the alleged ITX contamination	(10.8)	0.0
(38)	- Legal fees paid in actions for damages and actions to void	(6.9)	0.0
(39)	- Restructuring costs	(9.4)	0.0
(40)	- Allowance for expenses of companies under extraordinary administration	(5.5)	0.0
(41)	- Miscellaneous income and expense	7.8	0.0
	EBIT	**24.3**	**0.0**
(42)	Financial income	13.5	0.0
(42)	Financial expense	(30.7)	0.0
(43)	Interest in the profit (loss) of companies valued by the equity method	(0.3)	0.0
	PROFIT (LOSS) BEFORE TAXES	**6.8**	**0.0**
(44)	Income taxes	(4.2)	0.0
	PROFIT (LOSS) FROM CONTINUING OPERATIONS	**2.6**	**0.0**
(45)	Profit (Loss) from discontinuing operations	(1.4)	0.0
	PROFIT (LOSS) FOR THE YEAR	**1.2**	**0.0**
	Minority interest in (profit) loss	(1.5)	0.0
	Group interest in profit (loss)	(0.3)	0.0

Continuing Operations:

Basic earnings per share	**0.0028**
Diluted earnings per share	**0.0028**

Consolidated Cash Flow Statement

(in millions of euros)	*2005*	*2004*
OPERATING ACTIVITIES		
Profit from operating activities	1.2	(0.0)
Depreciation and amortization	29.7	
Writedowns of non-current assets	6.0	
Additions to provisions	55.9	
Non-cash income	(22.3)	
Subtotal	**70.5**	**0.0**
Change in net working capital:		
-Inventories	1.1	
-Trade receivables	(48.4)	
-Other current assets	8.2	(6.2)
-Trade payables	(27.7)*	5.5
-Other liabilities	7.9	0.1
Available for sale assets net of corresponding liabilities	15.3	
Net change in other provisions	(10.2)	
Other changes	18.5	
CASH FLOWS FROM OPERATING ACTIVITIES	**35.2****	**(0.6)**
INVESTING ACTIVITIES		
Intangibles	(0.4)	
Property, plant and equipment	(24.5)	
Non-current financial assets	1.8	
Acquisition completed on October 1, 2005	523.0	
CASH FLOWS FROM INVESTING ACTIVITIES	**499.9**	**0.0**
FINANCING ACTIVITIES		
Bank debt and amounts due to other lenders	(23.9)	0.6
Loans payable to Group companies	0.1	
Other financial liabilities	(0.8)	
Currency translation reserve	(6.5)	
Change in shareholders' equity	0.0	0.1
CASH FLOWS FROM FINANCING ACTIVITIES	**(31.1)**	**0.7**
CASH FLOW FROM DISCONTINUING OPERATIONS	**(1.4)**	
INCREASE (DECREASE) IN CASH FLOWS FOR THE YEAR	**502.6**	**0.1**
CASH AND CASH EQUIVALENTS AT JANUARY 1	**0.1**	**0.0**
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**502.7**	**0.1**

***** Includes the payment of Trade payables with preferential or prededuction status of 52.7 million euros.
****** Of which "Income Taxes" paid for 10 million euros and "Net Financial Interests" paid for 19 million euros.

Statement of Changes in Shareholders' Equity

(in millions of euros)		Reserves converted into share capital		Other reserves							
	Share capital	For creditor challenges	For late-filing creditors	Reserve for currency translation differences	Exercise of warrants	Miscella-neous reserves	Retained earnings (Loss carry-forward)	Profit (Loss) for the year	Group int. in share-holders' equity	Minority int. in share-holders' equity	Total share-holders' equity
Balance at December 31, 2004	**0.1**						**(0.0)**	**(0.0)**	**0.1**	**0.0**	**0.1**
Contribution to cover losses						1.0			1.0		1.0
Share capital increase as per Composition with Creditors	1,600.8								1,600.8	53.7	1,654.5
Challenges to list of liabilities		193.8							193.8		193.8
Late-filing creditors			54.6						54.6		54.6
Settlements of disputed items	15.0	(2.5)	(12.5)								
Share-listing costs						(12.7)			(12.7)		(12.7)
Acceptance of unsecured status by creditors with preferential or prededuction claims	3.6								3.6		3.6
Exercise of warrants	0.4				0.2				0.6		0.6
Difference from the translation of financial statements in foreign currencies				6.6					6.6	0.3	6.9
Dividends										(0.4)	(0.4)
Decrease of goodwill attributable to minority shareholders										(25.5)	(25.5)
Profit (Loss) for the year								(0.3)	(0.3)	1.5	1.2
Balance at December 31, 2005	**1,619.9**	**191.3**	**42.1**	**6.6**	**0.2**	**(11.7)**	**(0.0)**	**(0.3)**	**1,848.1**	**29.6**	**1,877.7**

Notes to the Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2005 is denominated in euros, which is the reporting currency of Parmalat S.p.A., the Group's Parent Company. It include a balance sheet, an income statement, a cash flow statement, a statement of changes in shareholders' equity and the accompanying notes. All of the amounts listed in these notes are in millions of euros, except as noted.

European Regulation (EC) No. 1606/2002 of July 19, 2002 introduced the obligation to adopt the International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") starting in 2005. The IFRSs have been approved by the European Commission for use in the preparation of the consolidated financial statements of companies whose equity and/or debt securities are traded on an EU regulated market. On February 20, 2005, as required by the abovementioned Regulation, the Italian government enacted Legislative Decree No. 38, which incorporated the obligation to adopt the IFRSs into the Italian legal system, extending it to the statutory financial statements of the affected companies starting in 2006, and gave companies that are not subject to the requirements of the abovementioned Regulation the option to adopt the IFRSs as well.

Parmalat S.p.A. is required to prepare its consolidated financial statements for the year ended December 31, 2005 in accordance with the IFRSs because it has issued shares that are traded on the Milan Stock Exchange. It also opted to apply the IFRSs to the preparation of its statutory financial statements for the same year.

The abbreviation IFRSs means all of the International Financial Reporting Standards; all of the International Accounting Standards ("IAS"); and all of the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC"), as approved by the European Commission through March 24, 2006 and incorporated in Regulations issued up to that date.

The IFRSs are concurrently being applied for the first time in Italy and other countries. Moreover, many IFRSs are new or revised and there is no established practice that can be followed insofar as their interpretation and implementation is concerned. Consequently, while the financial statements at December 31, 2005 have been prepared based on management's best available knowledge of the IFRSs and their interpretation and considering that this approach to financial reporting is an evolving process, adjustments may be required in future years in response to interpretations that differ from those used in preparing these financial statements.

Since the business combination that created the new Parmalat Group was carried out following approval of the Composition with Creditors on October 1, 2005, upon first-time adoption of the IFRSs to prepare the 2005 consolidated financial statements and limited to the Assumptor's financial statements, it became necessary, for comparison purposes, to restate the 2004 data in a manner that reflects the changes required by the adoption of the IFRSs. The corresponding reconciliation schedules and a description of the effects caused by the transition from the Italian accounting principles to the IFRSs are provided in an Annex to these Notes to the consolidated financial statements.

The financial statements at 31 December 2005 reflect the preliminary allocation of the transaction value at the acquired assets and liabilities fair value.

Scope of Consolidation

The equity investments transferred to Parmalat S.p.A. in implementation of the Proposal of Composition with creditors are listed in the schedules provided in the Annex. The guidelines followed in consolidating these equity investments are reviewed below. The scope of consolidation at December 31, 2005 includes the balance sheet and income statement of the Group's Parent Company and those of Italian and foreign companies in which the Parent Company holds, either directly or indirectly, an interest equal to more than 50% of the voting shares. Control also exists when the Group's Parent Company holds 50% or less of the votes that may be exercised at a Shareholders' Meeting if:

- It controls more than 50% of the voting rights by virtue of an agreement with other investors;
- It has the power to determine the financial and operating policies of the investee company pursuant to a clause in the Bylaws of the investee company or a contract;
- It has the power to appoint or remove a majority of the members of the Board of Directors or equivalent corporate governance body and said Board or body controls the investee company;
- It has the power to exercise a majority of the votes at meetings of the Board of Directors or equivalent corporate governance body.

Because the Group's Parent Company no longer has the power to determine their financial and operating policies and benefit from their operations, the following companies are no longer consolidated line by line.

- Companies in which the Parent Company holds, either directly or indirectly, an interest equal to more than 50% of the voting shares but are now parties to separate bankruptcy proceedings under local laws and their subsidiaries. These companies include:
    - Companies that have become eligible for extraordinary administration proceedings: Boschi Luigi & Figli S.p.a. under E.A. (Italy) and its subsidiaries F.I.T. Fomento, Industria do Tomate Sa (Portugal) and Italagro Sa (Portugal); Parmalat Molkerei Gmbh under E.A. (Germany); Deutsche Parmalat Gmbh under E.A. (Germany) and F.lli Strini Costruzioni Meccaniche S.r.l. under E.A. (Italy). The Extraordinary Commissioner is in the process of developing a separate program to restructure or sell these companies, as allowed under the Marzano Law.
    - The Brazilian companies that are parties to local composition with creditors proceedings (*recuperaçao judicial*) and their subsidiaries. A separate program to restructure these companies has been submitted to their creditors for approval. The share capital of these companies would be replenished with the subscription rights offered first to their creditors and, alternatively, to Parmalat S.p.A. The Brazilian companies are: Batavia Sa, Gelateria Parmalat Ltda, ITC – Comercio Internacional Do Brasil Ltda, Parmalat Administracao e Participacoes do Brasil Ltda, Parmalat Brasil Industria de Alimentos Sa, Seib Sociedade Export e Import De Bens Ltda, Parmalat Emprendimentos and Administracao Ltda, Parmalat Participacoes Do Brasil Ltda.
    - British companies that are parties that have filed under the Companies Creditors Arrangement Act. These companies and their subsidiaries are under the control of a local trustee and are the subject of separate proceedings. They are: Parmalat Food Holdings UK Limited, Ault Food (UK) Limited, Parmalat Dairies (UK) Limited and Parmalat Food Imports (UK) Limited;
    - Other smaller companies that were forced to file for bankruptcy protection under local laws as a result of the financial collapse of the Parmalat Finanziaria Group. They are: 9161-5849 Quebec Inc. (form. Eaux Vives Harricana Inc.) e 9161-5286 Quebec Inc. (form. Les Sources Perigny Inc.) (Canada), 41902 Delaware Inc. (form. EVH USA Inc.) (USA), Parmalat Chile (Chile), Parmalat France SA (France), Societè Fromagère D'Athis SA (France), Parmalat Hungaria RT (Hungary), Mliekotej S.R.O. (form. Parmalat SK SRO) (Slovakia), Bonnita Holdings (PTY) Ltd (South Africa), Swojas Energy Foods Limited (India), Eurofinancial management Ltd (Ireland).

  These companies have been included in the list of the Group's equity investments because the Group owns their capital stock. However, at present, there is no expectation of a full or partial recovery of the investments in these companies upon completion of the individual bankruptcy proceedings. There is also no expectation that Parmalat S.p.A. will incur any liability in connection

with these investments and there is no commitment or desire on the Company's part to cover the negative equity of these companies.

- Companies earmarked for sale or liquidation in the best available manner. These companies are Wishaw Trading Sa (Uruguay) and Parmalat Paraguay Sa (Paraguay). It is unlikely that the Group will incur any liability in connection with these investments and there is no commitment or desire on the Group's part to cover the negative equity of these companies. At January 1, 2004, Wishaw Trading SA had liabilities that amounted to 338.3 million euros. Unsecured claims amounting to 47.4 million euros have been verified and claims totaling 253.6 million euros have been excluded, but creditors have challenged these exclusions. Parmalat S.p.A. believes that it is probable that some of these challenges will be upheld. Net of the claim reduction, these claims could total 17.6 million euros and the Company has added this amount to its Reserve for contested liabilities convertible exclusively into share capital. Based on information provided by counsel, Parmalat S.p.A. has learned that, in accordance with current Uruguayan law, the shareholders of a local limited liability company may be held personally responsible under certain conditions. More specifically, the principle of limited liability can be overridden when a company has been used (i) fraudulently to circumvent a law, (ii) to violate public order, (iii) fraudulently to injure the rights of shareholders or outsiders. While it is possible that the conduct of the previous management could result in an extension of liability to other companies of the Parmalat Group, Parmalat S.p.A. — in view of the provisions of Article 4-*bis*, Section 10 of the Marzano Law, which reaffirms the general principle set forth in Article 135 of the Bankruptcy Law that an approved composition with creditors is binding on all creditors with claims that predate the start of the composition with creditors proceedings and is also binding on all creditors who did not file for claim verification — believes that even if the existence and amount of any claims against it that are related to Wishaw Trading SA should ever be verified, the creditors would be unsecured creditors with claims the title and/or cause of which predates the start of the extraordinary administration proceedings for the companies that are parties to the Proposal of Composition with Creditors and, consequently, would only be entitled to receive shares and warrants of Parmalat S.p.A. based on an amount decreased by the claim reduction, in accordance with Section 7.8 of the Proposal of Composition with Creditors.

- Companies in which the Parent Company holds, either directly or indirectly, an interest equal to more than 50% of the voting shares that are in voluntary liquidation and their subsidiaries. These companies, which are not large in size and operate in several countries, are:
    - PT Parmalat Indonesia (Indonesia),
    - Giglio S.p.A. (Italy),
    - Saral Srl (Italy),
    - Lucana Club Pallavolo Femminile S.r.l. (Italy);
    - P.V.F. Matera Club S.r.l. (Italy),
    - Gelateria Parmalat Srl (Italy),
    - Ce.Di Spezia S.r.l. (Italy);
    - Margherita Yogurt S.r.l. (Italy);
    - Gelateria Parmalat de Venezuela SA (Venezuela),
    - Gelateria Parmalat LTDA (Colombia),
    - Gelateria Parmalat Uruguay (Uruguay),
    - Gelateria PTY LTD (Australia),
    - Beco Fino Activ Hoteleira LDA (Portugal),
    - Parmalat Gelaterie Houston Inc. (USA)
    - Parmalat International (Switzerland).

- Companies in which the Parent Company holds, either directly or indirectly, an interest equal to more than 50% of the voting shares but no longer has the power to determine their financial and operating policies and benefit from their operations, and their subsidiaries. These companies, which are not large in size and operate in several countries, are:
    - Airetcal Sa (Uruguay);
    - Parmalat Trading South America (Uruguay);
    - Impianti Sportivi Parma S.r.l. (Italy);
    - Food Consulting Services Ltd (Great Britain);

- Parmaleche de Costa Rica Sa (Costa Rica);
- Lacteos Centroamericanos Lactam Sa (Costa Rica);
- Parmalat del Caribe (Dominican Republic);
- Lacteos San Miguel Sa (El Salvador)
- Parmalat Asia Ewp (Thailand),
- Parmalat (Zhaodong) Dairy Cor. Ltd.

The following entries were made in connection with the companies that are no longer consolidated line by line:

- The carrying value of the investment was written off;
- The receivables owed by these companies to other Group companies were written off except for 19.0 million euros (9 million euros due by Eaux Vives Harricana, 7.2 due by Boschi Spa, 2.8 million euros due by other smaller companies);
- A provision for risks was established to reflect indebtedness guaranteed by Group companies;
- The receivables owed to the companies listed above by Group companies continued to be included in the indebtedness of Group companies.

Principles of Consolidation

Equity Investments in Companies Included in the Scope of Consolidation

The consolidated financial statements of the Parmalat Group include the financial statements of Parmalat S.p.A. (the Group's Parent Company) and of the companies over which Parmalat S.p.A. exercises direct or indirect control from the moment such control is established until it ceases. In the case of the Parmalat Group, control is exercised when the Parent Company either owns directly or indirectly a majority of the voting shares or can exercise a dominant influence expressed by the power to determine the financial and operating policies of the investee company directly, or indirectly pursuant to a contract or statutory rights, and receive the resulting benefits, irrespective of the ownership of shares of stock. The existence of potential voting rights that could be exercised as of the date of the financial statements is taken into account when determining the existence of control.

As a rule, the financial statements used for consolidation purposes, which have been drawn up as of December 31, 2005, which is the reference date of the consolidated financial statements, are those prepared by the individual companies, restated when necessary to make them consistent with the accounting principles adopted by the Group's Parent Company.

The line-by-line consolidation process was carried out in accordance with the following criteria:

- The consolidated financial statements include line by line the assets and liabilities and the revenues and expenses of the companies included in the scope of consolidation, allocating to minority shareholders the interest they hold in consolidated shareholders' equity and profit, when applicable. These items are shown separately in the Shareholders' section of the balance sheet and on the balance sheet.
- Business combinations that result in the acquisition of control of an enterprise are recognized by the purchase method. The acquisition cost corresponds to the fair value on the date of purchase of the assets that are being sold, of the assumed liabilities, of the financial instruments issued and of all other directly attributable incidental charges. The difference between the acquisition cost and the current value of the acquired assets and liabilities is recognized as goodwill, if positive, or recognized in earnings, if negative, after double-checking the measurement of the current value assigned to the acquired assets and liabilities and the acquisition cost.
- Gains or losses (and the corresponding tax effect) generated by transactions between companies that are consolidated line by line and have not yet been realized through a transaction with an outsider are eliminated. Intra-Group payables and receivables, expenses and revenues and financial income and expense are eliminated.

- Gains or losses from the sale of investments in consolidated companies are reflected in the income statement for the amount that corresponds to the difference between the sales price and the value of the corresponding interest in the underlying shareholders' equity.

Investments in companies over which the Group exercises a significant influence (hereinafter "affiliated companies"), which is deemed to exist when the equity interest held is between 20% or 50%, and in joint ventures are valued by the equity method.

The equity method is described below:

- Profits and losses attributable to the Group are reflected in the consolidated income statement from the date when the Parent Company began to exercise a significant influence or acquired joint control until the time it ceases to have a significant influence or joint control. Changes in the shareholders' equity of companies valued by the equity method, other than those caused by the impact of the profit or loss for the year, are recognized directly as an adjustment to equity reserves.
- Unrealized gains and losses on transactions between the Parent Company or its subsidiaries and a company valued by the equity method are eliminated by an amount prorated in accordance with the percentage interest held by the Group in the investee company valued by the equity method. Unrealized losses are eliminated unless they are indicative of an impairment loss.

Translation of Financial Statements Denominated in Currencies Other than the Euro

The financial statements of companies that operate outside the euro area were translated into euros by applying end-of-period exchange rates to assets and liabilities (Source: Italian Foreign Exchange Office).
The financial statements used for conversion purposes are those stated in each company's functional currency. Income statement items were translated at the average rate for the period from October 1, 2005 to December 31, 2005. Translation differences are posted to a separate equity reserve.

Valuation Criteria

The main valuation criteria adopted in the preparation of the consolidated financial statements at December 31, 2005 are reviewed below.

Current Assets

INVENTORIES
Inventories are carried at the lower of purchase/production cost or net realizable value, which is the amount that an enterprise expects to receive by selling these items in the normal course of business.

The cost of inventories is determined by the weighted average cost method.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist mainly of cash on hand, sight deposits with banks, other highly liquid short-term investments (that can be turned into cash within 90 days) and overdraft facilities. Overdraft facilities are listed as current liabilities. The components of net cash are valued at fair value and any gains or losses are recognized in earnings.

Non-current Assets

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment is recognized at purchase or production cost, including directly attributable incidental expenses that are necessary to make the assets available for use. Asset purchase or production

costs are shown before deducting attributable capital grants, which are recognized when the conditions for their distribution have been met.
Assets acquired under finance leases are recognized as components of property, plant and equipment as an offset to the liability toward the lessor and are depreciated. When there is no reasonable certainty that the Company will exercise its buyout option, the asset is depreciated over the life of the lease, if the asset's useful life is longer.
Property, plant and equipment is depreciated on a straight line over the useful life of the assets. The estimated useful life is the length of time during which the Company expects to use an asset. When an asset classified as property, plant and equipment consists of several components, each with a different useful life, each component should be depreciated separately. The amount to be depreciated is the asset's carrying value, less the asset's net realizable value at the end of its useful life, if such value is material and can be reasonably determined.
Land, including land purchased together with a building, is never depreciated.

Costs incurred for improvements and for modernization and transformation projects that increase the value of the assets are added to the assets' value and depreciated over their remaining useful lives.
The costs incurred to replace identifiable components of complex assets are recognized as assets and depreciated over their useful lives. The residual carrying value of the component that is being replaced is charged to income. The cost of regular maintenance and repairs is charged to income in the year it is incurred.
When an item of property, plant and equipment is affected by events that are presumed to have impaired its value, the recoverability of the affected asset should be tested by comparing its carrying value with its recoverable value, which is the larger of the asset's fair value, net of disposal costs, and its value in use.
Absent a binding sales agreement, fair value is determined based on the valuations available from recent transactions in an active market or based on the best available information that can be used to determine the amount that the Company could obtain by selling a given asset.
Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, if significant and reasonably measurable, and from its disposal at the end of its useful life. Cash flows should be determined based on reasonable and documentable assumptions that represent a best estimate of future economic conditions over the remaining useful life of an asset. The present value is determined by applying a rate that takes into account the risks inherent in the Company's business.
Each Strategic Business Unit (SBU) should be valued separately. When the reason for a writedown ceases to apply, the affected asset is revalued and the adjustment is recognized in the income statement as a revaluation (reversal of writedown) in an amount equal to the adjustment made or the lower of the asset's recoverable value or its carrying value before previous writedowns, but reduced by the depreciation that would have been taken had the asset not been written down.

Depreciation begins when an asset is available for use, i.e., the moment when this condition actually occurs.

The estimated useful lives of the various types of assets are as follows:

• Buildings	10 - 40 years
• Plant and machinery	5 – 10 years
• Office furniture and equipment	4 – 5 years
• Other assets	4 – 8 years
• Leasehold improvements	Length of lease

INTANGIBLES
Intangibles are recorded at cost, which is determined by using the same criteria as those used for property, plant and equipment.
Intangibles with a finite useful life are amortized on a straight line according to an estimate of the length of time the Company will use them. The recoverability of their carrying value is tested using the criteria provided above for property, plant and equipment.

(i) Goodwill and Other Assets with an Undefined Useful Life

Goodwill represents the portion of the purchase price paid in excess of the fair value on the date of acquisition of the assets and liabilities that comprise a company or business. The business combination executed on October 1, 2005 has been accounted for on a provisional basis. The goodwill attributable to equity investments valued by the equity method is included in the value assigned to those equity investments. Goodwill is not amortized on a straight line. However, its carrying amount should be tested at least once a year for impairment losses. Such tests are carried out based on the individual cash generation units to which goodwill has been allocated. Goodwill is written down when its recoverable value is lower than its carrying amount. Recoverable value is the greater of the fair value of a cash generating unit, net of the cost to sell it, and its value in use, which is equal to the present value of future cash flows generated by the cash generating unit during its years of operation and by its disposal at the end of its useful life. Writedowns of goodwill may not be reversed subsequently.

If a writedown required by the results of an impairment test is greater than the value of the goodwill allocated to a given cash generating unit, the balance is allocated among the assets included in the cash generating unit, proportionately to their carrying amounts. The minimum limit of such an allocation is the greater of the following two amounts:

- the fair value of an asset, net of the cost to sell it;
- an asset's value in use, as defined above.

(ii) Industrial Patents and Intellectual Property Rights, Licenses and Similar Rights

The costs incurred to acquire industrial patents and intellectual property rights, licenses and similar rights are capitalized in the amounts actually paid.

Amortization is computed on a straight line so as to allocate the costs incurred to acquire the abovementioned rights over the expected period of utilization of the rights or the lengths of the underlying contracts, counting from the moment the purchase right is exercisable, whichever is shorter.

(iii) Trademarks

At this point, it is impossible to set a time limit to the cash flow generating ability of trademarks recognized on the balance sheet that are strategically important and for which a registration application has been on file for at least 10 years. These trademarks are highly recognizable, have a strong image profile and growth potential, are essential for the Group's continued success and the Group makes substantial investments to ensure their continued competitiveness.

These trademarks include "global" trademarks that are registered and used in all of the Group's core countries (Parmalat and Santal), international trademarks (Chef, Kyr, Sensational Soy/Soy Life and Ice Break/Rush) and local trademarks (Centrale Latte Roma, Clesa, Ucal, Astro, etc.). These trademarks are deemed to have an indefinite useful life and are not amortized.

FINANCIAL ASSETS
When initially recognized, financial assets are classified under one of the following categories and valued accordingly:

- *Financial assets valued at fair value, with changes in value recognized in earnings*: This category includes primarily financial assets that are purchased mainly to resell them over the short term. Financial assets that are included in this category are valued at fair value and any changes in fair value that occur while the Company owns them are recognized in earnings. Financial assets that are included in this category but for which the fair value cannot be determined reliably are carried at cost, adjusted for impairment losses. Writedowns for impairment losses cannot be reversed. Financial instruments included in this category are classified as short term if they are "held for trading" or the Company expects to sell them within one year from the balance sheet date.

- *Loans and receivables*: This category includes financial instruments that are primarily related to trade receivables (which are neither derivatives nor instruments traded on an active market) that are expected to produce fixed and determinable payments. They are listed as current assets, unless they are due after one year from the balance sheet date, in which case they are listed as non-current assets. These assets are valued at their amortized cost, which is determined by the effective interest-rate method. When there is objective evidence of the occurrence of impairment, the affected asset is written down by the amount necessary to make its carrying amount equal to the discounted value of future cash flows. Impairment losses are recognized in earnings. When the reason for a writedown ceases to apply, the affected asset is revalued up to the value at which the asset would have been carried under the amortized cost method, had it not been written down.

- *Held-to-maturity investments*: These are financial instruments other than derivatives that have fixed payments and a fixed maturity and that the Group has the intention and the ability to hold to maturity. These assets are valued by the amortized cost method, using the low effective interest criterion, adjusted for any decrease in value. The same principles described in the Loans and receivables paragraph apply in the event of impairment losses.

- *Held-for-sale investments:* These are financial instruments other than derivatives that are explicitly designated as held for sale or which cannot be classified in any of the other categories. These financial instruments are valued at fair value and any resulting gains or losses are posted to an equity reserve. Their impact is reflected on the income statement only when a financial asset is actually sold or, in the case of cumulative losses, when it becomes evident that the impairment loss recognized in equity cannot be recovered. In the case of debt securities only, if, at a later date, the fair value of an asset increases and after an impairment loss has been recognized in earnings, the impairment loss must be derecognized and the amount charged in the income statement must be reversed. The classification of these assets as current or non-current depends on the strategic choices made with regard to their holding period and the actual ability to sell them. They are classified as current assets if they can be sold within one year from the balance sheet date.

Financial assets are removed from the balance sheet when the right to receive cash flow from a financial instrument has been extinguished and the Group has transferred substantially all of the risks and benefits inherent in the financial instrument as well as its control over the financial instrument.

FINANCIAL LIABILITIES
Initially, financial liabilities are recognized at cost, which must correspond to their fair value. Subsequently, financial liabilities that are held to maturity are valued at their amortized cost. Transaction costs that are incurred directly in connection with the process of incurring the liability are amortized over the useful life of the respective financing facility.

DERIVATIVES
When initially recorded, derivatives are recognized at their fair value on the corresponding contract date. Subsequent changes in the fair value of derivatives that do not qualify as hedges are recognized as components of the profit or loss for the year. In the case of derivatives that do qualify as hedges (both fair value hedges and cash flow hedges), subsequent changes in fair value are recognized in accordance with the specific guidelines provided below. The recognition of qualifying derivatives as hedging instruments requires the preparation for each derivative of documents showing the relationship between the hedging instrument and object being hedged and detailing the risk management objectives, the hedging strategy and the method used to test the effectiveness of the hedge. A test of the effectiveness of the hedge is required both at the time each derivative is established and during the life of the derivative. As a rule, a hedge is deemed to be highly effective if, at inception and over the life of the derivative, changes in fair value (for a fair value hedge) or in expected future cash flows (for a cash flow hedge) are substantially offset by changes in the fair value of the hedge.

In the case of derivatives that hedge assets or liabilities shown on the balance sheet (i.e., fair value hedges), changes in the fair value both of the hedge and the hedged object are reflected on the income statement. When a hedge is not perfectly effective or there are differences in the changes in fair value, the "ineffectiveness" becomes a financial component of the profit or loss for the year.

In the case of derivatives that hedge expected future cash flows (i.e., cash flow hedges), changes in the fair value of the hedging instrument that occur subsequent to initial recognition are recorded (only the “effective” portion) in a special equity reserve (Cash flow hedge reserve). The reserve is recognized in earnings when the financial impact of the hedged event materializes. The financial impact of the release of the reserve must be classified under the same caption of the financial statements that had been used to record the corresponding effect of the hedged transaction. When a hedge is not perfectly effective, the portion of change in the fair value of the hedging instrument attributable to the “ineffective” portion of the instrument is recognized immediately as a component of the profit or loss for the year.

If over the life of a derivative the expected future cash flows that are being hedged are no longer viewed as highly likely to occur, the portion of the Cash flow hedge reserve attributable to the affected instrument is immediately recognized in earnings as a financial component of the profit or loss for the year. On the other hand, if a derivative is sold or ceases to qualify as an effective hedging instrument, the Cash flow hedge reserve recognized up to that point continues to be a component of shareholders’ equity and is recognized in earnings, in accordance with the criterion described above, concurrently with the occurrence of the transaction that was originally hedged.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are established to fund quantifiable charges, the existence of which is certain or probable, but the amount or date of occurrence of which could not be determined as of the close of the reporting period. Additions are made to these provisions when: (i) it is probable that the Company will incur a statutory or implied obligation as a result of a past event; (ii) it is probable that meeting this obligation will be onerous; and (iii) the amount of the obligation can be estimated reliably. Additions are recognized at an amount that represents the best estimate of the sum that the Company will be reasonably expected to pay to satisfy an obligation or transfer it to a third party at the end of the reporting period. When the financial effect of the passing of time is material and the date when an obligation will become due can be reliably estimated, the addition to the provisions should be recognized at its present value.

The costs that the Company expects to incur in connection with restructuring programs should be recognized in the year in which the program is officially approved and there is a settled expectation among the affected parties that the restructuring program will be implemented.

These provisions are updated on a regular basis to reflect changes in estimates of costs, redemption timing and discount rates. Changes in the estimates of provisions are posted to the same income statement item under which the addition was originally recognized. Liabilities attributable to property, plant and equipment are recognized as offsets to the corresponding assets.

POST-EMPLOYMENT BENEFITS

(iii) Benefits Provided After the End of Employment

The Group recognizes different types of defined-benefit and defined-contribution pension plans, in accordance with the terms and practices normally applied in Italy and the other countries where such pension plans are available. Each year, the Group recognizes in earnings the portion of the premiums paid in connection with defined-contribution plans that accrued that year.

Defined-benefit pension plans, which include the severance benefits payable to employees pursuant to Article 2120 of the Italian Civil Code, are based on the length of the working lives of employees and the wages earned by employees over a predetermined period of service. The recognition of defined-benefit plans requires the use of actuarial techniques to estimate the amount of the benefits accrued by employees in exchange for the work performed during the current year and in previous years. The resulting benefit must then be discounted to determine the present value of the Group’s obligation. The determination of the present value of the Group’s obligation is made by an independent actuary, using the projected unit credit method. This method, which is part of a broad category of techniques applicable to vested benefits, treats each period of service provided by an employee to a company as an additional accrual unit. The actuarial liability must be quantified exclusively on the basis of the seniority achieved as of the date of valuation. Consequently, the total liability is prorated based on a ratio between the years of service accrued as of the

valuation reference date and the total seniority that an employee is expected to have achieved when the benefit is paid. Moreover, this method requires taking into account future wage increases due for any reason (inflation, career moves, labor contract renewals, etc.) until the end of the employment relationship. If these plans are financed or the Group pays the plan contributions to an outside entity, the plan assets are valued based on their expected rate of return.

The cost of defined-benefit plans accrued during the year, which is reflected in the income statement as part of labor costs, is equal to the sum of the average present value of the accrued benefits of current employees for service provided during the year and their annual vested interest in the present value of the Company's obligations at the beginning of the year, computed by discounting future outlays by the same rate as that used to estimate the Group's liability at the end of the previous year. The annual discount rate used for these computations was the same as the year-end market rate for zero-coupon bonds with a maturity equal to the average residual duration of the liability.

Actuarial gains and losses (defined as the difference between the carrying amount of the Group's liability and the present value of its obligation at the end of the year) that result from changes from the actuarial parameters used in the past are recognized in accordance with the "corridor" method, i.e., only when they exceed 10% of the present value of the Company's obligation at the end of the previous period. In such cases, the amount in excess of 10% is charged to income, based on the average remaining working lives of the employees, counting from the following year.

(iv) Benefits Payable to Employees Upon Termination of Employment and Incentives to Resign

Benefits owed to employees upon termination of employment are recognized as a liability and as a labor cost when a company is demonstrably committed to terminate the employment of an employee or group of employees before the normal retirement age or to provide incentives to the termination of employment in connection with a proposal to address redundancies with incentives to resign voluntarily. Benefits owed to employees due to termination of employment do not provide the Company with future economic benefits and, consequently, they are charged to income when incurred.

INCOME TAXES

Current income taxes are computed on the basis of the taxable income for the year and the applicable tax laws by applying the tax rates in force on the date of the financial statements.

Deferred taxes are computed on all temporary differences between the values attributed to assets and liabilities for tax purposes and for financial reporting, with the exception of goodwill and temporary differences that arise from investments in subsidiaries when the Group has control over the timing for the reversal of the difference and it is likely that they will not be reversed over a reasonably foreseeable length of time. The portion deferred-tax assets, including those stemming from a tax loss carryforward, that is not offset by deferred-tax liabilities is recognized to the extent that it is likely that the Company will generate future earnings against which they may be recovered. The balance of any offset is shown under Deferred-tax assets, if positive, or under Deferred tax liabilities, if negative are posted to the account of the same name. Deferred-tax liabilities are computed using the tax rates that are expected to be in force in the years when the temporary difference will be realized or cancelled.

Current and deferred taxes are reflected on the income statement, except for those attributable to items that are debited or credited directly to shareholders' equity.

Tax assets and liabilities, including deferred income taxes, can be offset when they are levied by the same tax administration on the same taxpayer, provided the taxpayer has a legally exercisable right to offset the corresponding amounts and plans to exercise that right. Moreover, with regard to current taxes, the offset is permissible when several taxpayers have a legally exercisable right to settle tax assets and liabilities on a net basis and intend to exercise that right.

AVAILABLE-FOR-SALE ASSETS

These assets include assets (or discontinuing operations) the carrying amount of which will be recovered mainly through a sale, rather than through their continuing use. Available-for-sale assets are valued at their net carrying amount or their fair value, net of costs to sell the assets, whichever is lower. When a depreciable or amortizable asset is reclassified under this category, the depreciation or amortization process stops upon reclassification.

REVENUE RECOGNITION

Initially, revenues are always recognized at the fair value of the consideration received, net of allowances and discounts.

Revenues from the sale of goods are recognized when the Company has transferred to the buyer substantially all of the risks and benefits inherent in the ownership of the goods.

FOREIGN EXCHANGE DIFFERENCES

Revenues and expenses arising from transactions in foreign currencies are recognized at the exchange rate in force on the day the underlying transaction is executed. Assets and liabilities denominated in foreign currencies are translated into euros at the exchange rate in force at the end of the reporting period and any resulting gains or losses are recognized in earnings. Non-cash assets and liabilities denominated in foreign currencies are recognized at the historical exchange rate and valued at cost.

RECOGNITION OF GOVERNMENT GRANTS

Grants that are the subject of a formal distribution resolution are recognized on an accrual basis, in direct correlation to the costs incurred. Operating grants are reflected on the income statement as Other income.

Capital grants that are attributable to property, plant and equipment are recognized as deferred income. Such deferred income is recognized in the income statement in equal installments computed on the basis of the useful life of the assets for which the grant was received.

FINANCIAL INCOME AND EXPENSE

Interest is recognized on an accrual basis in accordance with the effective interest method, i.e., using an interest rate that equalizes all incoming and outgoing flows that are part of a given transaction.

DIVIDENDS

Dividends are recognized when shareholders become entitled to receive them. As a rule, this happens when the Shareholders' Meeting approves a resolution to distribute a dividend. The dividend distribution amount is then recognized as a liability on the balance sheet for the period during which the distribution was approved by the Shareholders' Meeting.

Transactions Between Group Companies and with Related Parties

Transactions between Group companies and between Group companies and related parties are neither atypical or unusual and were carried by the Company in the normal course of business. Currently, the Group executes transactions with the following related parties:

- Companies in which the Group has a majority equity stake but over which it no longer has control and, consequently, have been excluded from the scope of consolidation as explained in the Scope of Consolidation section of this Report:

A breakdown of receivables and payables divided by nature is shown below:

(in millions of euros)			**12.31.2005**				
Company	**Country**	**Trade receivables***	**Financial receivables***	**Other receivables***	**Trade payables**	**Financial payables**	**Other payables**
9161-5849 Quebec inc	Canada		8.4				
Airetcal sa	Uruguay		4.3				
Boschi Luigi & Figli Spa under E.A.	Italy	3.5	3.5		2.8		
Deutsche Parmalat Gmbh under E.A.	Germany	6.6	0.7		9.2		
F.lli Strini Costr. Mecc.S.r.l. under E.A.	Italy	1.4			0.3		
Gelateria Parmalat de Venezuela	Venezuela	1.4	0.5				
Gelateria Parmalat Srl in liquidation	Italy		1.3	0.3			
Impianti Sportivi Parma S.r.l.	Italy		3.7				
Lacteos Centroam. Lactam sa	Costa Rica	1.7					
Parmalat Brasil Ind. de Alim. sa	Brasil		4.9		0.1	0.1	
Parmalat Chile	Chile		3.9				
Parmalat Food Holdings Limited	U.K.		6.1				
Parmalat Hungaria RT	Hungary		1.6		0.1		
Parmalat Molkerei Gmbh under E.A.	Germany	1.7	1.6		1.1		
Parmalat Paraguay sa	Paraguay	0.1	1.5				
Parmalat Particip. Do Brasil Ltda	Brasil		18.7			3.4	
Saral srl in liquidation	Italy		1.4				
Wishaw Trading sa	Uruguay		42.3				
Other and sundry (less than 1 mln)		3.1	0.8		0.6	0.1	
Total		**19.5**	**105.2**	**0.3**	**14.2**	**3.6**	**0.0**

* include provision for writedowns

Costs, revenues and possible allowances for doubtful accounts recognized in the period are shown below divided by nature:

(in millions of euros)		2005		
Company	**Country**	**Sale revenues**	**Purchase costs**	**Allowances for doubtful accounts**
Boschi Luigi & Figli Spa under E.A.	Italy	2.2	3.5	
Deutsche Parmalat Gmbh under E.A.	Germany		2.0	
Impianti Sportivi Parma S.r.l.	Italy			0.2
Parmalat Molkerei Gmbh under E.A.	Germany		3.3	
Total		**2.2**	**8.8**	**0.2**

- Certain companies that are included in the investment portfolio of Parmalat Finanziaria S.p.A. under E.A.:

A breakdown of receivables and payables divided by nature is shown below:

(in millions of euros)		12.31.2005					
Company	**Country**	**Trade receivables***	**Financial receivables***	**Other receivables***	**Trade payables**	**Financial payables**	**Other payables**
Eliair Srl under E.A.	Italy		4.6	0.3			
Emmegi Agroindustriale srl under E.A.	Italy	13.7	36.8	8.5	0.5		
Parma A.C. S.p.A. under E.A.	Italy		60.4				
Parmalat Capital Finance Ltd	Cayman I.		3.468.9**			10.0	
Bonlat Financing Corporation	Cayman I.		1.127.6**			8.8	
Parmalat S.p.A. under E.A.	Italy			5.5			
Other and sundry (less than 1 mln)			0.1	0.2			
Total		**13.7**	**4.698.4**	**14.5**	**0.5**	**18.8**	**0.0**

* include privision for writedowns
** amounts completely written off

Costs, revenues and possible allowances for doubtful accounts recognized in the period are shown below divided by nature:

(in millions of euros)		2005		
Company	**Country**	**Sale revenues**	**Purchase costs**	**Allowances for doubtful accounts**
Parmalat S.p.A. under E.A.	Italy			5.5
Total		**0.0**	**0.0**	**5.5**

- Certain affiliated companies:

A breakdown of receivables and payables divided by nature is shown below:

(in milions of euros)		12.31.2005					
Company	**Country**	**Trade receivables***	**Financial receivables***	**Other receivables***	**Trade payables**	**Financial payables**	**Other payables**
Norco – Pauls Milk Partnership	Australia				2.8		
Total		**0.0**	**0.0**	**0.0**	**2.8**	**0.0**	**0.0**

* include provision for writedowns

Costs, revenues and possible allowances for doubtful accounts recognized in the period are shown below divided by nature:

(in millions of euros)		**2005**		
Company	**Country**	**Sale revenues**	**Purchase costs**	**Allowances for doubtful accounts**
Norco – Pauls Milk Partnership	Australia	5.5	5.1	0.0
Total		**5.5**	**5.1**	**0.0**

While not required to do so pursuant to law, the Group discloses that, considering who will be the shareholders of Parmalat S.p.A. following the approval of the Composition with Creditors, the Group engages in commercial and financial transactions with numerous former creditors of its member companies.
The transactions executed with these counterparties are neither atypical or unusual and are carried out by the Company in the normal course of business.
These transactions are executed on market terms. i.e., on terms that would have been agreed to by independent parties, and were carried out in the interest of the Group headed by Parmalat S.p.A.
Lastly, the Group has filed a series of legal actions against former creditors of companies under extraordinary administration. These lawsuits are discussed in detail in the section of the Report on Operations entitled Legal Disputes and Contingent Liabilities at December 31, 2005.

Assets and Liabilities Acquired on October 1, 2005 Pursuant to the Court Decision Approving the Proposal of Composition with Creditors

The implementation of the Composition with Creditors resulted in the transfer of the assets of Parmalat in AS to the new Parmalat S.p.A. (the Assumptor) in exchange for the distribution of shares and warrants of the new company to the unsecured creditors (information about the number of shares issued is provided in the note to Shareholders' equity).

On October 1, 2005, following the approval of the Composition with Creditors by the Court of Parma, the assets and liabilities of the 16 companies that were parties to the Proposal of Composition with Creditors were transferred to the Assumptor. Consequently, assets and liabilities have been consolidated as of that date.

As a consequence, the result for the year ended December 31, 2005 is attributable almost entirely to the acquired business operations. If the acquisition had taken place on January 1, 2005, Parmalat S.p.A. would have reported net revenues of 3,901.4 millions and a profit of 50.3 millions.

The table on the following page shows a consolidated balance sheet at October 1, 2005 that reflects the temporary impact of the post-acquisition allocation process. During the first nine months of 2005, Parmalat S.p.A. did not transact any business. Consequently, the Company's pre-acquisition account balances are not significant. Therefore, the above mentioned consolidated balance sheet reflects the acquired assets and liabilities.

Consolidated Balance Sheet at October 1, 2005

PREPARED IN ACCORDANCE WITH IFRS REQUIREMENTS

(in millions of euros)	**10/1/05**
NON-CURRENT ASSETS	**2,421.6**
Goodwill	767.1
Trademarks with an undefined useful life	801.2
Other intangibles	92.8
Property, plant and equipment	711.1
Investments in associates	7.5
Other non-current financial assets	16.7
Deferred-tax assets	25.2
CURRENT ASSETS	**1,700.4**
Inventories	337.4
Trade receivables	499.3
Other current assets	339.4
Cash and cash equivalents	523.0
Current financial assets	1.3
Available-for-sale assets	**56.0**
TOTAL ASSETS	**4,178.0**
SHAREHOLDERS' EQUITY	**1,890.9**
Share capital	1,600.9
Reserve for contested liabilities convertible exclusively into share capital	193.8
Reserve for claims of late-filing creditors	54.5
Other reserves:	(11.2)
Retained earnings (Loss carryforward)	
Profit (Loss) for the period	(0.8)
Shareholders' equity attributable to the shareholders of the Group's Parent Company	**1,837.2**
Minority interest in shareholders' equity	**53.7**
NON-CURRENT LIABILITIES	**1,190.5**
Long-term borrowings	688.5
Deferred-tax liabilities	232.1
Provisions for employee benefits	110.2
Provisions for risks and charges	137.2
Provision for preferential and prededuction claims	22.5
CURRENT LIABILITIES	**1,088.0**
Short-term borrowings	251.6
Financial liabilities from preferential and prededuction claims	10.5
Trade payables	459.7
Trade payables with preferential or prededuction status	124.2
Other current liabilities	206.1
Other payables with preferential or prededuction status	9.7
Income taxes payable	26.2
Liabilities directly attributable to available-for-sale assets	**8.6**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,178.0**

Allocation of Goodwill Paid

Goodwill was computed as the difference between the transaction value and the fair value of the net acquired assets. It includes the goodwill generated upon the conveyance of the operations carried out directly by the 16 companies included in the Proposal of Composition with Creditors, equal to 406.9 million euros, and the goodwill generated by the consolidation of Group subsidiaries, equal to 1,249.4 million euros.

A portion of this difference was allocated to those Group trademarks, land and buildings the carrying amount of which was significantly different from their fair value. In connection with this process, Ernst & Young Financial Business Advisors S.p.A. were asked to provide an appraisal that could be used to determine the fair value of the assets referred to above.

The valuation of the trademark portfolio was carried out by quantifying the "royalty savings" they produce, i.e., the economic benefit that can be derived from the ownership of the trademarks. It also involved determining the useful lives of these assets. This can be accomplished using different parameters:

- The remaining residual statutory life of a licensable asset;
- The length of existing contracts executed by the Company or other operators in the same industry licensing the use of intangible assets, taking into account any contract renewals;
- The life cycle of the products sold under the trademark being appraised;
- Other specific factors, to be taken into account on a case-by-case basis,

In the food area, which is the industry in which the Group operates, a trademark is an especially important asset that requires substantial investments to develop and maintain it, and to create and increase its recognition and image among consumers. Specifically, the trademarks subject of the abovementioned evaluation process are of fundamental importance for the continued success and the very survival of the Group.
The foregoing considerations produced the following conclusions:

- Trademarks for which a registration application has been on file for at least 10 years prior to the date of transfer were classified as having an undefined life;
- Trademarks for which a registration application has been on file for a shorter period (Parmalat Jeunesse, Biely Gorod and Vaalia) were assigned a 20-year life.

The results of the abovementioned appraisal are summarized below:

(in millions of euros)	**Trademarks**	**Land**	**Buildings**	**Total**
Italy – Issuer	240.0	14.5	43.9	298.3
Italy – Centrale Latte di Roma	34.8	10.1	23.2	68.1
Italy - Latte Sole	13.9	0.8	4.1	18.8
Spain	69.9	67.7	33.9	171.4
Portugal	27.4	8.2	14.8	50.4
Russia	12.1	-	-	12.1
Canada	222.0	-	-	222.0
Colombia	16.1	-	-	16.1
Australia	56.5	-	-	56.5
South Africa	81.1	2.5	8.6	92.2
Total	**773.8**	**103.8**	**128.5**	**1,006.0**

As shown in the table below, after deducting the abovementioned allocation amounts, goodwill amounted to 767.1 million euros:

(in millions of euros)		**10/1/05**
Initial amount		1,656.3
- Fair value	1,006.0	
- Carrying amount of the appraised assets	116.8	
Allocated surplus		889.2
Goodwill		**767.1**

Specifically in the case of Parmalat S.p.A., goodwill was allocated as follows: 226.8 million euros to trademarks and 29.9 million euros to land and buildings. In the case of the subsidiaries, 518.0 million euros were allocated to trademarks and 114.5 million euros were allocated to land and buildings. Of the remaining goodwill (767.1 million euros), 149.2 million euros were allocated to Parmalat S.p.A. and the balance to the subsidiaries.

All other acquired assets and liabilities were recognized at their acquisition cost, which was computed based on their carrying amounts in the financial statements of the assignor companies, since those amounts were deemed to reflect the fair values of the transferred assets and liabilities. As described, the balance sheet at October 1, 2005 is the result of the preliminary allocation of the acquisition price of the acquired assets and liabilities at fair value. Some adjustments to those assets and liabilities have been identified during the preparation of the financial statements at 31 December 2005 and are described in note (1) “Goodwill”post acquisizione. Si ricorda che Parmalat Spa nei primi nove mesi2005 non ha svolto alcunaoperativa pertanto i saldi della stessa società ante acquisizione non significativi.

Notes to the Balance Sheet – Assets

Non-current Assets

(1) Goodwill

Goodwill amounted to 713.6 million euros, or 53.5 million euros less than the 767.1 million euros acquired as a result of the Composition with Creditors, net of the allocations explained in the "Allocation of Goodwill Paid" section of the chapter of this Report entitled "Assets and Liabilities Acquired on October 1, 2005 Pursuant to the Court Decision Approving the Proposal of Composition with Creditors."

The changes that occurred in 2005 are listed below:

(in millions of euros)	**Goodwill**
Balance at 12/31/04 (A)	**0.0**
Changes in 2005:	
- Goodwill acquired on 10/1/05 upon Composition with Creditors	767.1
- Additions	
- Disposals (-)	
- Writedowns (-)	
- Allocation (-)	(76.3)
- Decreases (-)	(25.5)
- Reclassifications	42.3
- Currency translation differences	6.0
Total changes (B)	**713.6**
Balance at 12/31/05 (A+B)	**713.6**

The allocation of 76.3 million euros is the net result of 67.6 million euros in increased value, net of taxes, attributed to tangibles, 18.6 million euros attributed to an Australian joint venture, a deduction of 10.5 million euros for an addition to the reserves for risk and charges and 0.6 million euros attributed to trademarks with an undefined life.

The decrease of 25.5 million euros reflects a reduction of minority interest in goodwill caused by the adoption of a new accounting principle that concerns the treatment of minority interest in goodwill.

The increase of 42.3 million euros refers to a reclassification from Other intangibles and reflects an adjustment to the preliminary accounting entries made upon acquisition.

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A breakdown is as follows:

(in millions of euros)	**12/31/05**
Parmalat spa	320.9
Parmalat Dairy & Bakery inc.	120.3
Parmalat Australia ltd	84.6
Centrale del Latte di Roma spa	45.4
Parmalat South Africa pty ltd	41.9
Parmalat Portugal lda	35.2
Parmalat Food inc. (Canada)	28.7
Latte Sole spa	17.5
Other smaller companies	19.1
Total	**713.6**

Goodwill has been allocated to the different relevant units and is stated in the respective currencies.

Compared to October 1, 2005 the implicit goodwill of the Venezuelan companies was written off due to the uncertainties on the renegotiation of their financial debt. The value of the same goodwill was reallocated to Parmalat S.p.A whose fair value has increased in comparison with October 1 for the net impact of Morgan Stanley transaction and higher "restructuring" cost compared with the provisions already made.

At December 31, 2005, the Group used the support of an advisor to test the recoverability of the intangibles listed above and, more in general, the value of the acquired units (cash generating units identified by geographic area).

Fair value was determined by the earnings multiple method, based on multiples paid for similar transactions.

Value in use was computed by discounting expected future cash flows, based on a three-year plan recently prepared by management.

Specifically, the cash flows for 2006, 2007 and 2008 were computed based on data supplied by the management of the individual units and approved by the management of the Group's Parent Company. For subsequent years, the computation involved the use of a perpetuity assumption, with growth rates of between 0.5% and 1%.

The main assumptions made for the three years of the plan, based on past experience and the strategic initiatives undertaken, are as follows:

- Average revenues growth rates of 3% for Canada, Australia and Italy and higher rates for countries with higher growth probability as Africa, Eastern Europe and South America;
- A low-growing level of EBITDA as a percentage of revenues has been foreseen for Canada, Australia, Africa and Europe while it should be better for Italy. More significant improvements are expected in Central and South America.

Based on these assumptions, both the fair value of the business units and essentially their computed value in use are greater than the carrying amount of the corresponding business unit, with the exception of Spain.

In Spain, the performance of the Group's operations has grown worse in recent months and so has their outlook. The Group is currently developing a plan to relaunch this Business Unit and is exploring different options. Based on the current situation and considering that the multiples used in similar transactions substantially confirm the current carrying amount, no adjustment appeared to be necessary.

(2) Trademarks with an Undefined Useful Life

Trademarks with an undefined useful life totaled 798.6 million euros. A breakdown is as follows:

(in millions of euros)	
Parmalat	193.1
Beatrice (Canada)	86.0
Lactantia (Canada)	70.9
Santal	56.7
Pauls (Australia)	43.3
Berna (Italy)	42.3
Centrale del Latte di Roma (Italy)	34.8
Clesa (Spain)	34.0
Black Diamond (Canada)	32.2
Astro (Canada)	23.8
Cacaolat (Spain)	22.4
Bonnita (South Africa)	18.9
Chef (Italy)	16.2
Sundry trademarks	124.0
Total	**798.6**

The following changes occurred in 2005:

(in millions of euros)	Trademarks with an undefined life
Balance at 12/31/04 (A)	**0.0**
Changes in 2005:	
- Assets acquired on 10/1/05 upon Composition with Creditors	801.2
- Additions	
- Disposals (-)	
- Writedowns (-)	
- Allocation of goodwill (-)	0.6
- Other changes	(10.2)
- Currency translation differences	7.0
Total changes (B)	**798.6**
Balance at 12/31/05 (A+B)	**798.6**

The decrease of 10.2 million euros in Other changes reflects a reclassification to Trademarks with a finite useful life.

(3) Other Intangibles

Other intangibles of 55.4 million euros includes capitalized costs that are expected to produce benefits over several years incurred by Parmalat S.p.A. and its subsidiaries.

The following changes occurred in 2005:

(in millions of euros)	Trademarks with a finite life	Concessions, licenses and similar rights	Miscellaneous intangibles	Total
Balance at 12/31/04 (A)	**0.0**	**0.0**	**0.0**	**0.0**
Changes in 2005:				
- Assets acquired on 10/1/05 upon Composition with Creditors	55.4	25.8	11.6	92.8
- Additions		0.1	0.3	0.4
- Disposals (-)				
- Writedowns (-)				
- Amortization (-)	(4.2)	(1.6)	(0.4)	(6.2)
- Other changes	(12.8)	(12.8)	(6.3)	(31.9)
- Currency translation differences	(0.1)	0.1	0.3	0.3
Total changes (B)	**38.3**	**11.6**	**5.5**	**55.4**
Balance at 12/31/05 (A+B)	**38.3**	**11.6**	**5.5**	**55.4**

Other intangibles includes licenses for corporate software and Italian trademarks (Monza, Solac, Optimus, Stella, Jeunesse, Torvis, Pascolat and Dolomiti) and foreign trademarks (Vaalia and Biely Gorod) retained in the final restructuring of the Group's commercial operations.

Other changes, which show a decrease of 31.9 million euros, reflects reclassifications of 10.2 million euros to Trademarks with an undefined useful life and of 42.3 million euros to Goodwill. A reclassification from Work in progress and advances accounts for the difference.

(4) Property, Plant and Equipment

Property, plant and equipment totaled 698.3 million euros, broken down as follows:

(in millions of euros)	Land	Buildings	Plant and machinery	Industrial equipment	Other assets	Construction in progress	Total
Balance at 12/31/04 (A)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Changes in 2005:							
- Assets acquired on 10/1/05 upon Composition with Creditors	153.6	252.2	244.3	9.5	28.2	23.3	711.1
- Supplemental allocation of goodwill	92.1	1.1	6.9		2.4		102.5
- Additions		4.1	9.4	1.4	6.5	6.6	28.0
- Writedowns (-)	(0.1)	(0.6)	(4.0)				(4.7)
- Disposals (-)			(1.7)	(0.1)	(0.9)	(0.8)	(3.5)
- Depreciation (-)		(4.2)	(15.5)	(0.8)	(3.0)		(23.5)
- Currency translation differences	0.1	1.3	3.3	(0.1)	0.3	0.1	5.0
- Other changes	(125.5)	1.4	16.0	0.9	1.4	(10.8)	(116.6)
Total changes (B)	**120.2**	**255.3**	**258.7**	**10.8**	**34.9**	**18.4**	**698.3**
Balance at 12/31/05 (A+B)	**120.2**	**255.3**	**258.7**	**10.8**	**34.9**	**18.4**	**698.3**
- Provision for writedowns at 12/31/05		(6.5)	(8.1)			(2.0)	(16.6)
- Accumulated depreciation at 12/31/05		(83.4)	(502.3)	(13.0)	(94.4)		(693.1)

Information about the Group's investments in intangibles and property, plant and equipment is provided in the "Capital Expenditures" section of the Report on Operations.

Other changes of 116.6 million euros refer mainly to the reclassification of 138.9 million euros to Available-for-sale assets for a building in Madrid and a reclassification of 22.5 million euros from Available-for-sale assets for property, plant and equipment belonging to a Venezuelan subsidiary that are no longer slated for divestiture.

A breakdown of property, plant and equipment acquired under finance leases totaling 22.0 million euros is as follows:

- 3.8 million euros for buildings;
- 10.9 million euros for plant and machinery;
- 7.3 million euros for other assets.

(5) Investments in Associates

The net carrying amount of the Group's investments in associates totaled 23.4 million euros. The table below shows the changes that occurred in 2005:

	Investments valued		Total
	by the equity method (affiliated companies)	**at cost**	
Balance at 12/31/04 (A)			
Changes in 2005:			
- Assets acquired on 10/1/05 upon Composition with Creditors	3.9	3.6	7.5
- Allocation of goodwill	18.6		18.6
- Writedowns (-)		(0.3)	(0.3)
- Currency translation differences	(0.2)		(0.2)
- Other changes	(2.4)	0.2	(2.2)
Total changes (B)	**19.9**	**3.5**	**23.4**
Balance at 12/31/05 (A+B)	**19.9**	**3.5**	**23.4**

The change of 16.0 million euros that occurred in investments valued by the equity method compared with October 1, 2005 is the net result of an 18.6-million-euro increase in the value assigned to an Australian joint venture, booked to reflect the joint venture's fair value, and the reclassification to Available-for-sale assets of the investments of an Australian company (2.4 million euros) that has been earmarked for divestiture.

(6) Other Non-current Financial Assets

Other non-current financial assets had a net carrying amount of 16.4 million euros. The table below shows the changes that occurred in 2005:

(in millions of euros)	Receivables owed by		Other securities	Total
	investee companies (a)	others		
Balance at 12/31/04 (A)				
Changes in 2005:				
- Assets acquired on 10/1/05 upon Composition with Creditors	9.4	6.1	1.2	16.7
- Increases		0.6		0.6
- Writedowns (-)	(0.9)	(0.1)		(1.0)
- Currency translation differences	0.2	(0.1)		0.1
- Other changes				
Total changes (B)	**8.7**	**6.5**	**1.2**	**16.4**
Balance at 12/31/05 (A+B)	**8.7**	**6.5**	**1.2**	**16.4**

(a) Companies the share capital of which is owned by the Group but are not under the Group's control.

Receivables owed by Group companies of 8.7 million euros includes 0.5 million euros in net receivables owed to Parmalat S.p.A. by Parmalat Paraguay and 8.2 million euros in receivables that a Canadian subsidiary expects to recover from an investee company that is a party to composition with creditors proceedings.

The main components of receivables owed by others of 6.5 million euros are:

- Security deposits of 2.0 million euros;
- Guarantee deposits of 1.2 million euros;
- A loan provided to a minority shareholder in the amount of 0.8 million euros;
- Receivables for advances on employee severance benefits totaling 0.4 million euros;

Other securities of 1.2 million euros refers mainly to securities belonging to a Canadian subsidiary that have been earmarked to benefit milk research programs.

(7) Deferred-tax Assets

Deferred-tax assets of 40.9 million euros increased of 15.7 million euros from October 31, 2005 mainly as a result of a provision of 15.9 million euros booked by Parmalat S.p.A. The items related to the Parent Company consist mainly of amounts set aside in 2005, the recoverability of which for tax purposes will take place when the financial impact of the underlying transaction actually occurs.

The difference consists of 10.1 million euros relating to the Australian subsidiary for defined-benefit plans for employees and of 10.0 million euros relating to the Canadian subsidiary essentially for loss carryforwards.

At 31 December 2005, the Group reports loss carryforwards against which no prepaid tax asset has been recognized mainly for 20 million euros relating to Australia, Italy and Spain.

Current Assets

(8) Inventories

All of the Group's Inventories were acquired as a result of the Composition with Creditors. They totaled 335.6 million euros, or 1.8 million euros less than at October 1, 2005. A breakdown is as follows:

(in millions of euros)	**12/31/05**
1) Raw materials, auxiliaries and supplies	97.3
2) Work in progress and semifinished goods	1.9
3) Contract work in process	8.0
4) Finished goods and merchandise	229.1
5) Advances	1.5
6) Provision for inventory writedowns	(2.2)
Total inventories	**335.6**

(9) Trade Receivables

All of the Group's Trade receivables were acquired as a result of the Composition with Creditors. They totaled 546.1 million euros, or 46.8 million euros more than at October 1, 2005. A breakdown is as follows:

(in millions of euros)	**12/31/05**
Trade receivables:	
- owed by customers	536.4
- owed by Investee companies (a)	9.7
Total trade receivables	**546.1**

(a) Companies the share capital of which is owned by the Group but are not under the Group's control.

The amount of 536.4 million euros shown for trade receivables owed by customers is net of an allowance for doubtful accounts amounting to 178.5 million euros.
The increase of 46.8 million euros is due mainly to issues related to the alleged contamination by the ITX coloring agent that affected Parmalat S.p.A. (25.5 million euros), which was combined with the effect of the year-end bonuses payable to chain-store retailers (about 17 million euros in total), and to the higher sales volume recorded in the last quarter of 2005. The balance of 19.6 million euros includes the following:

- An increase of 5.7 million euros recorded by a South African subsidiary (4.5 million euros due to increased sales and 1.2 million euros due to the appreciation of the rand versus the euro);
- An increase of 6.0 million euros recorded by the Canadian subsidiaries due to higher sales of butter and cheese during the holiday season (4.6 million euros) and the appreciation of the Canadian dollar versus the euro (1.4 million euros);
- An increase of 6.0 million euros recorded by the Australian subsidiaries, which recorded higher sales of fresh and flavored milk due to unusually hot weather;
- An increase of 1.9 million euros recorded by Parmalat Distribuzione Alimenti due to the acquisition of the business operations of some of the Group's licensees.

Trade receivables owed by Group companies consist of receivables owed to Parmalat S.p.A. by Deutsche Parmalat GMBH in AS, Boschi Luigi & Figli S.p.A. in AS and Ce.Di. Spezia Srl in liquidation. These receivables are shown net of the corresponding allowance for doubtful accounts.

(10) Other Current Assets

Other current assets amounted to 266.9 million euros, or 260.7 million euros more than at December 31, 2004. The increase is the net result of 333.2 million euros in new assets acquired on October 1, 2005 as a result of the Composition with Creditors and a decrease of 72.5 million euros that occurred in the last quarter of 2005. A breakdown is as follows:

(in millions of euros)		
	12/31/05	**12/31/04**
Amount receivable from the tax authorities for VAT	119.0	
Amount receivable from the tax authorities for estimated tax payments	37.9	
Dividend tax credits	38.2	
Other amounts receivable from the tax authorities	9.8	
Sundry receivables	33.4	6.2
Contested claims	15.5	
Accrued income and prepaid expenses	13.1	
Total	**266.9**	**6.2**

The decrease of 72.5 million euros is due mainly to a reclassification of financial prepaid expenses as a direct deduction from the amount due to banks.

A portion of the amount receivable by Parmalat S.p.A. from the tax authorities for VAT (31.9 million euros) has been earmarked to offset an equal liability toward the Italian social security administration (INPS). Prior to the approval of the Proposal of Composition with Creditors, Parmalat S.p.A. in AS and Eurolat S.p.A. in AS provided the INPS with irrevocable powers of attorney to collect on their behalf VAT credits amounting to 22.1 million euros and 5.6 million euros, respectively. In November 2005, Parmalat S.p.A. granted an additional power of attorney for 4.2 million euros.

Dividend tax credits of 38.2 million euros refers to dividends collected prior to the start of the extraordinary administration proceedings.

Sundry receivables of 19.1 million euros refer to a receivable owed by the Ministry of Farming and Forestry Policies for grants for new facilities awarded in accordance with Legislative Decree No. 173 of April 30, 1998 that have not yet been disbursed.

Contested receivables of 15.5 million euros refer to receivables owed by Parmalat S.p.A. to certain subsidiaries that the Italian bankruptcy judges (*Giudici Delegati*) failed to include in the lists of liabilities, a decision that the creditors contested within the statutory deadline.

These receivables were not eliminated in the consolidation process because, if their existence and amount is verified by a final court decision or if the corresponding claims are settled amicably, in accordance with the provisions of the Proposal of Composition with Creditors and as required by Article 2359-*Quinquies* of the Italian Civil Code, pursuant to which subsidiaries may not acquire through subscription shares of their Parent Company, the receivables will be assigned to Fondazione Creditori Parmalat, which will acquire through subscription the corresponding shares and warrants, sell them and transfer the resulting proceeds to the creditor companies.

A breakdown of accrued income and prepaid expenses, which totaled 13.1 million euros, is as follows:

(in millions of euros)	**12/31/05**
Accrued income:	
- Other accrued income	0.5
Prepaid expenses:	
- Interest	0.4
- Loan fees	0.7
- Rent and rentals	0.8
- Insurance premiums	1.1
- Sundry prepaid expenses	9.6
Total accrued income and prepaid expenses	**13.1**

(11) Cash and Cash Equivalents

Cash and cash equivalents totaled 502.7 million euros. The increase of 502.6 million euros compared with December 31, 2004 is the net result of 522.9 million euros in assets acquired on October 1, 2005 as a result of the Composition with Creditors and a decrease 21.2 million euros recorded in the fourth quarter of 2005. A breakdown is as follows:

(in millions of euros)	**12/31/05**	**12/31/04**
- Bank and postal accounts	224.7	
- Treasury securities	276.2	
- Cash and securities on hand	1.8	0.1
Total cash	**502.7**	**0.1**

Treasury securities of 276.2 million euros refer to Italian treasury bills bought in November and December 2005, all of which mature no later than February 2006. The remaining cash consists of deposits with highly rated banks and financial institutions.

A deposit of about 16.6 million euros has been made in favour of the buyer of Bakery USA and of three Canadian bakery plants, sold in January 2005, in order to cover possible fiscal, legal or working liabilities.

The decrease of 21.2 million euros reflects primarily a reduction of 44.2 million euros recorded by Parmalat S.p.A. as a result of the payment of preferential and prededuction claims, offset by an increase of 21.9 million euros, which is, in turn, the result of:

- An increase of 26.1 million euros recorded by a Canadian subsidiary due to higher sales of butter and cheese during the month of December (24.9 million euros) and the appreciation of the Canadian dollar versus the euro (1.2 million euros);
- A decrease of 4.2 million euros reported by a South African subsidiary due to the repayment of a loan (3.4 million euros) and the payment of income taxes (0.8 million euros).

(12) Current Financial Assets

All of these assets were acquired as a result of the Composition with Creditors. They totaled 2.1 million euros, or 0.8 million euros more than at October 1, 2005.

Current financial assets consist of investment securities.

(13) Available-for-sale Assets

Available-for-sale Assets of 148.7 million euros include the following:

- 138.9 million euros for a building in Madrid;
- 7.4 million euros for assets belonging to a division of Parmalat S.p.A. that distributes tomato-based products (7.1 million euros for finished goods and 0.3 million euros for raw materials);
- 2.4 million euros for a minority interest in an Australian company.

Notes to the Balance Sheet — Shareholders' Equity

At December 31, 2005, the Group's interest in shareholders' equity amounted to 1,848.1 million euros.

(14) Share capital

The Company's share capital, which amounts to 1,619,945,197 euros, corresponds to: (i) the amount of unsecured claims verified by the *Giudici Delegati*, which, as decreased by the claim reduction process, is equal to 1,544,586,541 euros (the amount shown on the list of claims that became enforceable upon being deposited on December 16, 2004 is different due to the correction of material errors by the Court of Parma); (ii) the amount, as of December 31, 2005, of prededuction and preferential claims the holders of which have waived their prededuction or preferential status, opting instead to be classified as unsecured creditors, which, as decreased by the claim reduction process, totals 58,249,821 euros; (iii) the amount of the claims of late-filing creditors and/or of creditors who challenged successfully the exclusion of their claims (charged against reserves established for this purpose, which totals 16,581,485 euros; (iv) the amount generated by the conversion of warrants, which totals 407,350 euros; and (v) the Assumptor's initial capital, which amounts to 120,000 euros.

Moreover, on March 1, 2005, the Extraordinary Shareholders' Meeting, having been informed of the favorable opinion of the Board of Statutory Auditors, approved resolutions agreeing to:

a) carry out divisible capital increases:

- up to a maximum amount of 1,502,374,237 euros by issuing at par up to 1,502,374,237 common shares, par value 1 euro each, ranking for dividends as of January 1, 2005, reserving this increase for the exercise of the preemptive right of the Foundation, the Company's sole shareholder, which will subscribe it on behalf of the eligible creditors, as they appear in the enforceable lists filed with the Office of the Clerk of the Bankruptcy Court of Parma by the *Giudici Delegati* on December 16, 2004; this capital increase shall be paid in at par, upon the satisfaction of the condition precedent that the Court of Parma approve the Composition with Creditors of the companies of the Parmalat Group by offsetting the amounts of the various claims in accordance with the percentages determined under the Composition with Creditors;

- up to a maximum amount of 38,700,853 euros by issuing at par up to 38,700,853 common shares, par value 1 euro each, ranking for dividends as of January 1, 2005, reserving this increase for the exercise of the preemptive right of the Foundation, the Company's sole shareholder, which will subscribe it at par (offsetting, in accordance with the percentages determined under the Composition with Creditors, the claims acquired by the Foundation and formerly owed to their subsidiaries by companies that are parties to composition with creditors proceedings), upon the satisfaction of the condition precedent that the Court of Parma approve the Composition with Creditors of the companies of the Parmalat Group;

b) carry out a further capital increase that, as an exception to the requirements of Article 2441, Section Six, of the Italian Civil Code, will be issued without requiring additional paid-in capital, will be divisible, will not be subject to the preemptive right of the sole shareholder, will be carried out by the Board of Directors over ten years in multiple installments, each of which will also be divisible, and will be earmarked as follows:

- up to a maximum amount of 238,892,818 euros by issuing at par up to 238,892,818 common shares, par value 1 euro each, ranking for dividends as of January 1, 2005, allocating to:

    - unsecured creditors who have challenged the sum of liabilities shares that shall be paid in at par by offsetting the amounts of their claims in accordance with the percentages determined under the Composition with Creditors, once their claims have been effectively verified as a result of a court decision that has become final, and/or an enforceable settlement;

- unsecured creditors with conditional claims shares that shall be paid in at par upon the satisfaction of the condition precedent by offsetting the amounts of their claims in accordance with the percentages determined under the Composition with Creditors;

- up to a maximum amount of 150,000,000 euros by issuing at par up to 150,000,000 common shares, par value 1 euro each, regular ranking for dividends, allocating to unsecured creditors with a title and/or cause that predates the date when the companies that are parties to the Composition with Creditors were declared eligible for Extraordinary Administration Proceedings, including unsecured creditors whose claims were not included in the sum of liabilities but whose claims were later verified by a court decision that has become final and, therefore, can no longer be challenged (so called late-filing creditors), shares that shall be paid in at par by offsetting the amounts of their claims in accordance with the percentages determined under the Composition with Creditors, once their claims have been effectively verified as a result of a court decision that has become final, and/or an enforceable settlement;

- up to a maximum amount of 80,000,000 euros by issuing at par up to 80,000,000 common shares, par value 1 euro each, regular ranking for dividends, which shares will be used to allow conversion of the warrants allotted to eligible creditors, unsecured creditors who challenged the sum of liabilities, conditional creditors, late-filing creditors and the Foundation, on the basis of the capital increase subscribed by the latter (offsetting the claims acquired by the Foundation and formerly owed to their subsidiaries by companies that are parties to composition with creditors proceedings), at the exercise ratio of 1 new common share, par value 1 euro each, for each warrant tendered for the purpose of exercising the subscription right, up to the first 650 shares attributable to the unsecured creditors and the Foundation;

c) carry out the abovementioned increases of the Company's share capital in a manner consistent with the methods and regulations provided in the Proposal of Composition with Creditors;

d) carry out the abovementioned warrants in accordance with the provisions of the Warrants Regulations that are annexed to the Prospectus (see Section Three, Chapter XIII, Paragraph 13.1.9).

The Extraordinary Shareholders' Meeting of September 19, 2005 approved a motion allowing the "permeability" of the different installments of the share capital increase approved by the Shareholders' Meeting of March 1, 2005, meaning that if any one of the installments (excluding the first installment of 1,502,374,237 euros reserved for the verified claims and the last installment of 80,000,000 reserved for the exercise of the warrants) into which the overall capital increase of 2,010.00 million euros is divided should prove to be greater than the actual amount needed to convert the claims that the installment in question was supposed to cover into capital, the excess of this capital increase installment may be used to cover the claims of another class of creditors (particularly creditors who asked that preferential claims be converted into unsecured claims) when such claims exceed the funds provided by the capital increase installment allocated to them under the resolution approved by the Extraordinary Shareholders' Meeting of March 1, 2005.

Warrants
The warrants are issued in dematerialized form and have been negotiable on the Online Stock Market since the date of listing (October 28, 2005).
Each warrant conveys the right to subscribe at par for cash on a continuous basis, effective on the tenth day of the month following the month when the application to exercise is filed in a given calendar year, from 2005 to 2015.
The terms and conditions for the exercise of the warrants are set forth in the respective regulations, which were approved by the Issuer's Board of Directors on March 1, 2005 and are available at the Parmalat website (www.parmalat.com).
The additional shares issued through the exercise of the warrants will be issued with regular ranking, i.e., with a valid coupon as of the effective exercise date of the warrants.

Maximum Share Capital Amount
In accordance with the resolutions approved on March 1, 2005 and September 19, 2005, the Company's share capital may reach a maximum of 2,010 million euros as a result of the following increases:

- Increase reserved for creditors with unsecured claims included in the lists of verified claims	1,541.1
- Increase reserved for unsecured creditors with conditional claims and/or who are challenging their exclusion from the lists of verified claims	238.9
- Increase reserved for late-filing creditors	150.0
Total increases reserved for creditors	**1,930.0**
- Shares available for the conversion of warrants	80.0
Total capital increase	**2,010.0**

As of the writing of these Notes, counting the prededuction and preferential claims that were converted into unsecured claims and satisfied through the issuance of shares, the subscribed and paid-in capital amounted to 1,626.6 million euros (including 1.0 million euros for shares issued upon the conversion of warrants). Based on the claims received from creditors, the chare capital could increase further, as follows:

- **191.3 million euros** for challenges filed by creditors excluded from the sum of liabilities (coverage is already provided by a special equity reserve);
- **103.1 million euros** for claims of late-filing creditors that are being reviewed by the Court of Parma (the company has established a special equity reserve of 42.1 million euros);
- **4.2 million euros** for contested offset claims.

If all of these claims were to be accepted, the share capital would increase to 1,925.2 million euros. If the remaining 79.0 million shares that have been reserved for the conversion of warrants are added, the total would rise to 2,004.2 million euros

(15) Reserve for Contested Liabilities Convertible into Share Capital
Based on the final lists of creditors published on December 28, 2004 in Issue No. 303 of the *Official Gazette of the Italian Republic*, unsecured verified claims totaled 19,953,147,095 euros, including conditional claims amounting to 509,834,148 euros. Rejected claims the rejection of which was challenged amounted to 4,384.1 million euros, including claims totaling 3,428.0 million euros that required the establishment of a reserve that, after decreasing its amount by the claim reduction percentage, amounted to 193.8 million euros as of October 1, 2005.

If these claims should be verified with a final court decision or accepted as part of a settlement, the creditors holding them will be entitled to receive shares and warrants of Parmalat S.p.A. in accordance with the terms of the Proposal of Composition with Creditors. At December 31, 2005, due to settlements reached in the last quarter of 2005, the balance available in the reserve had decreased to 191.3 million euros.

The utilization of this reserve will cause the share capital of Parmalat S.p.A. to increase by an amount equal to the additional claims verified in the manner described above. The remainder of the reserve, equal to the amount of the rejected claims, will become a freely available reserve. As explained before, Parmalat S.p.A. has already approved a capital increase in an amount equal to the balance in this reserve.

(16) Reserve for Claims of Late-filing Creditors Convertible into Share Capital
Subsequent to the publications of the final lists of creditors on December 28, 2004 in Issue No. 303 of the *Official Gazette of the Italian Republic*, the Court of Parma received late filings by creditors, which have to be reviewed by the *Giudici Delegati*. The claims received prior to the approval of the Composition with Creditors on October 1, 2005 (as decreased by the claim reduction process) resulted in the establishment of a reserve amounting to 54.5 million euros, 12.4 million euros of which had been utilized through December 2005..

If these claims should be verified with a final court decision or accepted as part of a settlement, the creditors holding them will be entitled to receive shares and warrants of Parmalat S.p.A. in accordance with the terms of the Proposal of Composition with Creditors.

The utilization of this reserve (remaining balance 42.1 million euros) will cause the share capital of Parmalat S.p.A. to increase by an amount equal to the additional claims verified in the manner described above. The remainder of the reserve, equal to the amount of rejected claims, will become a freely available reserve.

(17) Reserve for Currency Translation Differences
The Reserve for currency translation differences of 6.6 million euros is used to record differences generated by the conversion into euros of the financial statements of companies that operate in countries using a currency other than the euro.

(18) Shares Subscribed Through the Exercise of Warrants
This reserve, which represents 198,107 shares, corresponds to the warrants exercised in December 2005 (the 198,107 shares were issued in January 2006).

At December 31, 2005, there were 67,002,230 warrants outstanding. These warrants may be exercised until December 31, 2015.

(19) Other Reserves
This item reflects the costs incurred to list the securities of Parmalat S.p.A., which totaled 12.7 million euros, net of a reserve for the coverage of losses amounting to 1.0 million euros.

RESERVES DISTRIBUTIBILITY
The Reserves mentioned in notes (15), (16), (18) and (19) are not distributable because they are specifically bound or negative.

(20) Profit (Loss) for the Period
The Group's interest in the loss for the period amounted to 0.3 million euros.

Reconciliation of the Shareholders' Equity of Parmalat S.p.A. to Group Interest in Shareholders' Equity

(in millions of euros)	**Shareholders' equity before result for the period**	**Result for 2005**	**Shareholders' equity**
Shareholders' equity of Parmalat S.p.A. at 12/31/05	**1,841.8**	**(29.3)**	**1,812.4**
Elimination of the carrying value of consolidated investments in associates			
- Pro rata interest in the results of investee companies		17.3	17.3
- Reserve for currency translation differences	6.6		6.6
Other adjustments:			
- Elimination of losses by subsidiaries		5.0	5.0
- Elimination of writedowns of receivables owed by subsidiaries		6.7	6.7
Group Interest in Shareholders' Equity at 12/31/05	**1,848.4**	**(0.3)**	**1,848.1**
Minority interest in shareholders' equity and result for the year	28.1	1.5	29.6
Consolidated shareholders' equity at 12/31/05	**1,876.5**	**1.2**	**1,877.7**

(21) Minority Interest in Shareholder's Equity

At December 31, 2005, the Minority interest in shareholders' equity amounted to 29.6 million euros.

Notes to the Balance Sheet — Liabilities

Non-current Liabilities

(22) Long-term borrowings

All of these liabilities were acquired as a result of the Composition with Creditors. They totaled 610.8 million euros, or 77.7 million euros less than at October 1, 2005. A breakdown is as follows

(in millions of euros)	**12/31/05**
- Due to banks	563.0
- Due to other lenders	33.6
- Obligations under finance leases	14.2
Total	**610.8**

The table below provides a breakdown by currency of the main financing facilities outstanding:

		Amount in local currency	**Euro/Local currency exchange rate**	**Due within 1 year**	**Due between 1 and 5 years**	**Due after 5 years**
Country	**Currency**	**12/31/05**	**12/31/05**			
Canada	CAD	549,531,900	1,3725	14,313,000	499,583,273	35,635,627
Australia	AUD	212,450,859	1,6109	5,927,711	206,523,148	-
Venezuela	USD	208,514,898	1,1797	208,514,898	-	-
South Africa	ZAR	189,772,629	7,4642	50,606,034	139,166,595	-
Spain	EUR	45,210,303	1,0000	12,479,596	32,730,707	-
Portugal	EUR	25,641,587	1,0000	6,841,377	18,800,210	-
Nicaragua	USD	12,489,231	1,1797	7,998,810	4,490,421	-
Russia	USD	16,055,805	1,1797	14,958,326	1,097,479	-
Italy	EUR	26,024,261	1,0000	9,512,492	15,818,013	693,756

The decrease of 62.5 million euros in the amount Due to banks is chiefly the result of the following changes:

- A decrease of 44.9 million euros recorded by a Canadian subsidiary due to the reclassification of 54.5 million euros in prepaid financial expenses, which is now shown as a direct deduction from the amount due to banks, offset in part by the appreciation of the Canadian dollar versus the euro (9.6 million euros);
- A decrease of 14.9 million euros recorded by the Australian subsidiaries due to the partial repayment of debt (10.2 million euros), the reclassification of 2.2 million euros in prepaid bank fees, which is now shown as a direct deduction from the amount due to banks, and the loss in value of the Australian dollar versus the euro (2.5 million euros);
- A decrease of 1.1 million euros recorded by a South African subsidiary due to the partial repayment of debt (1.7 million euros), offset in part by the appreciation of the South African rand versus the euro (0.6 million euros).

The decrease of 15.2 million euros in the amount Due to other lenders, compared with the balance at October 1, 2005, is due mainly to the reclassification of prepaid financial expenses, which are now shown as a direct deduction from the amount Due to other lenders.

The average annual interest rate paid on long-term borrowings was 8.39%.

Certain loans received by Group companies are collateralized with Group assets. Specifically, collateralized loans include 459.4 million euros received by the Canadian subsidiaries, 93.1 million euros received by the Australian subsidiaries, 42.1 million euros received by the Spanish subsidiaries, 25.4 million euros received by the South African subsidiaries and 6.3 million euros received by a Nicaraguan subsidiary.

The Group has established a system that enables the Group's Parent Company to monitor the key solvency parameters of its subsidiaries, with special emphasis on the parameters used in financial covenants. Throughout the year, all of the companies that refinanced their indebtedness were amply in compliance with the financial covenants of the respective loan agreements.

(23) Deferred-tax Liabilities

All of these liabilities were acquired as a result of the Composition with Creditors. They amounted to 231.0 million euros, or 1.1 million euros less than at October 1, 2005. A breakdown is as follows:

This account reflects the amounts set aside for deferred taxes on temporary differences between reported and taxable asset and liability amounts involving mainly the following items:

(in millions of euros)	
- Trademarks and other intangible assets	189.9
- Land	12.2
- Buildings	12.0
- Other items	16.9
Total	**231.0**

(24) Provisions for Employee Benefits

Provisions for employee benefits totaled 113.0 million euros. The table below shows the changes that occurred in this account in 2005:

(in millions of euros)	
Balance at 12/31/04 (A)	
Changes in 2005:	
- Provisions acquired on 10/1/05 upon Composition with Creditors	110.2
- Increases	4.7
- Decreases (-)	(5.8)
- Other changes	3.1
- Currency translation differences	0.8
Total changes (B)	**113.0**
Balance at 12/31/05 (A+B)	**113.0**

The Provisions for employee benefits refer primarily to defined-benefit plans for Group employees. The plan liability is computed using actuarial techniques to estimate the amount of future benefits accrued by

employees during the reporting year and in previous years. The computation is made by an independent actuary, using the projected unit credit method.

For the Australian and Canadian plans some assets are directed to the relating plan service.

The table below shows the basic assumptions used by the Group's main Business Units and the changes that occurred in 2005:

Financial assumptions	**Australia**	**(a) Canada**	**Italy**
Discount rate (before)	5.20%	5.00%	4.00%
Annual rate of wage increases	4.50%	3.50%	2.85%
Projected return on plan assets (after taxes)	6.90%	7.00%/7.50%	N/A

(a) In Canada, there are two separate pension plans with different projected yields.

Reconciliation of Plan Assets and Liabilities to the Amounts Recognized on the Balance Sheet

(in millions of euros)	**Australia**	**Canada**	**Italy**
Obligation under defined-benefit plans (at 12/31/04)	0	0	0
Obligations acquired on 10/1/05 upon Composition with Creditors	52.2	124.5	43.7
Addition for the year	0.7	1.1	1.7
Financial expense	0.6	1.7	0.3
Contributions to the plan	0.4	0.1	
Actuarial (gains) losses	0.4	10.2	
Foreign exchange translation differences	0.0	0.1	
Benefits paid	-1.7	-2.1	-0.7
Cost of services provided in previous years		0.3	
Change to pension plan		0.8	
Obligation under defined-benefit plans (at 12/31/05)	**52.6**	**136.7**	**45.0**
Fair Value of plan assets (at 12/31/04)	0	0	
Assets acquired on 10/1/05 upon Composition with Creditors	48.5	80.7	
Projected return on plan assets	0.7	1.4	
Actuarial gains (losses)	1.7	3.8	
Foreign exchange translation differences	0.0	0.0	
Contributions to the plan	0.7	2.4	
Contributions by plan members	0.4	0.1	
Benefits paid	-1.8	-2.1	
Fair Value of plan assets (at 12/31/05)	**50.2**	**86.3**	
(Assets) Liabilities (12/31/05)	**2.4**	**50.4**	**45.0**
Unrecognized actuarial gains (losses)	8.9	-6.3	
Unrecognized amounts in excess of asset ceiling		0.5	
Total (assets) liabilities recognized on the balance sheet (12/31/05)	**11.3**	**44.6**	**45.0**
Total (assets) liabilities recognized on the balance sheet (12/31/04)	0	0	0
Items acquired on 10/1/05 upon Composition with Creditors	3.7	44.5	43.7
Unrecognized actuarial gains (losses)	8.9	-6.3	0
Actuarial gains (losses)	-1.2	6.5	0
Total cost	0.7	2.3	2.0
Contributions paid	-0.7	-2.4	-0.7
Total (assets) liabilities recognized on the balance sheet (12/31/05)	**11.3**	**44.6**	**45.0**

Total Current Costs Recognized on the Income Statement

(in millions of euros)	**Australia**	**Canada**	**Italy**
Addition to plans for the period	0.8	1.1	1.7
Accrued interest	0.6	1.7	0.3
Projected return on plan assets	-0.7	-1.4	
Actuarial (gain) loss			
Cost of services provided in previous years		0.3	
Impact of changes to the plan		0.8	
Changes required by the results of the ceiling test		**-0.1**	
Total	**0.7**	**2.3**	**2.0**

(25) Provisions for Risks and Charges

Provisions for risks and charges totaled 173.2 million euros. The changes that occurred in 2005 are shown below:

(in millions of euros)	**Provision for taxes**	**Provision for other risks and charges**	**Total**
Balance at 12/31/04 (A)			
Changes in 2005:			
- Provisions acquired on 10/1/05 upon Composition with Creditors	78.9	58.3	137.2
- Increases	5.5	40.2	45.7
- Decreases (-)	(3.4)	(8.7)	(12.1)
- Currency translation differences	1.3	1.1	2.4
- Other changes	0.5	(0.5)	0.0
Total changes (B)	**82.8**	**90.4**	**173.2**
Balance at 12/31/05 (A) + (B)	**82.8**	**90.4**	**173.2**

Provision for Tax-related Risks and Charges

The Provision for tax-related risks and charges refers mainly to tax risks affecting the Venezuelan companies (23.6 million euros), Parmalat S.p.A. (19.6 million euros) and the Group's operations in Canada (11.4 million euros), Africa (11.4 million euros), Spain (10.4 million euros) and Colombia (2.7 million euros).
An analysis of the main tax positions involving Group companies is provided in the chapter entitled "Guarantees and Other Memorandum Accounts."

Provision for Other Risks and Charges

The Provision for other risks and charges of 90.4 million euros covers the following:

(in millions of euros)	
Staff downsizing programs	19.7
Risks on investee companies	16.3
Antitrust risks	11.2
Legal disputed with employees	8.7
Prize contests	7.2
Damages caused by the ITX coloring agent	7.0
Disputes with former Group companies	4.2
Supplemental sales agents benefits	2.4
Litigation	1.3
INPS installment payments	1.0
Miscellaneous	11.4
Total provision for other risks and charges	**90.4**

The provision for staff downsizing programs is related to a program to provide resignation incentives to employees of Parmalat Spa and Parmalat Distribuzione Alimenti Srl to which the unions have agreed.

The provision for risks on investee companies cover the contingent liabilities that may arise from the liquidation of certain Group companies.

The provision for antitrust risks reflects the penalty assessed by the agency that collects taxes on behalf of the Province of Parma in connection with the alleged takeover of Newlat Srl by Parmalat S.p.A. in AS.

The provision for legal disputes with employees is in anticipation of the settlement of disputes that are currently pending in some countries with former Group managers.

The provision that covers the cost of the ITX dispute (7.0 million euros) reflects the costs that will be incurred (in addition to the cost of merchandise returned through December 31, 2005, which have been reflected in the provision for inventory writedowns) for merchandise returned in 2006, the cost of reimbursing licensees and disposal costs. No allowance has been made for insurance settlements, since their amount cannot be estimated reliably at this point.

The provision for prize contests reflects the best available estimate of the bonus points earned by customers and not yet redeemed as of December 31, 2005.

The increase of 40.2 million euros recorded after the acquisition is due mainly to the inclusion of additional provisions recognized by Parmalat Distribuzione Alimenti Srl after it took over the business operations of certain licensees (4.9 million euros) and to the additional amounts set aside by Parmalat S.p.A. (26.6 million euros) and a Venezuelan subsidiary (8.7 million euros), which include the following: 9.4 million euros for staff downsizing, 8.7 million euros for legal disputes with employees, 7.0 million euros for ITX damages, 5.4 million euros for prize contests, 4.2 million euros for disputes with former Group companies and 0.6 million euros for other provisions.

The decrease of 8.7 million euros reflects mainly utilizations by Parmalat S.p.A. (4.0 million euros) and a revision of cost estimates (4.4 million euros), including 3.2 million euros for INPS installment payments and 1.1 million euros for staff downsizing.

An analysis of the most significant legal disputes involving Group companies is provided in the chapter of this Report entitled "Guarantees and Other Memorandum Accounts."

(26) Provision for Preferential and Prededuction Claims

This provision was acquired exclusively as a result of the Composition with Creditors. The balance of 20.9 million euros was 1.6 million euros less than at October 1, 2005.
The provision represents the amount set aside by Parmalat S.p.A. (20.9 million euros) based on the challenges filed by creditors with verified unsecured claims who are seeking prededuction or preferential status.
If such prededuction or preferential status is granted by a final court decision or as a result of a settlement, the corresponding claims will have to be satisfied in cash for the full amount.
The decrease of 1.6 million euros compared with October 1, 2005 reflects the renunciation by a creditor of the attempt to obtain prededuction or preferential status.
Various challenges are in the process of being heard, but no additional information about their outcome is currently available.

Current Liabilities

(27) Short-term Borrowings

At 252.6 million euros, Short-term borrowings were 252.0 million euros higher than at December 31, 2004. The increase reflects the liabilities acquired on October 1, 2005 as a result of the Composition with Creditors (251.0 million euros) and 1.0 million euros added during the last quarter of 2005. A breakdown is as follows:

(in millions of euros)	**12/31/05**	**12/31/04**
- Due to banks	217.3	0.6
- Due to other lenders	14.7	
- Accrued interest	12.8	
- Obligations under finance leases	4.3	
- Due to investee companies (a)	3.5	
Total	**252.6**	**0.6**

(a) Companies the share capital of which is owned by the Group but are not under the Group's control.

The amount due to banks decreased by 14.0 million euros compared with October 1, 2005, due mainly to the following:

- A settlement with a financial institution that involved the payment of 0.6 million euros and the writeoff of the remaining 4.8 million euros;
- A decrease of 2.5 million euros in the indebtedness of an Italian subsidiary, which repaid a portion of its indebtedness using part of the proceeds generated by selling its unsecured claims against Eurolat S.p.A. in AS;
- A decrease of 3.1 million euros in the indebtedness of a South African subsidiary, which repaid a loan in full;
- A decrease of 2.8 million euros in the indebtedness of a Portuguese subsidiary, which reduced the amount drawn from a factoring line.

(28) Financial Liabilities for Preferential and Prededuction Claims

All of these liabilities were acquired as a result of the Composition with Creditors. They totaled 11.1 million euros, or 0.6 million euros more than at October 1, 2005.

The amount shown for financial liabilities for preferential and prededuction claims refers to a loan received prior to the start of the extraordinary administration proceedings to which the *Giudici Delegati* have assigned preferential/prededuction status.

(29) Trade Payables

Trade payables totaled 498.3 million euros, or 492.8 million euros more than at December 31, 2004. The liabilities acquired on October 1, 2005 as a result of the Composition with Creditors (454.2 million euros) and the increase that occurred in the fourth quarter of 2005 (38.6 million euros) account for this change. A breakdown is as follows:

(in millions of euros)	**12/31/05**	**12/31/04**
- Trade payables – Suppliers	478.8	5.5
- Trade payables – Investee companies (a)	14.2	
- Advances	5.3	
Total	**498.3**	**5.5**

(a) Companies the share capital of which is owned by the Group but are not under the Group's control.

The amount shown for trade payables to suppliers (478.8 million euros) reflects obligations incurred subsequent to the extraordinary administration. The increase of 41.9 million euros that occurred after October 1, 2005 is mainly the result of the following changes:

- An increase of 10.4 million euros for Parmalat S.p.A. that reflects the gradual return to normal procurement terms, which include longer terms of payment;
- An increase of 3.7 million euros for Parmalat Distribuzione Alimenti Srl due to its acquisition of the business operations of certain licensees;
- An increase of 11.9 million euros in the payables owed by the Canadian subsidiaries, including 9.5 million euros in temporary differences and payment deferrals and 2.4 million euros attributable to a rise in the value of the Canadian dollar versus the euro;
- An increase of 4.0 million euros in the payables owed by a South African subsidiary due to purchases of packaging materials (3.1 million euros) and a rise in the value of the South African rand versus the euro (0.9 million euros);
- An increase of 10 million euros for liabilities incurred by an Australian subsidiary due to higher demand for fresh and flavored milk.

Trade payables to investee companies decreased by 7.4 million euros compared with October 1, 2005. This change is the net result of payments made (10.0 million euros), offsets against receivables (6.5 million euros) and new purchases (9.4 million euros).

Advances were 4.1 million euros higher than at October 1, 2005, is mainly the net result of the following items:

- An increase of 5.0 million euros for an advance received from a Spanish subsidiary in connection with the sale of a building in Madrid;
- A decrease of 1.0 million euros for Parmalat S.p.A. following the collection of the final balance owed by the buyer of its Bakery Division.

(30) Trade Payables with Preferential or Prededuction Status

All of these payables were acquired as a result of the Composition with Creditors. The balance of 69.4 million euros is 54.8 million euros less than at October 1, 2005. A breakdown is as follows:

(in millions of euros)	**12/31/05**
- Accounts payable to suppliers	69.4
- Accounts payable to affiliated companies	
Total	**69.4**

Accounts payable to suppliers with preferential or prededuction status, which amounted to 69.4 million euros, represent obligations incurred before the start of the extraordinary administration proceedings that were verified as preferential or prededuction claims by the *Giudici Delegati*.
The decrease of 32.3 million euros compared with October 1, 2005 reflects payments made through December 31 (52.7 million euros), requests to switch to unsecured status by creditors with verified preferential or prededuction claims (2.1 million euros) and the reclassification of 22.5 million euros from accounts payable to affiliated companies with preferential or prededuction status, executed when the company involved assigned its receivable to a third party.

(31) Other Current Liabilities

Other current liabilities totaled 206.7 million euros. The increase of 206.6 million euros, compared with December 31, 2004, reflects the liabilities acquired on October 1, 2005 as a result of the Composition with Creditors (206.0 million euros) and the increase that occurred in the last quarter of 2005 (0.6 million euros). A breakdown is as follows:

(in millions of euros)	**12/31/05**	**12/31/04**
- Income taxes payables	35.2	0.1
- Contributions to pension and social security institutions	29.6	
- Accounts payable to others	73.3	
- Accrued expenses and deferred income	68.6	
Total	**206.7**	**0.1**

Accounts payable to others of 73.3 million euros consist mainly of amounts owed to employees as of December 31, 2005.

Accrued expenses and deferred income totaled 68.6 million euros. A breakdown is as follows:

(in millions of euros)	**12/31/05**
Accrued expenses:	
- Insurance premiums	0.5
- Sundry and miscellaneous	39.3
Deferred income:	
- Sundry and miscellaneous	28.8
Total accrued expenses and deferred income	**68.6**

Sundry and miscellaneous accrued expenses of 39.3 million euros consist mainly of advertising, promotional and marketing expenses and customer discounts that were already incurred but are payable at a later date.

Sundry and miscellaneous deferred income of 28.8 million euros refers mainly to the deferral of grants toward the construction of production facilities provided pursuant to Legislative Decree No. 173 of April 30, 1998, which are provided over the useful lives of the assets.

(32) Other Payables with Preferential or Prededuction Status

All of these payables were acquired as a result of the Composition with Creditors. The balance of 8.8 million euros is 0.9 million euros less than at October 1, 2005. A breakdown is as follows:

(in millions of euros)	**12/31/05**
- Income taxes payables	2.4
- Contributions to pension and social security institutions	5.1
- Accounts payable to others	1.3
Total other Payables with Preferential or Prededuction Status	**8.8**

The decrease of 0.9 million euros reflects a partial payment of amounts owed to employees in the fourth quarter of 2005.

(33) Income Taxes Payable

The entire liability for income taxes payable was acquired as a result of the Composition with Creditors. The balance of 27.4 million euros is lower by 1.2 million euros compared with October 1, 2005, mainly as a result of the following items

- Payments of 10.0 million euros, including 9.2 million euros by the Canadian subsidiaries and 0.8 million euros by the South African subsidiaries;
- An addition of 10.6 million euros to recognize the liability for the period.

(34) Liabilities Directly Attributable to Available-for-sale Assets

All of these liabilities were acquired as a result of the Composition with Creditors. The balance of 47.8 million euros reflects an increase of 39.2 million euros compared with October 1, 2005.

Liabilities directly attributable to available-for-sale assets reflects deferred taxes computed on the increased value assigned to a building in Madrid.

Guarantees and Other Memorandum Accounts

Guarantees

(in millions of euros)	12/31/05		
	Sureties	**Collateral**	**Total**
Company	248.9		**248.9**
Outsiders	0.4	626.3	**626.7**
Total guarantees	**249.3**	**626.3**	**875.6**

The Guarantees provided by outsiders on behalf of the Company (248.9 million euros) refer mainly to guarantees provided by banks and/or insurance companies to government agencies in connection with VAT refunds and with bonus contests.

Collateral of 626.3 million euros was provided mainly to banks and other credit institutions to secure lines of credit provided to Parmalat Food Inc. (459.4 million euros), Parmalat Pacific Holding ltd (93.1 million euros), the Group's Spanish companies (42.1 million euros), Parmalat South Africa ltd (25.4 million euros) and Parmalat Nicaragua (6.3 million euros). The collateral provided consists of assets of the companies receiving the financing facilities or their subsidiaries.

Other Memorandum Accounts

(in millions of euros)	**12/31/05**
Commitments:	
-Operating leases	85.2
-Derivatives	101.4
-Other commitments	18.5
Other memorandum accounts :	
-Admissions to composition with creditors proceedings	978.7
-Assets of outsiders held for safekeeping	32.7
Total other memorandum accounts	**1,216.5**

Commitments under operating leases apply mainly to the Canadian, South African and Australian companies.
A breakdown by maturity is as follows: 17.0 million euros due within one year, 36.8 million euros due in two to five years and 31.4 million euros due after five years.

Commitments for derivatives of 92.2 million euros refer to derivative contracts executed by an Australian subsidiary to hedge interest rate risks. This Australian company agreed to pay a fixed annual interest rate of 5.97% on the notional amount for three years, starting in April 2005, receiving in exchange from the bank counterparty variable interest at the BBSY three-month rate for the Australian dollar.
The remaining 9.2 million euros refer to derivatives for the purchase of foreign currency executed by Parmalat Dairy & Bakery.

Other commitments of 15.3 million euros refer to a commitment undertaken by Parmalat S.p.A. in AS toward the European Bank for Reconstruction and Development (EBRD) prior to the start of the extraordinary administration proceedings, according to which Parmalat S.p.A. in AS agreed to buy from the EBRD shares of stock of O.A.O. Belgorodskij Molochnnij Kombinat (EBRD owns a 34.9% interest, with a put option exercisable between September 2007 and September 2010) and Parmalat Romania (EBRD owns a 19.7% interest, with a put option exercisable through November 2006).

The balance of 3.2 million euros includes 0.5 million euros for a commitment undertaken by Parmalat Africa Ltd toward the local authorities to pay in full the tax liability of Bonnita Holdings Ltd and 2.7 million euros for commitments to provide capital contributions to the African Group companies Parmalat Zambia, Parmalat Swaziland and Parmalat South Africa.

As the successor in the rights of the companies included in the Composition with Creditors, the Group's Parent Company holds verified claims in several compositions with creditors proceedings. Specifically, the Company holds the following verified claims (in millions of euros:

• unsecured claims against travel companies (form. Parmatour)	628.9
• unsecured claims against licensee companies under extraordinary administration	34.1
• unsecured claims against companies of the former Parmalat Group that are not included in the Composition with Creditors	126.0
• unsecured claims against Sata and Agis	156.9
• preferential claims against Boschi Luigi e Figli S.p.A. in AS	1.4
• unsecured claims in the bankruptcy of Horus S.r.l.	31.4
• **Total**	**978.7**

Assets of outsiders held for safekeeping (32.7 million euros) consists of dairy products that are being aged in warehouses operated by Italcheese S.p.A., a company specialized in the storage and aging of dairy products.

Legal Disputes and Contingent Liabilities at December 31, 2005

Foreword

The Group is a party to civil and administrative proceedings related to events that affected the companies included in the Composition with Creditors prior to their becoming eligible for Extraordinary Administration status. Based on the information currently available and in view of the provisions that have already been set aside, these proceedings and actions are not expected to have a negative impact on the consolidated financial statements.

The Group has also filed a number of civil actions for damages and actions to void in bankruptcy that could have a positive financial impact of significant magnitude on its consolidated balance sheet.

Approval and challenge of the Proposal of Composition with Creditors

On October 1, 2005, the Court of Parma filed Decision No. 22/05 with the Office of the Clerk of the Court of Parma. This decision approved the Proposal of Composition with Creditors pursuant to Article 4 *bis* of Law No. 39 of February 18, 2004, as amended (Marzano Law). The Proposal of Composition with Creditors was put forth on March 3, 2004 by the following 16 companies under extraordinary administration: Parmalat S.p.A., Parmalat Finanziaria S.p.A., Eurolat S.p.A., Lactis S.p.A., Geslat S.r.l., Parmengineering S.r.l., Contal S.r.l., Dairies Holding International BV, Parmalat Capital Netherlands BV, Parmalat Finance Corporation BV, Parmalat Netherlands BV, Olex SA, Parmalat Soparfi SA, Newco S.r.l., Panna Elena C.P.C. S.r.l. and Centro Latte Centallo S.r.l.

The approval of the Composition with Creditors entails the "*succession*" of the company Parmalat S.p.A. as "*Assumptor of the position held by the Extraordinary Commissioner*" with "*the obligatory transfer consequences,*" as set forth in the court decision.

As of the writing of these Notes, the abovementioned court decision has not become final because it has been challenged by certain small shareholders. The Bologna Court of Appeals has scheduled the first hearing on April 10, 2006 to hear this challenge. If the Bologna Court of Appeals rules that the challenge is without merit, the court decision approving the Composition with Creditors will become final immediately, causing the extraordinary administration proceedings that involve the 16 companies included in the Composition with Creditors to come to an end.

Even though the court decision is not yet final, it is enforceable on a provisional basis, as allowed by an express provision of the Marzano Law and in accordance with the terms of the decision itself. Specifically,

the decision expressly orders "*the immediate transfer to the Assumptor, Parmalat S.p.A., a company with registered office at 26 Via Oreste Grassi, Collecchio (PR), (…) of all of the assets, rights, equity investments and pending court actions,*" and extends the right to transfer *"all other rights, assets or contracts outstanding and in effect that belong to the companies included in the Composition with Creditors."*
The Composition with Creditors thus resulted in the transfer to Parmalat S.p.A. of all claims held by the abovementioned companies and therefore of the actions to void, actions for damages and liability actions filed by the Extraordinary Commissioner prior to the date of the court decision that approved the Composition with Creditors. Likewise, all procedings filed against the 16 companies included in the Composition with Creditors were transferred to Parmalat S.p.A.
Consequently, the Company has standing in the proceedings filed by or against the 16 companies under extraordinary administration that were included in the Proposal of Composition with Creditors.

The main proceedings involving the Parmalat Group are reviewed below.

Criminal Proceedings

Criminal Proceedings Filed by the Public Prosecutors of Milan and Parma
For several months, the Public Prosecutors of Milan and Parma have been conducting investigations to determine, among other things, if certain individuals who in the past were members of the corporate governance bodies of certain companies of the Parmalat Group and former employees and external consultants of those companies are criminally liable. Following investigations conducted by the Public Prosecutor of Milan, the Judge of Preliminary Inquiries at the Court of Milan indicted several individuals and companies. Preliminary hearings are currently under way, to which Parmalat Finanziaria S.p.A. and Parmalat S.p.A. joined as plaintiffs for damages, but only in the proceedings involving individuals.

On March 16, 2005, the Public Prosecutor of Milan filed a notice that it had completed its investigation. The notice listed facts that are relevant from the standpoint of criminal law and listed the counts (mostly related to stock manipulations) in indictments against certain employees of Italian and foreign banks and against the banks themselves.

On June 27, 2005, the preliminary hearing judge, Cesare Tacconi, filed an indictment with the Office of the Clerk of the Court charging, pursuant to Legislative Decree No. 231/2001, the individuals and companies listed in the report that concluded the preliminary investigation. The first hearing in the case was held on September 28, 2005. Subsequent hearings were held in December 2005 and January 2006, with additional hearings scheduled for February and March 2006. Some of the defendants have agreed to plea bargains, and their involvement in the case ended at the preliminary hearing level.

A preliminary hearing before Judge Cesare Tacconi in the proceeding filed against Bank of America, pursuant to Legislative Decree No. 231/2001, was held on February 22, 2006 at the Court of Milan. Parmalat Finanziaria is a plaintiff in these proceedings.

A preliminary hearing was held before Judge Tacconi on March 1, 2006, seeking the indictment of some banking institutions and several individuals. These proceedings represent an outgrowth of the investigation carried out by the Public Prosecutor of Milan, mainly in connection with allegations of stock manipulation.

If previous corporate governance bodies of certain companies of the Parmalat Group are found to be liable under criminal or administrative law, it is possible that the companies that employed them would be held liable under administrative law, in accordance with Legislative Decree No. 231 of June 8, 2001, and, consequently, be the target of fines or restrictive measures. To the best of the Group's knowledge, no such investigations are currently under way. However, the possibility that investigations of this type may be launched in the future cannot be excluded.

On May 11, 2005, the Public Prosecutor of Parma filed a notice of completion of the preliminary investigation that set forth facts that are relevant from the standpoint of criminal law and charged 71 individuals with crimes related mainly to fraudulent bankruptcy. On December 29, 2005, the abovementioned individuals were formally indicted on all charges, except for some that were (or will be) dismissed. A preliminary hearing has been scheduled for June 5, 2006.

Investigations in other matters are ongoing, but they are now close to completion.

Civil Proceedings Filed Against the Group

Insurance Companies vs. Parmalat Finanziaria S.p.A. in A.S.
Parmalat Finanziaria S.p.A. in A.S. is being sued by the insurance companies that had written policies providing coverage for the risks inherent in the exercise of the offices of Director, Statutory Auditor and General Manager. More specifically, in 1999, the insurance companies Chubb Insurance Company of Europe SA and AIG Europe SA provided Parmalat Finanziaria S.p.A. with a first-risk insurance policy covering the civil liability risks of the Directors, Statutory Auditors and General Managers of the Parmalat Group. In 2003, the insurance companies AIG Europe SA and XL Europe Ltd. issued as coinsurers a second-risk insurance policy covering the civil liability risks of the Directors, Statutory Auditors and General Managers of Parmalat Finanziaria S.p.A. in A.S. and its subsidiaries. These insurance companies have sued Parmalat Finanziaria S.p.A. in A.S. before the Court of Milan, asking the Court to void the abovementioned policies, alleging that the respondent company, acting fraudulently or with gross negligence, provided a deceptive representation of the Group and of the risks that the policies were covering, thereby inducing the plaintiff companies to issue policies that they would not have issued otherwise. The plaintiff companies are not requesting payment of any amount. Should the Court grant the plaintiffs' request that the insurance policies be voided, the decision would have a retroactive effect canceling the benefits of the challenged policies as of the date when they were first stipulated.

Eurofood IFSC Limited and Parmalat Finance Corporation BV
Subsequent to Eurofood IFSC Limited becoming eligible for extraordinary administration on February 9, 2004, two similar lawsuits were filed before the Civil Court of Parma. The first one was filed by Pearse Farrell, who, acting in his capacity as the liquidator of the Irish company Eurofood IFSC Limited appointed by the Court of Dublin on January 27, 2004, sued Enrico Bondi, in his capacity as Extraordinary Commissioner of the abovementioned company. In the second lawsuit, the plaintiff, Bank of America, sued Bondi, in his capacity as Extraordinary Commissioner of Eurofood. In both lawsuits, the plaintiffs are challenging Eurofood's declaration of insolvency delivered by the Court of Parma. As regards the first lawsuit, the plaintiff's requests were rejected in February 2006 and Mr. Farrell appealed against this decision. The second lawsuit, was adjourned to October 2007 for the specification of the conclusions.

Moreover, in a lawsuit filed by Fortune S.p.A. against Enrico Bondi, in his capacity as Extraordinary Commissioner of Parmalat Finance Corporation BV, the plaintiff challenges the decision finding the abovementioned company eligible for extraordinary administration status.

With regard to the dispute involving the Irish company Eurofood IFSC Limited, in connection with which extraordinary administration proceedings began before the Court of Parma in February 2004, Bank of America had asked Irish court authorities to place Eurofood in liquidation under the supervision of the Court of Dublin, which Bank of America claimed has sole jurisdiction to oversee Eurofood's liquidation. The conflict between Italian and Irish courts has been referred to the European Court of Justice, which is being asked to provide answers to five queries concerning the interpretation of certain provisions of EU Regulation No. 1346/2000. The Court of Justice has not deposited the final decision yet.

Class Action Lawsuits
In the United States, U.S. and foreign investors filed three class action lawsuits against Parmalat Finanziaria S.p.A. under E.A., other Group companies under extraordinary administration and other defendants, including the financial institutions that handled the issuance of certain financial instruments. These lawsuits have been consolidated into a single civil suit, which is currently pending before the U.S. District Court, Southern District of New York. At present, these proceedings are in the initial phase, and the plaintiffs have filed a general complaint demanding the payment of damages, which they did not quantify.

On October 18, 2004, the plaintiffs filed an amended complaint in the consolidated proceedings. The companies of the Parmalat Group were not named as defendants in the amended complaint by virtue of the protection provided by a Section 304 order, which is discussed below.

On August 22, 2005, the plaintiffs filed a second amended complaint that did not name any company of the Parmalat group as a defendant. Here too, the plaintiffs have not specified the amount of the damages they are claiming.

Petition Under Section 304
On June 22, 2004, several companies, including the 16 companies included in the Composition with Creditors, filed a petition with the New York Bankruptcy Court, invoking Section 304 of the U.S Bankruptcy Law.

Such petitions may be filed by companies with a registered office outside the United States (Foreign Debtors) when they are parties to composition-with-creditors proceedings outside the United States, so that the court where the motion is being filed, having ascertained that the foreign proceedings meet the requirements listed in Section 304, may prevent U.S. creditors from attaching the assets of the companies that are filing the petition and order that the actions of the creditors be filed within the framework of existing composition-with-creditors proceedings.

Presently, the temporary injunction has been extended until March 30, 2006 and the judge scheduled a hearing for March 29, 2006.
As a result of the approval of the Composition with Creditors, after clearing some critical aspects with some foreign investors, the New York Bankruptcy Court will consider the possibility of replacing the temporary injunction with a permanent injunction, which would permanently block any lawsuits in the United States against the Foreign Debtors. Conversely, if the New York Bankruptcy Court were to revoke the temporary injunction or refuse to grant a permanent injunction, all creditors of the Foreign Debtors (including those that are parties to the class action lawsuits — see the preceding paragraph) could file or continue to pursue legal actions against the Foreign Debtors in the United States, requesting, if appropriate, protective attachments of assets. Parmalat S.p.A. under E.A. believes, also based on the advice of counsel, that should the plaintiffs prevail in such proceedings, the provisions of the Proposal of Composition with Creditors would apply.

UBAE Arab Italian Bank
A lawsuit has been filed by UBAE Arab Italian Bank against Parmalat S.p.A. under E.A. before the Court of Parma. The plaintiff is asking the Court to order Parmalat S.p.A. under E.A. and other respondents to repay a loan of 15 million euros it provided to Parmalat S.p.A. under E.A. at the end of 2003, plus damages. As shown in the final list of creditors, a claim of the same amount as the loan of which the plaintiff is demanding repayment has been included among the liabilities of Parmalat S.p.A. under E.A. and will be satisfied in the same manner as the claims of all voting unsecured creditors. The lawsuit has been postponed for the specifications of the conclusions.

ACLU Sec (formerly Groupe Lactel Sec) VS Industria Lactea Venezolana (Indulac)
In Venezuela, ACLU Sec (formerly Groupe Lactel Sec) is suing Industria Lactea Venezolana ("Indulac"), a company of the Parmalat Group, and other companies outside the Parmalat Group for payment of an alleged trade receivable totaling US$2,633,438. The amount of this claim has not been included among the liabilities since the Group believes that it is unlikely that the plaintiff will prevail.

Wishaw Trading SA
Three civil actions have been filed against Wishaw Trading, an offshore company based in Montevideo, Uruguay. All actions are related to the defendant's failure to repay its promissory notes (guaranteed by Parmalat S.p.A.). Two cases are pending before a New York court. The first two were filed, respectively, by Abn Amro, which is seeking to recover US$10 million, and by Fortis Bank, which is demanding the repayment of about US$24.5 million. It is important to point out that the claims of both banks have been included among the liabilities of Parmalat S.p.A. under E.A. and are duly reflected on the Company's balance sheet. Lastly, Rabobank, a Dutch bank that was the guarantor of the unpaid promissory notes, filed a lawsuit in Uruguay against Wishaw Trading S.A. and Parmalat S.p.A. under E.A. seeking to attach assets or receivables held by the Group in Uruguay for an amount of about US$5 million. The Company is not in a position to predict the outcome of these lawsuits.

In the lawsuit filed by Fortis Bank, the plaintiff submitted as evidence a confirmation that Wishaw had been served with the summons by a Uruguayan public official and, on June 15, 2005, the court in New York

confirmed that the summons had been validly served. Subsequently, Fortis Bank petitioned the same New York court, asking that it find Wishaw in default and order Wishaw to pay the amount of the notes, plus accrued interest. On August 24, 2005, the court ordered Wishaw to pay the abovementioned amount, which Fortis, the plaintiff, can now attempt to recover in Uruguay.

With regard to the company's tax status, based on the information currently available, there appear to have been no new developments in connection with the tax audit carried out by the Uruguayan authorities.
As already explained, Wishaw Trading S.A. is classified as an offshore holding company and, as such, enjoys an advantageous tax status in Uruguay.
It is important to keep in mind that, based on the activities actually carried out by Wishaw Trading S.A., the company could risk being stripped of its offshore company status and become for all purposes a regular Uruguayan company subject to the tax rates normally applied to commercial companies that operate in Uruguay.
Alternatively, there is a concrete risk that the tax authorities could challenge the criteria used to determine the taxable assets for the years from 1999 to 2002. The resulting risk is estimated at about 20 million euros.

Parmalat Brasil S.A. Industria de Alimentos
On July 28, 2005, the Group's Brazilian companies (Parmalat Brasil Industria de Alimentos SA and Parmalat Participacoes do Brasil Ltda), which in 2004 had been found eligible for a local type of composition with creditors proceedings called *Concordata*, petitioned the Brazilian court of venue asking it to declare them eligible for a new form of composition with creditors proceedings called *Recuperacao Judicial*, as allowed under a new bankruptcy law enacted in Brazil in the spring of 2005. The court granted the petitions, and the decision was published in Brazil pursuant to law. At the end of 2005, the plan filed by Parmalat Brasil S.A. Industria de Alimentos was approved by its creditors with certain amendments required by the withdrawal of a potential local buyer.
With regard to Parmalat Partecipacoes do Brasil Ltda, which is a holding company, a meeting of the creditors scheduled for January 16, 2006 to approve the restructuring plan was postponed to March 31, 2006. It is possible that the terms of the restructuring plan may change during this period.
Moreover, it is important to underline that the Brazilian tax authorities, following a tax audit for year 1999, issued a notice of assessment for additional taxes, penalties and interest in the amount of 10,718,598,913 reals. The amount currently in dispute is 12,889,694,854.70 reals.
The company defended its position in the administrative venue, filing a brief supported by ample documentation. It contested the assessment from both a formal and substantive standpoint, asking that the assessment be declared null and void due to the unlawful manner in which the assessment was carried out.
The situation described above has not changed and no new developments pointing to a quick solution of this dispute have emerged. The only development worth noting is that, based on the arguments put forth by the company in its defense, the Administrative Court has ordered that officials of the Brazilian tax agency go back to the company to determine whether the arguments put forth by the company in its defense have merit. Based on the most recent information available, the officials of the Brazilian tax agency have not yet gone back to the company.
Moreover, in December 2005, Parmalat Brasil received an additional notice of assessment for 1,020,761,198 reals for federal taxes, penalties and interest for 2000. The company challenged this assessment before an Administrative Court in January 2006. Due to the lack of progress in this dispute, Parmalat is not able to provide an opinion about its outcome. At this point, no provision has been set aside for these contingent liabilities, which at present can be qualified as unlikely to occur.
With regard to this issue, Parmalat S.p.A. has been informed by counsel that, notwithstanding the general principle of the limited liability of shareholders for the obligations of a company in which he/she has an investment or controls, under Brazilian law, shareholders can be held liable for a company's tax or social security contribution obligations, particularly when the shareholders serve as Directors, managers or agents, and the abovementioned obligations are the result of actions carried out by the shareholders in violation of the law and/or the company's Articles of Incorporation or the Bylaws. In cases involving a mere delay in payment or failure to pay taxes absent the serious violations referred to above, the Brazilian courts have excluded the liability of shareholders. The Group is not aware of any past facts or circumstances in the operations of the Group under extraordinary administration that would make the abovementioned provisions applicable.

Lawsuits by Former Directors of Companies of the Group Under Extraordinary Administration
On March 9, 2005, the Group was served with a summons by Michael Rosicki, the former Chief Executive Officer of Parmalat Dairy & Bakery Inc., whose contract expired in 2004. This dispute was settled during the second half of 2005.

In February 2005, Giovanni Bonici, the former President of Industria Lactea Venezolana C.A. ("**Indulac**"), served a summons on Indulac challenging his dismissal, of which he was informed in 2004. The plaintiff is asking that his dismissal be declared invalid and that Indulac be ordered to pay damages for various reasons totaling US$20 million (equal to about 14.7 million euros). At present, the lawsuit is pending before the Labour Judge of the Court of Caracas.

Civil Proceedings Filed by the Group and Settlements

Protective Attachment, Prior to the Start of the Proceedings, Against Former Directors and Liability Actions
Early in 2004, the Extraordinary Commissioner filed a protective attachment by the Court of Parma against former members of the Boards of Directors and Boards of Statutory Auditors of Parmalat Finanziaria S.p.A., under extraordinary administration, and of Parmalat S.p.A., under extraordinary administration, who, in addition to other activities, approved the financial statements at December 31, 2002. This action also applies to certain former employees and external consultants who are deemed to have contributed to the creation of the Group's state of insolvency. The Civil Court of Parma granted to the complainants Parmalat Finanziaria S.p.A. under E.A. and Parmalat S.p.A. under E.A. two protective attachment orders against the abovementioned people in the amount of 11.9 billion euros.

In a subsequent action for protective remedies, which was filed within the statutory deadline, Parmalat Finanziaria S.p.A. under E.A. and Parmalat S.p.A. under E.A. served two summons on the individuals who were the target of the orders of attachment, thereby filing merit proceedings before the Court of Parma. The complainants have requested that these proceedings be consolidated. The purpose of these proceedings is: (a) to ascertain the contractual and extra-contractual liability of each of the respondents — in their capacities as Directors, Statutory Auditors, consultants or employees — in causing the financial collapse of the complainant companies, and (b) to obtain that all of the respondents be found jointly liable and ordered to pay damages in the maximum amount mentioned above.

Subsequently, Parmalat Finanziaria S.p.A. in AS and Parmalat S.p.A. in AS served a third summons on other individuals in a similar position, whom it alleges are jointly liable, asking the court to issue the same ruling as in the other two lawsuits. The plaintiffs asked that this action be joined with the other two.

Thus far, oral arguments have been scheduled (for May 26, 2006) only in connection with the first liability action filed pursuant to Article 16 of Legislative Decree No. 5/2003. In the other actions, the parties are still in the process of filing the briefs required pursuant to Article 7, Section III, of Legislative Decree No. 5/2003.

Civil Lawsuits in the United States of America
The Extraordinary Commissioner filed three lawsuits in the United States: the first one was filed against certain companies of the Citibank Group (Citigroup Inc., Citibank N.A., Vialattea LLC, Buconero LLC and Eureka PLC); the second one was filed against the independent auditors Deloitte & Touche and Grant Thornton; the third one was filed against certain companies of the Bank of America Group (Bank of America Corporation, Bank of America National Trust and Savings Association Ltd and Bank of America NA). All three lawsuits are based on the assumption that in the years up to and including 2003, the defendants acted while they were aware, or should have been aware, of Parmalat's state of insolvency and cooperated with the Group's senior management in hiding from the public the Group's insolvent condition, thereby unduly delaying the disclosure of its financial collapse. As a result of these actions, the defendants aggravated the Group's insolvency while earning considerable sums of money for the services they provided to the Group. The purpose of these civil actions is to obtain that the defendants be found liable for their actions and ordered to pay all damages, including punitive damages, allowed under U.S. law.

In civil lawsuits filed in the United States, the defendants routinely file motions to dismiss on preliminary, jurisdictional or merit grounds. The completion of this phase and therefore of the motions filed by the

defendants is in itself a positive development and allows a lawsuit to continue, but does not yet mean that the complaint filed by the plaintiff will be found to have merit.

On July 29, 2004, the Extraordinary Commissioner filed a complaint with the Superior Court of the State of New Jersey (USA) asking that Citigroup and some of its subsidiaries be ordered to pay damages caused to Parmalat S.p.A. through the consulting activity rendered for many years with regards to several transactions carried out on behalf of several Group companies. The respondents filed a motion to dismiss asking that all claims put forth by the Extraordinary Commissioner be rejected on jurisdictional grounds. In a decision handed down on February 28, 2005, the judge in these proceedings denied the respondent's motion and ruled that the Superior Court has jurisdiction over the complaint. On March 17, 2005, Citigroup Inc. and the other respondents filed response briefs in which they contested the complainant's allegations and claims and asked that the complainant be ordered to pay financial damages of more than US$500 million and punitive damages, interest and costs of an undetermined amount. These countersuits are subject to the restrictions provided under a temporary restraining order granted pursuant to Section 304 of the U.S. Bankruptcy Law to protect certain companies of the Group under extraordinary administration. Consequently, it is possible that these demands could be declared inadmissible before a hearing on the merits even begins.

On April 18, 2005, the New Jersey Superior Court, Appellate Division, denied Citigroup's right to appeal the rejection of its motion to dismiss. However, on July 11, 2005, the Supreme Court of New Jersey, in response to a motion filed by Citigroup, granted Citigroup the right to appeal the rejection of its motion to dismiss. The appeal will be heard by the New Jersey Court Appellate Division and will be decided by a panel of judges. Citigroup filed its motion, followed by Parmalat's response and Citigroup's redress. At the moment, the parties are waiting for the Appellate Court to set the date for the hearing. In the meantime, the process called discovery has been suspended waiting for a decision from the Appellate Court.

On August 18, 2004, the Extraordinary Commissioner filed a complaint with the Circuit Court of Cook County in the State of Illinois (USA) asking that Parmalat's independent auditors, Grant Thornton International and Deloitte Touche Tohmatsu and their U.S. and Italian branches, be ordered to pay damages. The damages that are being claimed should not be less than US$10 billion. The lawsuit was transferred to the Court of New York.

On July 14, 2005, Judge Kaplan of the New York District Court rejected a motion to dismiss filed by the independent auditors, who claimed that they had no connection to the Italian companies that had worked with the Parmalat group, claiming that they could not be held responsible for the actions of separate and autonomous legal entities.

Judge Kaplan found that the local independent auditors acted as branches of the companies that controlled them and confirmed that Parmalat's complaints were admissible, but excluded the U.S. companies from the proceedings. He then granted the Extraordinary Commissioner an opportunity to file an amended complaint that would allow the inclusion of the U.S. companies in the proceedings. The counsel retained in this case filed the amended complain on September 30, 2005.

On November 4, 2005, the independent auditors filed a new motion to dismiss alleging that the amended complaint filed by the Extraordinary Commissioner was not admissible, owing in part to the complicity of the former Parmalat Directors in causing the Company's collapse (motion known as "in pari delicto"). However, this argument does not appear to meet the test of highest diligence that the laws of Illinois impose on independent auditors. In a decision handed down on March 16, 2006, Judge Kaplan admitted that Grant Thornton U.S. branch could be included in the proceedings, but excluding Deloitte one; all other Parmalat complaints remained unchanged since the Judge denied all other motions.

In the meantime, as is the case for the Citigroup lawsuit, the proceedings have entered the discovery phase. At the request of the Extraordinary Commissioner, the independent auditors have produced a massive quantity of new documents. If an examination of these documents reveals significant information that was not known and could not have been known before, the Extraordinary Commissioner may ask to file a new amended complaint.

Moreover, since the documents produced by the independent auditors were incomplete and unsatisfactory, Judge Kaplan granted the Extraordinary Commissioner's request that the independent auditors be ordered to produce all of the documents requested in connection with these proceedings.

On October 7, 2004, the Extraordinary Commissioner of Parmalat S.p.A. under E.A. and Parmalat Finanziaria S.p.A. under E.A., filed a complaint against various companies of the Bank of America Group in the District Court of Asheville, North Carolina (U.S.A.). This lawsuit is based on the fact that, at least since 1997, Bank of America had been assisting the Parmalat Group in raising financing using different types of transactions. These transactions are unique because Bank of America was aware of the precarious financial condition of the Parmalat Group and because of other features. Based on these considerations, the plaintiffs believe that Bank of America knowingly took advantage of its position to artificially prolong the survival of the Parmalat Group, even though it was insolvent, thereby significantly worsening its debt exposure. As a result, the plaintiffs are suing for damages in an amount that will be determined by a jury in the course of the proceedings.

Bank of America and the other defendant companies filed a motion to dismiss on several grounds. In August 2005 Judge Kaplan of the New York District Court rejected some of the complaints filed by the Extraordinary Commissioner but granted the Extraordinary Commissioner an opportunity to file an amended complaint, presenting additional arguments that may make a portion of the complaint admissible. However, the judge allowed the most important of the complaints put forth by the Extraordinary Commissioner, in which he asked the court to find the defendant companies guilty of conspiring with top managers of the Group (before the start of the extraordinary administrations proceeding) to violate innumerable fiduciary obligations and thereby concurring to bring about and aggravate the Group's financial collapse. Lastly, Judge Kaplan rejected a petition filed by a British subsidiary of Bank of America, which asked to be excluded from the proceedings on jurisdictional grounds.
On January 31, 2006, in response to the amended complaint filed by the Extraordinary Commissioner and the motion to dismiss filed by Bank of America, Judge Kaplan issued a new order accepting some of the new motions, including the one calling for the enforcement of the U.S. anticorruption statutes (known as "RICO claims") to three specific operations. In the event of a favorable decision, the Company would be entitled to ask for triple the amount of the proven damages, as allowed under the abovementioned U.S. statutes, which allow the award of treble damages or punitive damages.

The lawsuit against Bank of America is also in the discovery phase. The parties have started to produce the required documents, and this process will continue in the coming months.

Actions for Damages
The Extraordinary Commissioner, among the initiatives taken to identify the possible liability of other parties, in addition to the individuals and companies sued in the actions described in the Prospectus, has filed additional civil actions with Italian courts. These actions are described in the table provided on the following page. The purpose of these actions is to determine the existence of liability (based on contractual obligations or, when applicable, other obligations) of the Italian and foreign defendants who are presumed to have contributed to or aggravated the financial collapse of the plaintiff companies or of the entire Group under Extraordinary Administration.

The purpose of the actions listed in the abovementioned table is to have the courts order the defendants to pay for the damages they caused to the plaintiff companies. The yardstick used to quantify those damages is the impairment loss suffered by the plaintiff companies. Based on an analysis carried out by the Extraordinary Commissioner with the support of consultants, the maximum amount of the impairment loss incurred as of December 31, 2003 was estimated at 13,140 million euros for the Group under Extraordinary Administration and 13,889 million euros for the subsidiary Parmalat S.p.A. in AS.

The following additional clarifications also appear to be in order:

First, in accordance with the general principles of Italian law, the only damages that can be compensated are those that have actually been incurred and ascertained through court proceedings. Therefore, the maximum compensation that can be awarded to a plaintiff company is the amount of the total damages incurred and

ascertained in court proceedings — in case in point, the amount of the impairment losses listed above — and may never be greater than that amount. Consequently, compensation paid for damages may at best restore a plaintiff's condition to that which existed before the occurrence of the event that caused the damages but may never enrich the injured party. Insofar as the companies of the Group under extraordinary administration are concerned, there is only one exception to this principle: the actions filed by the Extraordinary Commissioner in the United States of America could result in awards in excess of the damages actually incurred and proved in court proceedings, since the U.S. legal system allows different types of damage awards (such as treble damages or punitive damages) that are greater than those allowed under Italian law.

Second, consistent with the findings of the plaintiff's consultants, the damage that the Extraordinary Commissioner is claiming from the various defendants is a single amount and corresponds to the amount of the impairment loss suffered by the Group under extraordinary administration, i.e., of the companies that became eligible for extraordinary administration. This approach has two consequences: first, the Extraordinary Commissioner, based on the principle of joint liability set forth in Article 2055 of the Italian Civil Code, can claim for each of the parties that he believes have participated in causing the damage the entire amount of the damage caused during the period from the time the defendants' unlawful conduct occurred and the date of the declaration of insolvency. The other consequence of the single-amount approach is that, should the civil actions filed by the Extraordinary Commissioner result in the payment of compensation, the amount of the damage payable by the other defendants would be reduced by a corresponding amount. Such a reduction has already occurred as a result of the settlements reached thus far. These settlements have been communicated to the market.

The foregoing considerations also show that there is a difference between the actions for damages discussed above and the actions to void in bankruptcy. While the purpose of the former is to effectively restore a plaintiff's assets through the payment of monetary compensation, the actions to void are filed to void payments made to the defendants by each of the companies that are parties to the composition with creditors, provided the requirements of the bankruptcy law are met, in order to ensure that all creditors of the companies under extraordinary administration are treated equally (equal treatment of creditors). In addition, these two types of actions clearly have different effects: payments received as a result of actions for damages reduce the amount of the overall damage suffered by the companies under extraordinary administration, while the amounts paid in connection with actions to void increase the liabilities of those companies by a corresponding amount. A creditor who received a payment that was later voided can include the resulting claim among the debtor's liabilities for the full amount of the voided payment and the claim can be satisfied with shares of the Issuer based on the final recovery ratios applicable to the claim, as well as with the warrants owed in accordance with the provisions of the Composition with Creditors.

Lastly, the Extraordinary Commissioner, based on facts and documents that have come to light and have been verified by the Extraordinary Commissioner and his consultants, believes that all of the civil actions that he filed in Italy and abroad are meritorious and deserve to be pursued. Nevertheless, all of these actions are in the initial stage and, consequently, it is impossible to make predictions about their outcome or about the amounts that could be recovered.

ACTIONS FOR DAMAGES

Plaintiffs	Defendants	Court where filed	Status of the dispute	Principal claim (millions of euros)	Subordinated claim (millions of euros)	Supple-mental claim (millions of euros)
Parmalat S.p.A. in AS; Parmalat Finanziaria S.p.A. in AS; Parmalat Finance Corporation BV in AS; Parmalat Capital Netherlands BV in AS; Parmalat Netherland BV in AS; Parmalat Soparfi SA in AS.	UBS Limited; Deutsche Bank AG; Deutsche Bank AG London	Parma	First hearing scheduled	The amount determined in the course of the proceedings, but not less than 2,199	1,210.9	420 UBS 350 DB
Parmalat S.p.A. in AS; Contal S.r.l. in AS	IFITALIA International Factors Italia S.p.A.	Parma	First hearing scheduled	An amount to be determined in the proceedings in proportion to the liability for contributing to the financial collapse of the plaintiff companies from 1999 on	151.3 or any greater or smaller amount determined in the course of the proceedings	
Parmalat S.p.A. in AS; Parmalat Finance Corporation BV in AS	Credit Suisse First Boston International; Credit Suisse First Boston (Europe) Ltd	Parma	First hearing scheduled	7,113 or any other amount determined in the course of the proceedings.	248 (in addition to two other items) or any other amount determined in the course of the proceedings	
Parmalat S.p.A. in AS; Parmalat Finance Corporation BV in AS	Merrill Lynch International, Sires Star Limited	Parma	First hearing scheduled	126.5 or any other amount determined in the course of the proceedings		
Parmalat S.p.A. in AS	Cassa di Risparmio di Parma e Piacenza S.p.A.	Parma	First hearing scheduled	An amount to be determined in proportion to the liability for contributing to the financial collapse of the plaintiff companies from 1999 on, but not less than 700	1,210.9	420 UBS 350 DB

Plaintiffs	Defendants	Court where filed	Status of the dispute	Principal claim (millions of euros)	Subordinated claim (millions of euros)	Supple-mental claim (millions of euros)
Parmalat S.p.A. in AS; Parmalat Finanziaria in AS; Parmalat Finance Corporation BV in AS; Parmalat Soparfi SA in AS; Parmalat Netherlands BV in AS; Parmalat Capital Netherlands BV in AS	JPMorgan Europe Limited; JPMorgan Securities Ltd; Unicredito Italiano S.p.A.; Unicredit Banca Mobiliare – UBM S.p.A.; Unicredit Banca d'Impresa S.p.A	Parma	First hearing scheduled	4,400 plus financial expenses for the bond issues in question (to be quantified in the course of the proceedings) or any other amount awarded by the court		
Parmalat S.p.A. in AS; Parmalat Finanziaria S.p.A. in AS; Parmalat Finance Corporation BV in AS; Parmalat Soparfi SA in AS; Parmalat Netherlands BV in AS; Parmalat Capital Netherlands BV in AS	Unicredit Banca Mobiliare S.p.A. – UBM S.p.A.; Banca Caboto S.p.A.; Banca Intesa S.p.A	Parma	First hearing scheduled	1,861.8 plus financial expenses for the bond issues in question (to be quantified in the course of the proceedings) or any other amount awarded by the court		
Parmalat S.p.A. in AS	Banca di Roma S.p.A	Parma	First hearing scheduled	To be determined in proportion to the liability for contributing to the financial collapse, plus an amount to be substantiated in the course of the proceedings, but not less than 265		
Parmalat S.p.A. in AS; Parmalat Finance Corporation BV in AS	Banca d'Intermedia-zione Mobiliare IMI S.p.A	Parma	First hearing scheduled	An amount to be substantiated in the course of the proceedings, but not less than 1,300		
Parmalat S.p.A. in AS; Parmalat Finance Corporation BV in AS	Banca Monte dei Paschi di Siena Spa; MPS Finance Banca Mobiliare Spa	Parma	First hearing scheduled	An amount to be substantiated in the course of the proceedings, but not less than 1,300		
Parmalat S.p.A. in AS	The McGraw-Hill Companies (Standard & Poor's Market Services Srl); The McGraw-Hill Companies (Standard & Poor's Rating Services) SA	Milan	First hearing scheduled	4,857 plus an amount corresponding to the liability for contributing to the financial collapse, which will be determined in the course of the proceeding.		

Plaintiffs	Defendants	Court where filed	Status of the dispute	Principal claim (millions of euros)	Subordinated claim (millions of euros)	Supple-mental claim (millions of euros)
Parmalat S.p.A. in AS	Banca AKROS Spa, Credit Suisse First Boston International, Deutsche Bank AG, J.P. Morgan Chase Bank NA, Merrill Lynch Capital Markets Bank Limited, UBS AG	Parma	First hearing scheduled	2,006.3 or any other amount determined in the course of the proceedings		

Actions to Void in Bankruptcy

As is customary in such situations, the Extraordinary Commissioner has filed those actions to void in bankruptcy with respect to which he has ascertained or is in the process of ascertaining his right to file. Specifically, actions to void have thus far been filed with the Court of Parma against 71 Italian and foreign companies, in addition to those already filed before the Court of Parma against CSFB, Deutsche Bank, UBS and Morgan Stanley. The latter are reviewed below and have already been discussed in communications to the financial markets. Other actions to void are about to be filed by the Extraordinary Commissioner.

On August 19, 2004, the Extraordinary Commissioner of Parmalat S.p.A. under E.A. sued Credit Suisse First Boston International ("CSFB") before the Court of Parma in an action to void in bankruptcy, pursuant to Article 67 of the Bankruptcy Law, a forward sale agreement (the "Agreement") executed in January 2002. The Agreement subject of the action to void was executed as part of a transaction that involved the placement of convertible bonds totaling 500 million euros issued by Parmalat Partecipaçoes do Brasil Ltda and subscribed in full by CSFB. Under the Agreement, CSFB sold forward to Parmalat the conversion rights it acquired by virtue of the abovementioned 500-million-euro convertible bond issue, receiving as consideration the advanced payment by Parmalat of the sum of 248.3 million euros. The amount that Parmalat is asking CSFB to repay is 248.3 million euros, plus accrued interest. The Extraordinary Commissioner has reserved the right to sue CSFB separately for damages.

The Extraordinary Commissioner of Parmalat Finance Corporation BV under E.A. and Parmalat S.p.A. under E.A. sued Deutsche Bank S.p.A. ("Deutsche Bank") before the Court of Parma in an action to void in bankruptcy, pursuant to Article 67 of the Bankruptcy Law, a transaction executed in December 2003, as a result of which Deutsche Bank was able to reduce its exposure toward Parmalat S.p.A. by a total of about 17 million euros. The transaction amount that the court is being asked to void is 17 million euros, plus accrued interest. The Extraordinary Commissioner has reserved the right to sue Deutsche Bank separately for damages.

The Extraordinary Commissioner of Parmalat Finance Corporation BV under E.A. ("Parmalat BV") sued UBS Limited ("UBS") before the Court of Parma in an action to void in bankruptcy, pursuant to Article 67 of the Bankruptcy Law, a transaction executed in July 2003 that involved the placement of two bond issues with a total par value of 420 million euros (see Section One, Chapter I, Paragraph 1.1.2), as part of which Parmalat Finance Corporation BV agreed to buy 290 million euros of Banco Totta & Açores S.A. debt securities from UBS. The latter securities are credit-linked notes that were purchased from UBS as protection against the risk of default by the Parmalat Group. The transaction amount that the court is being asked to void is 290 million euros, plus accrued interest. The Extraordinary Commissioner has reserved the right to sue UBS separately for damages.

In all of these actions to void and in those filed earlier, the first hearing in which the parties appear before a judge have been held, and the defendants, in response to the summons, raised numerous objections on the merit of the actions.

In August 2005, the Extraordinary Commissioner served banks that are part of the Intesa Group with summons to appear in seven actions to void filed pursuant to Article 67 of the Bankruptcy Law.

The Extraordinary Commissioner has also sued TetraPak International S.A. (TetraPak International) in an action to void filed pursuant to Article 67, Section Two, and Article 64 of the Bankruptcy Law in connection with a financing transaction executed in April 2003 under a loan agreement pursuant to which TetraPak International loaned Parmalat Finance Corporation BV 15 million euros. This agreement was also signed by Parmalat S.p.A. as guarantor for Parmalat Finance Corporation BV. The purpose of the lawsuit is to recover about 15.1 million euros, which is the amount that Parmalat Finance Corporation BV paid the defendant on August 4, 2003.

In the action to void filed against Banca Popolare di Vicenza S.c.a.r.l., the defendant responded by raising preliminary and merit objections. It also countersued the plaintiff, Parmalat S.p.A. in AS, asking that it be ordered to pay 22.5 million euros for the monetary and moral damages caused by the fraudulent behavior of the previous Directors of the Group under extraordinary administration. The defendants in the other actions to void have not countersued.

The action to void filed by Parmalat S.p.A. in AS and Parmalat Finance Corporation BV in AS against Morgan Stanley and Morgan Stanley Bank was dropped when the Extraordinary Commissioner and the abovementioned banks reached a settlement in the amount of 155 million euros. This settlement was explained in greater detail in a press release issued by Parmalat Finanziaria S.p.A. in AS on July 19, 2005.

The action to void originally filed by Parmalat S.p.A. in AS against Irfis Medio Credito della Sicilia was dropped due to a subsequent lack of interest in pursuing it.

In certain cases, within the framework of actions filed by creditors with totally or partially excluded claims who are contesting the computation of the sum of liabilities, it became necessary for the Extraordinary Commissioner to demand the cancellation of the guarantees provided by companies of the Group under extraordinary administration during the year that preceded the declaration of insolvency, as allowed by Article 67 of the Bankruptcy Law. More specifically, if a creditor asks that a claim be included among the liabilities based on a guarantee provided by a company of the Group under extraordinary administration, the company in question, acting within the framework of the same legal action, must countersue, when the law so requires, asking that the guarantees provided during the year that preceded its declaration of insolvency be cancelled. Such counteractions to void may be filed only for an amount equal to the claim of the opposing party and solely for the purpose of securing rejection of the claim. In other words, the purpose of these actions to void is not to add cash to the Group's treasury but to prevent the alleged claim of a creditor from being included among the Group's liabilities.

Many defendants have questioned the constitutionality of the portion of Article 6 of the Marzano Law that allows the filing of actions to void, as allowed under Articles 49 and 91 of Legislative Decree No. 270/99, as part of a restructuring program, because it violates Articles 3 and 41 of the Constitution. As regards 13 of the actions to void, the Judges convened by the Court of Parma referred the matter to the Constitutional Court, therefore the affected proceedings have temporarily been put on hold, pending a decision by the Constitutional Court. Currently, the discussion hearing has been scheduled on April 4, 2006.

However, it is important to keep in mind that the assumptions that underpin the Restructuring Program and the expectations of its success are based on industrial considerations and are independent of any gains that may be obtained by filing the abovementioned actions to void.

For the sake of full disclosure and given the impossibility at this point to disclose predictions about the outcome of the abovementioned actions to void, it is important to point out that any gain that may be generated by these actions, according to the Proposal of Composition with Creditors, will obviously inure to Parmalat S.p.A., and that, therefore, such gain will benefit indiscriminately all of the creditors who have become shareholders of Parmalat S.p.A., irrespective of which of the companies included in the Proposal of Composition with Creditors has filed a given action to void. Moreover, as a result of the approval of the Proposal of Composition with Creditors, all of the actions to void filed thus far against banks and bank-like institutions have been transferred to Parmalat S.p.A. As of the date of this Report, the aggregate euro

amount claimed through these actions to void (the damage claims of existing actions to void) is 7,458 million euros, 92% of which refers to Parmalat S.p.A. under E.A.

Settlement with Morgan Stanley
In July 2005, acting with the approval of the Italian Ministry of Production Activities and having received a favorable opinion from the Oversight Committee, the Extraordinary Commissioner entered into an agreement with Morgan Stanley, Morgan Stanley & Co International Limited and Morgan Stanley Bank International Limited to settle any and all claims arising from transactions between the abovementioned companies and the Parmalat Group under extraordinary administration in consideration of the payment of 155 million euros to Parmalat S.p.A. in AS by the abovementioned companies. Parmalat S.p.A. in AS agreed to abandon all actions (to void) previously filed against Morgan Stanley and refrain from filing any actions for damages against the abovementioned companies in connection with any liability for participating in bringing about and/or aggravating the financial collapse of the Parmalat Group.

Boschi Luigi & Figli S.p.A. Liability Action
Parmalat S.p.A. under E.A. is the owner of an 89.44% interest in Boschi Luigi & Figli S.p.A. ("**Boschi**"). On May 31, 2004, the Extraordinary Commissioner filed a complaint with the Court of Parma requesting an order of protective attachment of the personal and real property of Boschi's former Directors and Statutory Auditors.

By an order filed on July 5, 2004, the Court of Parma granted to the complainant, Parmalat S.p.A. under E.A., an order of protective attachment for the aggregate amounts of 3,000,000.00 euros for the former Directors and 2,000,000.00 euros for the former Statutory Auditors.

Subsequently, by a summons served on September 22, 2004, Parmalat S.p.A. under E.A. filed an action on the merits against all of the abovementioned individuals in which it asked the Court to (a) find that the defendants were contractually and extracontractually liable for Boschi's financial collapse and (b) order them jointly to pay damages estimated in the aggregate at 2,800,000 euros, or any larger or smaller amount that may be determined in the course of the proceedings.

Administrative Proceedings Filed Against the Group

Complaints Filed with the Administrative Regional Court of Latium
In the administrative venue, three complaints have been filed with the Administrative Regional Court of Latium against several defendants, including Parmalat S.p.A. under E.A., the Ministry of Production Activities and the Ministry of Agricultural and Forest Policies challenging the decrees (Ministerial Decrees of December 24, 2003, January 30, 2004 and February 9, 2004) that declared certain Group companies eligible for Extraordinary Administration and appointed the Extraordinary Commissioner. These complaints were rejected by the Administrative Regional Court of Latium with decisions dated July 12, 2004 and July 16, 2004.

On September 20, 2004, an organization that represents Italian consumer groups called Codacons, which was the losing complainant in one of the complaints, asked the Council of State to set aside the decision of July 12, 2004, with which the Administrative Regional Court of Latium rejected a complaint filed by Codacons asking that the ministerial decrees that declared Parmalat S.p.A. and Parmalat Finance Corporation B.V. eligible for Extraordinary Administration Proceedings be declared invalid. To this date, no appeal of the rejections of the other two complaints has been filed.

Other complaints that are pending before administrative judges are reviewed below.

Citibank N.A. Complaint
On October 7, 2004, Citibank NA filed a complaint with the Regional Administrative Court of Latium against the Ministry of Production Activities, the Ministry of Farming and Forestry Policies and the Extraordinary Commissioner of Parmalat Finanziaria S.p.A. under E.A. and other companies of the Group under extraordinary administration. The complaint also names eight financial institutions, which it targets as respondents. The complainant asks the Court to annul or amend the Restructuring Program prepared by the Extraordinary Commissioner, the remarks attached by the Extraordinary Commissioner to the provisional list

of creditors and the Ministerial Decree approving the abovementioned Restructuring Program (Ministerial Decree of July 23, 2004). The complainant also requested damage compensation; however, during the first hearing on March 9, 2006, Citibank required the Court to declare the case barred from prosecution.

UBS AG Complaint
In a complaint dated December 15, 2004, UBS AG, a Swiss bank, sued before the Regional Administrative Court of Latium the Parmalat Group companies that have been placed under extraordinary administration, the Italian Ministries of Production Activities and of Agricultural and Forest Policies, Banca Intesa BCI and Banca Popolare di Lodi, asking that the Ministerial Decree authorizing the implementation of the Restructuring Program and of certain related official acts and the Decree by which the Italian Minister of Production Activities authorized the establishment of Fondazione Creditori Parmalat be declared null and void. UBS is also demanding compensation for the damages it suffered. The date of the first hearing has yet to be set.

JP Morgan – Unicredito Complaints
In two separate complaints filed on November 15, 2005 before the Regional Administrative Court of Latium, JP Morgan Europe Ltd and JP Morgan Securities Ltd sued Parmalat Finance Corporation BV in AS, Parmalat Netherlands BV in AS, Parmalat Capital Netherlands in AS, Parmalat Soparfi SA in AS and the Ministry of Production Activities, asking that the Ministerial Decrees authorizing the start of the extraordinary administration proceedings and the appointment of the Extraordinary Commissioner of the respondent companies and all related acts be declared null and void. The first hearing in this case has been scheduled for July 20, 2006.

On November 15, 2005, Unicredito Italiano SpA and Unicredito Banca Mobiliare SpA filed similar but separate complaints against the Ministry of Production Activities and the companies listed in the preceding paragraph, asking that the Ministerial Decrees authorizing the start of the extraordinary administration proceedings and the appointment of the Extraordinary Commissioner of the respondent companies and all related acts be declared null and void. The first hearing in this case has been scheduled for July 20, 2006.

Complaint by Minority Shareholders of Boschi Luigi & Figli S.p.A. under E.A.
In a complaint dated February 21, 2005 and notified only very recently, Messrs. Ljdia Manfredi, Paolo Boschi, Francesco Maini and Adolfo Cecchi sued, before the Administrative Court of Latium, the Italian Ministry of Production Activities, the Extraordinary Commissioner of Parmalat S.p.A. under E.A., Parmalat S.p.A. under E.A., the Extraordinary Commissioner of Boschi Luigi & Figli S.p.A. under E.A. and Boschi Luigi & Figli S.p.A. under E.A., asking that the Ministerial Decree of December 31, 2004, by which the Ministry of Production Activities declared Boschi Luigi & Figli S.p.A. eligible for extraordinary administration proceedings in accordance with the Marzano Law and extended the eligibility of Parmalat S.p.A. under E.A., appointing Enrico Bondi Extraordinary Commissioner, be declared null and void. The complainants are minority shareholders of Boschi Luigi & Figli S.p.A., owning together about 7.90% of the capital stock. The complainants contest the legality of the decree because, among other issues, Boschi Luigi & Figli S.p.A. was not insolvent, and they claim damages, the amount of which will be determined and quantified in the course of the proceedings. The first hearing in this case has been scheduled for July 20, 2006.

Dutch Authority for Financial Markets
In February 2005, the Dutch government agency charged with overseeing the financial markets (Dutch Authority for Financial Markets) informed Parmalat Finance Corporation BV under E.A. that it is planning to levy fines against it, the maximum amount of which is currently estimated at 330,000 euros, for the alleged violation of Dutch laws governing the issuance of financial instruments. Subsequently, on August 2, 2005, the abovementioned authority decided not to impose any fine on Parmalat Finance Corporation BV in AS.

Centrale del Latte di Roma S.p.A.
On May 3, 2005, the Italian Supreme Court, meeting with all Justices in attendance, ruled that the Administrative Court had jurisdiction over the action filed by Ariete Fattoria Latte Sano S.p.A. ("Ariete Fattoria") against the City of Rome and Cirio S.p.A., Parmalat S.p.A. in AS and Granarolo Felsinea S.p.A. These proceedings, in which Parmalat S.p.A. in AS is a respondent, stems from a complaint filed by Ariete Fattoria against the City of Rome in which Ariete Fattoria requested the rejection of the opposition by the City of Rome to a notice filed by Ariete Fattoria in 2000 by which the latter asked the City of Rome to cancel a contract to sell to Cirio S.p.A. a majority interest it owned in Centrale del Latte di Roma S.p.A. and issue a new call for tenders. Ariete Fattoria claims that the City of Rome was aware that Cirio S.p.A. had allegedly

violated the sales agreement by first transferring its interest in Centrale del Latte di Roma S.p.A. to Eurolat S.p.A. in AS, which it sold to Parmalat S.p.A. in AS in 1999. The administrative judge is being asked to rule on the merit of the action filed by Ariete Fattoria, which requested (a) that the City of Rome be ordered to cancel the agreement to sell its interest in Centrale del Latte di Roma S.p.A. to Cirio S.p.A., which would then force the current owner (Eurolat S.p.A. in AS, now the Assumptor) to relinquish ownership, and issue a new call for tenders; or (b) that the City of Rome be ordered to pay the corresponding damages in cash. A decision about this lawsuit is currently being taken. It is important to note the following: (i) A ruling has yet to be handed down on the merit of this lawsuit, since the judges involved have only ruled on jurisdictional issues; (ii) no claim for damages has been filed against Parmalat S.p.A. in AS.

Administrative Proceedings Filed by the Group

Parmalat S.p.A. is a party to proceedings filed before the Regional Administrative Court of Latium by Granarolo S.p.A., challenging a decision in which the Italian Antitrust Agency, acting pursuant to a complaint filed by Parmalat S.p.A. under E.A., found that advertisements published by Granarolo were deceptive.

Decisions and Investigative Proceedings by the Italian Antitrust Agency

Newlat S.r.l. and Carnini S.p.A. Investigative Proceedings
On July 22, 2004, the Italian Antitrust Agency (abbreviated as **AGCM** in Italian) launched two investigative proceedings involving Parmalat S.p.A. under E.A. In the first complaint, which has to do with Newlat S.r.l., the AGCM charged Parmalat S.p.A. under E.A. with failing to comply with the terms of its Resolution No. 7424 of July 27, 1999, with which it authorized Parmalat to buy Eurolat from the Cirio Group. These terms specifically included the obligation to sell Newlat S.r.l., a company to which certain brands and production facilities had been conveyed. The second complaint charged Parmalat with failing to provide the AGCM with prior notice of its planned purchase of a controlling interest in Carnini S.p.A.

In a decision handed down on January 31, 2005, the AGCM found that Carnini is in fact under the control of Parmalat S.p.A., which, therefore, was in violation of the obligation to provide prior notice before carrying out a business combination and was ordered to pay a penalty of 1,000 euros. The penalty is to be collected in a manner consistent with the principle of equal treatment of all creditors. With regard to the Newlat issue, the AGCM also found that Parmalat S.p.A. failed to comply with its requirements and ordered it to pay the minimum statutory penalty, which amounts to 11,180,718 euros. This penalty will also be included in the composition with creditors proceedings and an appropriate reserve has been established.

In January 2005, the AGCM launched two investigative proceedings against Parmalat S.p.A. under E.A. in connection with events involving Newlat and Carnini. The AGCM is seeking to determine whether the actions that are being investigated in these proceedings have enabled Parmalat S.p.A. under E.A. to secure a dominant position in the milk and dairy markets. On March 10, 2005, the AGCM authorized the concentration of Parmalat S.p.A. under E.A. and Carnini S.p.A., since the combination of the market shares of these two companies, particularly in the fresh milk segment, does not constitute or strengthen a dominant position.

At the end of March 2005, Parmalat S.p.A. under E.A. received notice of a complaint filed against the AGCM before the Regional Administrative Court, in January 2005, asking that the decision issued by the AGCM in 1999 with regard to the Newlat concentration be set aside. The complainant is making no demand against Parmalat S.p.A. under E.A. No date has yet been set for the first hearing.

On July 8, 2005, the decision of the AGCM in the investigative proceedings launched in January 2005 was handed to Parmalat S.p.A. in AS. The AGCM ordered that Parmalat S.p.A. in AS : (a) in view of its ownership of Newlat S.r.l., sell the *Matese* and *Torre in Pietra* brands to a third party who meets certain requirements within 12 months of the date of the decision; (b) sell to the qualified buyer, if the buyer requests them, the production facilities located in Frosinone and Paestum-Capaccio Scalo; (c) within six months of the date of the decision, file with the AGCM an initial report on its compliance with the above requirements; (d) inform the AGCM if it is unable to locate willing buyers within the time frame specified in (c); and (e) within 12

months of the date of the decision, file a second report with the AGCM to confirm that the abovementioned brands and/or production facilities have been sold.

On July 18, 2005, S.E.I.T. S.p.A., which is licensed to collect taxes on behalf of the Province of Parma, served Parmalat S.p.A. with a notice of assessment that included the fines levied on Parmalat S.p.A. by the AGCM as a result of the AGCM's decision on the Newlat case, which amounted to 11,188,394.14 euros.

On July 19, 2005, S.E.I.T. S.p.A. filed an application, as a late-filing creditor, seeking to include among the liabilities of Parmalat S.p.A. in AS a prededuction claim amounting to 11,181,718.93 euros and an unsecured claim amounting to 519,949.93 euros.

Challenges and Oppositions

On December 16, 2004, the final list of creditors of the Companies Included in the Composition with Creditors that was drawn up by the *Giudici Delegati* was filed with the Office of the Clerk of the Court of Parma. On December 28, 2004, the list was published in issue No. 303 of the *Official Gazette of the Italian Republic*, together with an indication of the deadline within which creditors may challenge the computation of liabilities pursuant to Article 98 of the Italian Bankruptcy Law or oppose it pursuant to Article 100 of the same law. The deadline for creditors residing in Italy expired 15 days after the abovementioned date of publication and the deadline for creditors residing outside Italy expired 30 days after the abovementioned date of publication. Presently, a total of 544 challenges and oppositions are pending pursuant to the two abovementioned articles of the Italian Bankruptcy Law.

Oppositions filed pursuant to Article 100 of the Italian Bankruptcy Law are reviewed below.

In two complaints filed on January 12, 2005, the joint representative of the holders of the Parmalat Finanziaria S.p.A. 1997/2007, Parmalat Finanziaria S.p.A. 1997/2007 (second issue) and Parmalat Finanziaria S.p.A. 1998/2010 bond issues filed oppositions before the Court of Parma pursuant to Article 100 of the Italian Bankruptcy Law and Article 4-*bis*, Section 6, of the Marzano Law. These opposition actions were dropped on March 3, 2005.

In a complaint filed pursuant to Article 100 of the Italian Bankruptcy Law on January 27, 2005, Parmalat Pacific Holdings (Pty) Ltd asked the Court of Parma to remove from the liabilities of Parmalat S.p.A. under E.A. a claim put forth by Bank of America N.A. ("**BofA**") in the amount of US$119,243,637.88 (96,109,968.47 euros). This claim stems from a loan agreement executed on November 8, 2002 by Parmalat Capital Finance Limited (a Cayman-based company of the Group under extraordinary administration), as borrower, and Cur Holding Limited, as lender. The claim was transferred to BofA on July 16, 2003. If the complainant's demands are granted, the Group would have to recognize a corresponding prior-period gain in its financial statements.

In a complaint filed pursuant to Article 100 of the Italian Bankruptcy Law on January 27, 2005, Parmalat Pacific Holdings (Pty) Ltd asked the Court of Parma to remove from the liabilities of Parmalat S.p.A. under E.A. a claim put forth by Credit Suisse First Boston International ("**CSFB**") in the amount of 245,400,499.08 euros. This claim stems from a complex transaction involving a convertible bond issue floated by the subsidiary Parmalat Participacoes do Brasil Lda ("**Parmalat Participacoes**") and subscribed in full by CSFB. As part of this transaction, Parmalat S.p.A. and CSFB executed a forward sale agreement covering the shares that Parmalat Participacoes would have been required to issue when the bonds matured and CSFB exercised its conversion rights. The forward sales agreement specifically provides for Parmalat S.p.A. to pay CSFB an additional settlement amount, should certain events (one of which is the insolvency of Parmalat S.p.A.) occur.

On January 12, 2005, Parmafactor S.p.A. ("**Parmafactor**") filed, before the Court of Parma, a challenge pursuant to Article 98 of the Italian Bankruptcy Law and an opposition pursuant to Article 100 of the same law (as well as a late application for claim verification pursuant to Article 101 of the Italian Bankruptcy Law for additional amounts) putting forth claims that arise from factoring transactions it executed with Parmalat S.p.A. in which several legal entities were the assignors.

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The tax status of the Parent Company and of the main Italian and foreign subsidiaries of the Parmalat Group is reviewed below:

Parmalat S.p.A. (Assumptor)
Parmalat S.p.A. is liable for the payment of income taxes starting in 2003 (when it was first established under the name "Cimabue S.r.l."). The deadline for tax audits covering this period is 2008.

As a result of the approval of the Proposal of Composition with Creditors n. 22/05 issued by the Court of Parma on 1.10.2005, Parmalat S.p.A. assumed all known and unknown tax obligations attributable, as of the date of the court decision, to the 16 companies included in the Composition with Creditors proceedings.
These obligations are subject to the audit deadlines that applied to the individual companies included in the Composition with Creditors proceedings.
As a result of the approval of the Composition with Creditors, the liabilities that were known as of that date, which had been recognized in the financial statements of the companies under extraordinary administration, were transferred to Parmalat S.p.A. (Assumptor).
At the same time, all of the tax credits claimed by the companies under extraordinary administration and the rights to any tax credits that had not materialized as of the same date were transferred to Parmalat S.p.A.

In this area, on July 7, 2005, based on the arguments contained in Decision No. 681/04 by the Court of Parma, which was filed on June 15, 2004, Parmalat S.p.A. in AS filed an application with the tax administration requesting a refund of corporate income taxes (IRPEG), local income taxes (IRAP) and the substitute tax paid for the year 2000 upon the filing of the 2001 tax return.
The same course of action will be followed by Parmalat S.p.A., in its capacity as Assumptor, for the 2001 and 2002 tax years.
Moreover, virtually all of the companies under extraordinary administration included in the Composition with Creditors filed applications requesting refunds of the IRAP they paid, claiming that this tax is in conflict with the provisions of Article 33 of the EEC Directive VI.

Under the heading Provisions for risks and charges, the financial statements of Parmalat S.p.A. at December 31, 2005 include a Provision for taxes and fees in the amount of 19.6 million euros, all of which is attributable to contingent tax liabilities for prior periods of the companies included in the Composition with Creditors.

The status of the other main Group companies in Italy is reviewed below:

Dalmata S.r.l.
This company availed itself of the tax amnesty provided by Law No. 289/2002.
The last year for which it can be audited with regard to income taxes and VAT is 2001.
There are no pending tax items owed to the tax administration for the years subject to audit.
This company has a tax loss carryforward of 99.2 million euros, which expires as follows: 35.8 million euros in 2005, 41.2 million euros in 2006, 9.1 million euros in 2007 and 13.1 million euros in 2009.

Centrale del Latte di Roma S.p.A.
This company availed itself of the tax amnesty provided by Law No. 289/2002, filing simplified amended returns for the years from 1997 to 2002 both for income taxes and VAT.
The last year for which it can be audited with regard to income taxes and VAT is 2001. Based on currently available information, this company appears to have no tax risk exposure.

Latte Sole S.p.A.
This company availed itself of the tax amnesty provided by Law No. 289/2002.
As a result of the amnesty, the last years for which it can be audited are 2002 for income taxes and 2001 for VAT.
This company has a tax loss carryforward generated in 2003 that can be used until 2008. The remaining balance of the tax loss carryforward amounts to 4.9 million euros, not counting an estimated utilization of about 1.4 million euros planned for 2005.
Latte Sole is a party to several tax disputes involving previous years, in which it has been victorious at the lower court level. The company believed that it is unlikely that any liability will result from these disputes.

Italcheese S.p.A.
This company did not avail itself of the tax amnesty.
The last year for which it can be audited with regard to income taxes and indirect taxes is 1999.
This company has a tax loss carryforward of 1.9 million euros, which expires as follows: about 116,000 euros in 2005, about 144,000 euros in 2006, about 212,000 euros in 2007, about 22,000 in 2008 and 1.4 million euros in 2009.
There appear to be no pending tax liability for the years still subject to tax audits and, based on information currently available, the company appears to have no tax risk exposure.

Interlatte S.r.l.
This company did not avail itself of the tax amnesty.
The last year for which it can be audited with regard to income taxes and VAT is 1999.
This company has no tax loss carryforward
There appear to be no pending tax liability for the years still subject to tax audits and, based on information currently available, the company appears to have no tax risk exposure.

Parmalat Distribuzione Alimenti S.r.l.
This company, which acts as the distribution arm of Parmalat S.p.A., became operational when certain licensees under extraordinary administration transferred their business operations to Finfood S.r.l. (a company that had been dormant up to that point). On November 29, 2004, Finfood S.r.l. changed its name to Parmalat Distribuzione Alimenti S.r.l.
Currently, the company appears to have no tax risk exposure and is not a party to disputes involving the tax administration.

Compagnia Finanziaria Alimenti S.p.A.
This company availed itself of the tax amnesty provided by Law No. 289/2002.
The last year for which it can be audited with regard to income taxes is 2002.
This company has a tax loss carryforward of 35.5 million euros, which expires as follows: about 22.5 million euros in 2007 and about 13 million euros in 2008.

The status of the other main Group companies outside Italy is reviewed below:

AFRICA

South Africa – Dispute Involving Bonnita Holdings (PTY) Ltd in Liquidation
Negotiations with the South African tax authorities, which were started to avoid involvement in a lengthy tax dispute, have reached a very advanced stage.
It is likely that a settlement will be reached in the near future, involving the payment of an amount ranging between 1.5 and 2 million euros.
Originally, the risk had been estimated at 85.1 million rand, equal to about 11.4 million euros at the exchange rate in force on December 31, 2005.
Previously, Parmalat Soparfi SA (a Luxembourg-based company included in the Composition with Creditors) had agreed to shoulder the tax liability that could be incurred by Bonnita Holdings as partial settlement of debt it owed to Bonnita Holdings. As a result of the court decision approving the Composition with Creditors, this obligation was transferred to Parmalat Spa, which recognized a provision of 2 million euros on its financial statements.

The other African companies of the Group are exposed to contingent tax risks that are neither certain nor probable. As a result, these companies have not recognized any provisions on their financial statements, except for Parmalat South Africa (PTY) Ltd, which set aside 4.1 million rand, equal to about 0.5 million euros at the exchange rate in force on December 31, 2005.

CANADA

The Group's two main Canadian companies (Parmalat Food Inc. and Parmalat Dairy & Bakery) merged, effective January 1, 2006. The resulting company is called Parmalat Dairy & Bakery. The merger, which was carried out to exploit the financial synergies that existed between these two companies, will enable the surviving company to utilize a tax loss carryforward of 70 million Canadian dollars, equal to about 51 million euros. The company expects to utilize the full amount of the tax loss carryforward in 2006.

The main areas of risk involve federal income taxes, the price transfer tax and withholding taxes. The total risk amounts to 15.6 million Canadian dollars, equal to 11.4 million euros at the exchange rate in force on December 31, 2005.

The Canadian companies of the Parmalat Group are not involved in any pending tax dispute.

AUSTRALIA

Since January 1, 2004, the Australian companies that are wholly owned subsidiaries of Parmalat Pacific Holdings Pty Ltd file a consolidated tax return. The tax loss carryforward generated until 2003 by individual companies included in the consolidated tax return that are transferable to the group of companies included in the consolidated tax return consists of amounts of two different types. The amount that can be offset against ordinary income and investment income (*revenue losses*) is 44.5 million Australian dollars, equal to about 27.6 million euros at the exchange rate in force on December 31, 2005. This loss can be brought forward indefinitely.

The amount that can be used to offset capital gains is 17.5 million Australian dollars, equal to about 10.9 million euros at the exchange rate in force on December 31, 2005.

The Group's Australian companies do not appear to be exposed to the risk of tax assessment or tax disputes. No tax-related provision has been recognized on their financial statements.

SPAIN

The risks arising from outstanding tax items involving the Group's Spanish companies total 10.4 million euros. All contingent tax liabilities are reflected on the financial statements of the affected companies.

For the most part, the abovementioned tax risks stem from tax audits of returns for previous years.

Insofar as the largest operating company of the Group (Clesa SA) is concerned, the last year for which it can be audited with regard to income taxes and indirect taxes is 2003.

Clesa SA, Letona SA, Clesa Helados SL and Bascones del Agua SA file a group tax return, as allowed under Spanish law. The aggregate tax loss carryforward of these companies amounts to about 7.0 million euros.

PORTUGAL

The largest of the Group companies that operate in Portugal (Parmalat Portugal Produtos Alimentares Lda) has no tax risk exposure.

There are two ongoing disputes with the local tax administration involving a total amount of about 0.4 million euros. The corresponding provisions reflected on the financial statements cover the likely risk amount (165,000 euros).

This company does not have a tax loss carryforward.

The last year subject to tax audit is 2002.

RUSSIA

The Group's Russian companies have no exposure to tax risks and are not involved in any tax dispute. No provision for financial risks has been reflected on their financial statements.

The two main operating companies are OAO Parmalat Belgorodskij MK and OOO Parmalat MK. Neither of these two companies has a tax loss carryforward and, in both cases, the last year subject to tax audit is 2003.

ROMANIA
On February 12, 2006, the Supreme Court of Justice of Bucharest handed down a final decision in favor of La Santamara Srl in a dispute between this company and the Romanian customs administration that involved the amount of about 1.2 million euros.
As a result, provision of 1 million euros established in the consolidated financial statements was reversed.

VENEZUELA
The company that represents the Group in Venezuela (Parmalat de Venezuela CA) is exposed to a risk estimated in the aggregate at 59.8 billion bolivar, which, at the exchange rate in force on December 31, 2005, corresponds to about 23.6 million euros. The financial statements include a provision for this amount.
At December 31, 2005, the largest of the operating companies (Industria Lactea Venezolana CA) had a usable tax loss carryforward of 11.5 million Bolivar, equal to about 4.5 million euros.
The Venezuelan companies of the Parmalat Group are not involved in any pending tax dispute. The last year for which a tax audit is possible is 2001.

CUBA
The Cuban company of the Parmalat Group (Citrus International Corporation SA) has no exposure to tax risks and is not involved in any dispute with the Cuban tax authorities.
No provision has been established to cover tax risks.

COLOMBIA
The Colombian companies of the Parmalat Group (Parmalat Colombia Ltda and Procesadora de Leches SA) are parties to tax disputes involving a total amount of US$3.1 million euros, equal to 2.7 million euros at the exchange rate in force at December 31, 2005. The resulting tax risks have to do mainly with a municipal tax on prize contests for 2000 (Parmalat Colombia Ltda) and income taxes for 1999 (Procesadora de Leches SA). The possibility that these disputes will have an unfavorable outcome appears to be remote. No provision has been recognized on the financial statements of these companies
Neither of these companies has a tax loss carryforward and the last year for which a tax audit is possible is 2004.

ECUADOR
The companies of the Parmalat Group that operate in Ecuador (Parmalat del Ecuador SA, Leche Cotopaxi Cem and Productos Lacteos Cuenca SA) have no exposure to tax risks and are not involved in any dispute with the local tax authorities.

BELGIUM
A provision for tax risks of 1 million euros has been established concerning Parmalat Belgium SA in anticipation of possible issues that the Belgian tax authorities could raise with regard to an interest-free loan provided by another Group company to this Belgian company after its default.
The tax loss carryforward amounts to 2.8 million euros.
The last year for which a tax audit is possible is 2003.

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A discussion of all of the risk area to which the Group is exposed is provided in the Financial Performance chapter of the Report on Operations.

Notes to the Income Statement

(35) Revenues

A breakdown of revenues is as follows:

	2005
Sales revenues	1,070.6
Service revenues	12.8
Royalties	0.1
Total revenues	**1,083.5**

The revenues listed above were booked in the fourth quarter of 2005 following the business combination carried out upon the approval of the Proposal of Composition with Creditors put forth by the Extraordinary Commissioner of Parmalat S.p.A. in AS.

The Company did not engage in any industrial and/or commercial activity in 2004 and the first nine months of 2005.

A breakdown of sales revenues is as follows:

(in millions of euros)	2005
Italy	296.9
Europe	77.5
North America	396.3
Central and South America	78.2
Oceania	125.4
Africa	96.3
Total revenues	**1,070.6**

(36) Costs

A breakdown of the costs incurred in 2005 is as follows:

(in millions of euros)	2005
Cost of sales	796.0
Distribution costs	192.7
Administrative expenses	45.7
Costs related to the alleged ITX contamination	10.8
Legal fees paid in actions for damages and actions to void	6.9
Restructuring costs	9.4
Allowance for expenses of companies under extraordinary administration	5.5
Miscellaneous income (expense)	(7.8)

This Group incurred the operating expenses listed above mainly in the fourth quarter of 2005, following the transfer to the Company of the assets and liabilities of the companies under extraordinary administration upon the approval of the Proposal of Composition with Creditors.

(37) Costs Related to the Alleged ITX Contamination

This item reflects the value of merchandise returned by customers due to alleged contamination by the ITX coloring agent (10.8 million euros), and the amount set aside to dispose not only of the merchandise, but also of packaging materials that have become unusable for the same reasons. A claim has been filed with the Company's insurance carrier and a dispute is pending with the supplier of the packaging materials. These processes have to be completed before the Company can determine the damage amount that it should recognize.

(38) Legal Fees Paid in Actions for Damages and Actions to Void

The balance in this account reflects the fees paid to law firms (6.9 million euros) retained as counsel in connection with the actions for damages and actions to void filed by the companies under extraordinary administration prior to the implementation of the Composition with Creditors, which the Company is pursuing.

(39) Restructuring Costs

Restructuring costs correspond to the amount set aside in connection with a plan (approved by the unions) to provide resignation incentives, which will be implemented in 2006.

(40) Allowance for Expenses of Companies Under Extraordinary Administration

This item reflects the writeoff of 5.5 million euros in advances provided by Parmalat S.p.A. in AS to the other 15 companies under extraordinary administration that were included in the Composition with Creditors to cover the costs they incurred in the final phase of their respective proceedings. Parmalat S.p.A. has agreed to cover possible future requirements while the companies under extraordinary administration that received these advances have agreed to provide a detailed accounting of the costs incurred and return any unspent balances.

(41) Miscellaneous Income (Expense)

	2005	2004
Gain on the sale of receivables owed by companies under extraordinary administration	(8.7)	
Settlement with a bank on the repayment of a loan	(4.8)	
Gain on the sale of the Bakery Division	(2.6)	
Other revenues and income	(10.8)	0.0
Disputes with former Group companies	4.2	
Fine imposed by the Competition Board (South Africa)	3.9	
Tax risks	2.0	
Writedowns of property, plant and equipment	1.5	
Other charges	7.5	0.0
Total other income (expense)	**(7.8)**	**0.0**

(42) Financial Income (Expense)

Net financial expense amounted to 17.2 million euros, broken down as follows:

(in millions of euros)	**2005**
Foreign exchange translation gains	10.1
Income from cash-equivalent securities	1.3
Interest earned on bank accounts	1.4
Other financial income	0.7
Total financial income	**13.5**
Interest paid on loans	(20.8)
Foreign exchange translation losses	(6.1)
Bank fees	(1.6)
Interest on late payment of prededuction and preferential claims	(0.6)
Other financial expense	(1.6)
Total financial expense	**(30.7)**
Net financial expense	**(17.2)**

(43) Interest in the Profit (Loss) of Companies Valued by the Equity Method

The writedown of financial assets in the amount of 0.3 million euros was booked exclusively to adjust the carrying amount of a minority investment in a Venezuelan company.

(44) Income taxes

Income taxes totaled 4.2 million euros, broken down as follows:

(in millions of euros)	**2005**
Current taxes	
- Italian companies	4.5
- Foreign companies	6.1
Deferred and prepaid taxes	
- Italian companies	(4.1)
- Foreign companies	(2.3)
Total	**4.2**

Income taxes include the following items:

- IRAP of 0.8 million euros, including 0.6 owed by Parmalat S.p.A. and 0.2 million euros owed by the Centrale del Latte di Roma S.p.A. subsidiary;
- IRES of 3.7 million euros owed by the Centrale del Latte di Roma S.p.A. subsidiary.

Most of the income taxes of 6.1 million euros payable by foreign companies are owed by the Canadian subsidiaries and the South African subsidiary.

Deferred and prepaid taxes of (6.4) million euros are computed on the temporary differences between the assets and liabilities recognized on the financial statements of the consolidated companies and the consolidated financial statements.

Reconciliation of the Tax Liability

(in millions of euros) **Country**	**Local tax rate (A)**	**Profit (Loss) before taxes (B)**	**Tax liability computed by applying the local tax rate (C) = (A) x (B)**	**Tax liability computed by applying the effective local tax rate (D)**	**Difference in tax liability amounts (D) – (C)**
Italy	33%	(23.3)	(7.7)	(0.3)	7.4
Canada	33%-35%	8.3	3.3	4.1	0.8
Australia	30%	7.9	2.4	(2.7)	(5.1)
Africa	29%-30%	7.3	1.9	3.0	1.1
Other countries		6.6	0.0	(1.0)	(1.0)
Total		**6.8**	**(0.1)**	**3.1**	**3.2**

Reconciliation of the Theoretical Tax Liability to the Actual Tax Liability Shown in the Income Statement

(in millions of euros)	**Italy**	**Canada**	**Australia**	**Africa**	**Other countries**	**Total**
Consolidated profit (loss) before taxes	**(23.3)**	**8.3**	**7.9**	**7.3**	**6.6**	**6.8**
Theoretical tax liability	(7.7)	3.3	2.4	1.9		(0.1)
Tax effect of permanent differences (for example, due to writedowns of investments in associates and non-current assets; gains on the sale of Parmalat S.p.A. shares and sundry items)	7.4	0.8	(0.8)	1.2	(0.9)	7.7
Net effect in the year of deferred-tax assets not recognized on temporary differences			(4.3)	(0.1)		(4.4)
Actual income tax liability	**(0.3)**	**4.1**	**(2.7)**	**3.0**	**(0.9)**	**3.2**
Actual IRAP liability (for the Italian companies)	1.0					1.0
Actual income tax liability shown on the income statement at December 31, 2005	**0.7**	**4.1**	**(2.7)**	**3.0**	**(0.9)**	**4.2**

(45) Profit (Loss) from Discontinuing Operations

(in millions of euros)	**Pomì**	**Bakery**	**Total**
- Net revenues	4.2	8.1	12.3
- Cost of sales	(4.0)	(9.7)	(13.7)
Net profit (loss) from discontinuing operations	**0.2**	**(1.6)**	**(1.4)**

The above data refer to the Bakery Division, which was sold in November 2005, and to a Division of Parmalat S.p.A. that distributes tomato-based products.

Other Information

Breakdown of labor Costs by Type

A breakdown is as follows:

	2005
Wages and salaries	93.6
Social security contributions	21.2
Severance benefits	4.9
Other labor costs	5.0
Total labor costs	**124.7**

Depreciation, Amortization and Writedowns

Depreciation, amortization and writedowns totaled 29.7 million euros. A breakdown is as follows:

(in millions of euros)	**2005**
- Amortization of intangibles	6.2
- Depreciation of property, plant and equipment	23.5
- Other writedowns of non-current assets	-
Total depreciation, amortization and writedowns of non-current assets	**29.7**

Earnings per share

The table below provides a computation of earnings per share in accordance with IAS 33:

(in euros)	**2005**
- Group interest in profit (loss) for the period	*(276,512)*
broken down as follows:	
- Profit from continuing operations	*1,139,573*
- Loss from discontinuing operations	*(1,416,085)*
- Weighted average number of shares outstanding determined for the purpose of computing earnings per share:	
- basic	400,347,146
- diluted	411,439,295
Basic profit (loss) per share	*(0.0007)*
broken down as follows:	
- Profit from continuing operations	*0.0028*
- Loss from discontinuing operations	*(0.0035)*
Diluted profit (loss) per share	*(0.0007)*
broken down as follows:	
- Profit from continuing operations	*0.0028*
- Loss from discontinuing operations	*(0.0034)*

The number of common shares outstanding changed subsequent to the balance sheet date due to the approval of resolutions authorizing the following capital increases:

- January 186, 2006: 3,328,121 euros;
- February 22, 2006: 2,011,676 euros;

- March 20, 2006: 1,284,518 euros.

The computation of the weighted average number of shares outstanding (starting with 120,000 shares outstanding at January 1, 2005) took into account the following changes that occurred in 2005:

- Issuance of 1,600,806,818 common shares on October 1, 2005;
- Issuance of 1,561,791 common shares on October 31, 2005;
- Issuance of 17,456,588 common shares on December 31, 2005.

The warrants outstanding at December 31, 2005 that could be converted into common shares were also taken into account in the computation of diluted earnings per share.

Segment Information

The table below, which is prepared in accordance with the disclosure requirements of IAS 34, provides segment information about the Group's operations at December 31, 2005. The breakdown by geographic region is consistent with the Group's governance structure and is reflected on the income statement and balance sheet data provided below. The balance sheet data are at December 31, 2005.

(in millions of euros)	**Italy**	**Europe**	**North America**	**Central and South America**	**Oceania**	**Africa**	**Adjstm. and eliminat.**	**Total for the Group**
Sales revenues	296.9	77.5	396.3	78.2	125.4	96.3		1,070.6
Intra sectorial revenues	1.2						(1.2)	
EBITDA	12.0	3.6	28.8	5.5	13.3	15.4	0.2	78.8
as a % of net revenues	*4.0%*	*4.6%*	*7.3%*	*7.0%*	*+10.6%*	*16.0%*		*6.4%*
Depreciation, amortization and writedowns of non-current assets	(9.1)	(3.2)	(7.2)	(5.8)	(2.3)	(2.1)		(29.7)
Other income and expense:								
- Costs related to the alleged ITX contamination								(10.8)
- Legal fees paid in actions for damages and actions to void								(6.9)
- Restructuring costs								(9.4)
- Allowance for expenses of companies under extraordinary administration								(5.5)
- Miscellaneous income and expense								7.8
EBIT								**24.3**
Financial income (expense), net								(17.2)
Share for companies accounted for by equity method								(0.3)
INCOME BEFORE TAXES								**6.8**
Income taxes								(4.2)
PROFIT (LOSS) FORM CONTINUING OPERATIONS								**2.6**
Profit (Loss) from discontinuing operations								(1.4)
PROFIT (LOSS) FOR THE YEAR								**1.2**
Total sectorial assets	1,705.9	528.9	880.1	329.1	349.7	306.1	(15.0)	4,084.8
Total non-sectorial assets								63.9
Total assets								**4,148.7**
Total sectorial liabilities	580.4	113.3	196.1	42.4	77.2	60.8	(15.0)	1,055.2
Total non-sectorial liabilities								1,215.8
Total liabilities								**2,271.0**
Capital expenditures	8.6	2.6	7.1	4.4	2.4	2.9		28.0
Number of employees	2,797	2,640	2,834	3,621	1,501	2,194		15,587

With regard to the breakdown by product, the data shown below are provided exclusively for statistical purposes and do not reflect actual financial statement data. Up to this point, the Group has not established a governance structure to manage income statement or balance sheet data by product line.

(in millions of euros)	**Milk**	**Produce**	**Fresh Dairy**	**Other products**	**Total for the Group**
Sales revenues	617.1	45.2	363.6	44.7	1,070.6
EBITDA	50.7	4.5	32.8	(9.2)	78.8
as a % of net revenues	*8.2%*	*10.0%*	*9.0%*	*n.a.*	*7.4%*

Exchange Rates Used to Translate Financial Statements

Source: Italian Foreign Exchange Bureau

LOCAL CURRENCY FOR 1 EURO	ISO CODE	12/31/05 (end of period rate)	12/31/04 (end of period rate)	% change (end of period rate)	12/31/05 (average rate)	12/31/04 (average rate)	% change (average rate)
DOLLAR – AUSTRALIA	AUD	1.61090	1.74590	-7.73%	1.63196	1.59820	1.69049
PULA – BOTSWANA	BWP	6.48869	5.82096	11.47%	6.34197	6.62799	5.83878
DOLLAR – CANADA	CAD	1.37250	1.64160	-16.39%	1.50873	1.39567	1.61675
PESO – COLOMBIA	COP	2,697.38000	3,222.0400	-16.28%	2,890.74	2,715.02667	3,295.82000
PESO – DOMINICAN REPUBLIC	DOP	40.21290	35.80080	12.32%	36.83	39.08030	49.89070
POUND – GREAT BRITAIN	GBP	0.68530	0.70505	-2.80%	0.683796	0.67997	0.67867
PESO – MEXICO	MXN	12.57520	15.19550	-17.24%	13.56000	12.73533	14.03330
METICAL – MOZAMBIQUE	MZM	28,095.70000	25,212.50000	11.44%	28,395.90000	30,723.80000	27,217.70000
CORDOBA ORO – NICARAGUA	NIO	20.22380	22.19610	-8.89%	20.51050	20.03233	19.79910
LEU – ROMANIA	ROL	36,802.00000	39,390.00000	-6.57%	36,209.00000	36,376.10000	40,509.70000
RUBLE – RUSSIA	RUB	33.92000	37.84250	-10.37%	35.18600	34.13280	35.80840
LILANGENI – SWAZILAND	SZL	7.46420	7.68970	-2.93%	7.91834	7.76934	8.00822
DOLLAR – U.S.A.	USD	1.17970	1.36210	-13.39%	1.24409	1.18854	1.24390
PESO – URUGUAYANO	UYU	27.96490	37.02860	-24.48%	30.41760	27.96813	35.69470
BOLIVAR – VENEZUELA	VEB	2,533.17000	2,608.69000	-2.89%	2,620.66000	2,552.16333	2,337.20000
RAND – SOUTH AFRICA	ZAR	7.46420	7.68970	-2.93%	7.91834	1.59820	1.69049
KWACHA – ZAMBIA	ZMK	4,034.45000	6,085.00000	-33.70%	5,508.78000	6.62799	5.83878

* The reporting currency of the companies located in Ecuador is the U.S. dollar.

Investments in Associates of the Parmalat S.p.A. Group

Company		Share capital			Equity investment				
Name Head office	Type (1)	Curr.	Amount	Tot. number vot. shares/cap. interests held	Held by	Number of shares/cap. interests`	% (based on No. of shares/ cap. int.)	Group interest	Method of consolid. or valuat.(2)
GROUP'S PARENT COMPANY									
PARMALAT SPA	PC	EUR	1,619,945,197						
Collecchio								100.000	L
EUROPE									
ITALY									
BONATTI SPA	C	EUR	28,813,404	572,674	Parmalat Spa	572,674	10.256		
Parma							10.256		C
BOSCHI LUIGI E FIGLI SPA under E.A.*	C	EUR	6,000,000	5,366,400	Parmalat Spa	5,366,400	89.440		
Fontanellato							89.440		C
CE.DI. SPEZIA SRL***	C	EUR	10,320	2,000	Parmalat Spa	2,000	100.000		
Collecchio							100.000		C
CE.PI.M SPA	C	EUR	n.a.	n.a.	Parmalat Spa		0.840		
							0.840		C
CENTRALE DEL LATTE DI ROMA SPA	C	EUR	37,736,000	5,661,400	Parmalat Spa	5,661,400	75.013		
Rome							75.013	75.0130	L
COMPAGNIA FINANZIARIA ALIMENTI SRL	LLP	EUR	10,000	9,946	Parmalat Spa	9,946	99.455		
Collecchio							99.455	99.4549	L
COMUNICAZIONE 2000 SRL	LLP	EUR	50,000	1	Parmalat Spa	1	33.340		
Collecchio							33.340		EM
DALMATA SRL	LLP	EUR	120,000	1	Parmalat Spa	1	100.000		
Collecchio							100.000	100.0000	L
FIORDILATTE SRL	LLP	EUR	10,000	4,000	Parmalat Spa	4,000	40.000		
Parma							40.000		EM
FOOD RECEIVABLES CORPORATION SRL***	LLP	EUR	41,339	20,256	Parmalat Spa	20,256	49.000		
Collecchio							49.000		EM
FRATELLI STRINI COSTR. MECC. SRL under E.A.*	LLP	EUR	52,000	51,000	Parmalat Spa	51,000	51.000		
Fontevivo							51.000		C
GELATERIA PARMALAT SRL***	LLP	EUR	100,000	100	Parmalat Spa	100	100.000		
Collecchio							100.000		C
GIGLIO SPA***	C	EUR	20,000,000	20,000,000	Parmalat Spa	20,000,000	100.000		
Reggio Emilia							100.000		C
IMPIANTI SPORTIVI PARMA SRL*	LLP	EUR	40,000	40,000	Parmalat Spa	40,000	100.000		
Parma							100.000		C
INTERLATTE SRL	LLP	EUR	130,000	123,500	Parmalat Spa	123,500	95.000		
Collecchio							95.000	95.0000	L
ITALCHEESE SPA – MAG. GEN. REGGIANI	C	EUR	1,630,000	1,630,000	Parmalat Spa	1,630,000	100.000		
Reggio Emilia							100.000	100.0000	L
LATTE SOLE SPA	C	EUR	3,230,074	6,211,680	Parmalat Spa	6,211,680	100.000		
Collecchio							100.000	100.0000	L
LUCANA CLUB PALLAVOLO FEMM. SRL***	LLP	EUR	10,400	10,400	Parmalat Spa	10,400	100.000		
Matera							100.000		C
MARGHERITA YOGURT SRL***	LLP	EUR	50,000	50,000	Parmalat Spa	50,000	100.000		
Rome							100.000		C

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				interests held		**interests`**	**cap. int.)**		**or valuat.(2)**
MARSH & CO SPA	C	EUR	260,000	2,400	Parmalat Spa	2,400	12.000		
Milan							12.000		C
PARMACQUA SRL	LLP	EUR	10,000	4,900	Parmalat Spa	4,900	49.000		
Sestri Levante							49.000		EM
PARMA FACTOR SPA	C	EUR	5,160,000	154,800	Parmalat Spa	154,800	30.000		
Collecchio							30.000		EM
PARMALAT DISTRIBUZIONE ALIMENTI SRL	LLP	EUR	2,960,000	2,960,000	Parmalat Spa	2,960,000	100.000		
Collecchio							100.000	100.0000	L
P.V.F. MATERA CLUB SRL***	LLP	EUR	72,157	71,842	Lucana Club Pall. Femm. Srl	71,842	99.563		
Matera							99.563		C
SARAL SRL***	LLP	EUR	128,750	2 q.i.	Parmalat Spa		100.000		
Collecchio							100.000		C
SOGEAP SPA	C	EUR	n.a.	n.a.	Parmalat Spa	n.a.	5.050		
Parma							5.050		C
AUSTRIA									
PARMALAT AUSTRIA GMBH	F	EUR	36,337	1	Parmalat Spa	1	100.000		
Vienna							100.000	100.0000	L
BELGIUM									
PARMALAT BELGIUM NV	F	EUR	1,000,000	40,000	Parmalat Spa	40,000	100.000		
Brussels							100.000	100.0000	L
FRANCE									
PARMALAT FRANCE SA***	F	EUR	6,539,200	8,173,940	Parmalat Spa	8,173,940	99.999		
Bretteville-Caen							99.999		C
SOCIETE FROMAGERE D'ATHIS SA***	F	EUR	60,000	3,800	Parmalat France Sa	3,800	95.000		
Athis de l'Orne							95.000		C
GERMANY									
DEUTSCHE PARMALAT GMBH under E.A.*	F	EUR	4,400,000	4,400,000	Parmalat Spa	4,400,000	100.000		
Weissenhorn							100.000		C
PARMALAT MOLKEREI GMBH under E.A.*	F	EUR	600,000	540,000	Deutsche Parmalat Gmbh in AS	540,000	90.000		
Gransee							90.000		C
GREAT BRITAIN									
AULT FOOD (UK) LIMITED**	F	GBP	150,002	150,002	Parmalat Food Holdings (UK) Ltd	150,002	100.000		
London							100.000		C
CANADIAN CHEESE HOLDINGS LTD (UK)***	F	GBP	58,823	27,060	Parmalat Food Inc.	27,060	46.002		
London							46.002		EM
FOOD CONSULTING SERVICES LIMITED*	F	GBP	2,000	2,000	Curcastle Corporation nv	2,000	100.000		
Douglas							100.000		C
PARMALAT DAIRIES (UK) LIMITED**	F	GBP	2,222,156	2,222,156	Parmalat Food Holdings (UK) Ltd	2,222,156	100.000		
Mildenhall							100.000		C
PARMALAT FOOD HOLDINGS (UK) LIMITED**	F	GBP	142,794,926	142,794,926	Parmalat Spa	140,814,926	98.613		
London					Parmalat Food Inc.	1,980,000	1.387		
							100.000		C
PARMALAT FOOD IMPORTS (UK) LIMITED**	F	GBP	119,407	119,407	Parmalat Food Holdings (UK) Ltd	119,407	100.000		
Egham							100.000		C
QUESTWAVE LIMITED***	F	GBP	2	1	Parmalat Food Inc.	1	50.000		
London							50.000		EM

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VALUETUNING LTD	F	GBP	162,928,224	162,928,224	Dalmata srl	162,928,224	100.000		
London							100.000	100.0000	L
IRELAND									
EURO FINANCIAL MANAGEMENT LTD*	F	EUR	2	2	Parmalat Spa	2	100.000		
Dublin							100.000		C
PORTUGAL									
BECO FINO ACTIVIDADES HOTELEIRAS LTDA***	F	EUR	184,555	184,455	Gelateria Parmalat Srl	184,455	99.946		
Cascais							99.946		C
CLESA PORTUGUESA IND. DE LATICINIOS									
SA	F	EUR	748,500	150,000	Clesa sa	150,000	100.000		
Vila Nova de Famalicao							100.000	100.000	L
F.L.T. FOMENTO E INDUSTRIA DO TOMATE									
SA*	F	EUR	11,933,086	2,379,706	Italagro sa	2,379,706	99.511		
Aguas de Moura							99.511		C
ITALAGRO SA*	F	EUR	8,978,008	1,739,300	Boschi Luigi e Figli Spa in AS	1,739,300	96.671		
Castanheira do Ribatejo							96.671		C
PARMALAT PORTUGAL PROD. ALIMENTARES									
Lda	F	EUR	11,651,450.04	11,651,450.04	Parmalat Spa	11,646,450	99.957		
Sintra					Parmalat Distribuz. Alim. Srl	1,500	0.0130		
					Latte Sole S.p.A.	3,500	0.0300		
							100.000	100.000	L
ROMANIA									
LA SANTAMARA SRL	F	RON	6,667.50	635	Parmalat Spa	535	84.252		
Baia Mare					Parmalat Romania sa	100	15.748		
							100.000	95.8045	L
PARMALAT ROMANIA SA	F	RON	26,089,760	1,913,911	Parmalat Spa	1,913,911	73.359		
Comuna Tunari							73.359	73.3587	L
RUSSIA									
OAO BELGORODSKIJ MOLOCNIJ KOMBINAT	F	RUB	67,123,000	43,528,000	Parmalat Spa	43,528,000	64.848		
Belgorod							64.848	64.8481	L
OOO DEKALAT	F	RUB	100,000	1	Parmalat Spa	1	100.000		
Saint Petersburg							100.000	100.0000	L
OOO FARM	F	RUB	80,891,950	80,891,950	Parmalat Spa	80,891,950	100.000		
Nizhnij Novgorod							100.000	100.0000	L
OOO PARMALAT EAST	F	RUB	42,147,000	2	Parmalat Spa	2	100.000		
Moscow							100.000	100.0000	L
OOO PARMALAT MK	F	RUB	124,000	1	Parmalat Spa	1	100.000		
Moscow							100.000	100.0000	L
OOO PARMALAT SNG	F	RUB	152,750	2	Parmalat Spa	2	100.000		
Moscow							100.000	100.0000	L
OOO TRADE HOUSE 4 SEASONS	F	RUB	15,000	1	OAO Belgorodskij Moloc. Komb	1	100.000		
Belgorod							100.000	64.8481	L
OOO URALLAT	F	RUB	129,618,210	1	Parmalat Spa	1	100.000		
Berezovsky							100.000	100.0000	L
SLOVAKIA									
MLIEKOTEJ SRO**	F	SKK	200,000	1	Parmalat Hungaria rt	1	100.000		
Bratislava							100.000		C

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				interests held		**interests`**	**cap. int.)**		**or valuat.(2)**
SPAIN									
ARILCA SA	F	EUR	270,455	448	Parmalat Spa	448	99.556		
Madrid							99.556	99.5560	L
BASCONES DEL AGUA SA	F	EUR	3,005,000	50,000	Clesa sa	47,500	95.000		
Madrid					Letona sa	2,500	5.000		
							100.000	100.0000	L
CLESA HELADOS SL	F	EUR	14,427,297	14,427,297	Clesa sa	14,427,297	100.000		
Madrid							100.000	100.0000	L
CLESA SA	F	EUR	9,291,647	309,200	Parmalat Spa	289,213	93.536		
Madrid					Compania Agric. y Forestal sa	19,987	6.464		
							100.000	100.0000	L
COMPANIA AGRICOLA Y FORESTAL SA	F	EUR	339,541	56,496	Parmalat Spa	56,496	100.000		
Madrid							100.000	100.0000	L
ENERLASA SA	F	EUR	1,021,700	9,350	Clesa sa	9,350	55.000		
Madrid							55.000	55.0000	L
LETONA SA	F	EUR	4,507,500	75,000	Clesa sa	71,250	95.000		
Barcelona					Bascones del Agua sa	3,750	5.000		
							100.000	100.0000	L
SWITZERLAND									
PARMALAT INTERNATIONAL SA***	F	CHF	150,000	150	Parmalat Spa	150	100,000		
Lugano							100,000		C
HUNGARY									
PARMALAT HUNGARIA RT**	F	HUF	1,385,980,000	138,418,990	Parmalat Spa	138,418,990	99.87		
Szekesfehervar							99.87		C
PDBI LIQUIDITY MANAGEM. HUNGARY LLC	F	USD	26,000	1	Parmalat Dairy & Bakery Inc	1	100.000		
Varkonyi							100.000	100.0000	L
NORTH AMERICA									
CANADA									
2975483 CANADA INC	F	CAD	100	100	Parmalat Food Inc	100	100.000		
Toronto							100.000	100.0000	L
3782581 CANADA INC	F	CAD	100	100	Parmalat Holding Lim	100	100.000		
Toronto							100.000	100.0000	L
CRINGLE HOLDINGS LTD	F	CAD	691,453	691,453	Parmalat Dairy & Bakery Inc	691,453	100.000		
Calgary							100.000	100.0000	L
9161–5849 QUEBEC INC.(form. Eaux VivesHurric.)**	F	CAD	17,910,400	Ord. 600,000	Parmalat Holdings Ltd	600,000	60.000		
St Matthieu d'Hurricana				Priv.1	Parmalat Holdings Ltd		00.000		
							60.000		C
LACTANTIA LIMITED	F	CAD	5	89,259	Parmalat Food Inc	89,259	100.000		
Toronto							100.000	100.0000	L
9161 – 5286 QUEBEC INC.(form. Les SourcesPerigny)**	F	CAD	1,567,966	7,806	9161-5849 Quebec Inc	7,806	100.000		
St Matthieu d'Hurricana							100.000		C
PARMALAT HOLDINGS LIMITED	F	CAD	878,479,550	744,019 Class A	Parmalat Spa	744,019	84.700		
Toronto				134,460 Class B	Parmalat Spa	134,460	15.300	100.0000	L
PARMALAT DAIRY & BAKERY INC	F	CAD	635,260,550	Priv. 9,519,036	Parmalat Holding Lim	9,519,036	100.000		
Toronto				Ord. 569	3782581 Canada Inc	569	0.000		
							100.000	100.0000	L

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PARMALAT FOOD INC.	F	CAD	161,326,000	131,759	Parmalat Dairy & Bakery Inc	131,759	100.000		
Etobicoke							100.000	100.000	L
THE GEORGE CRINGLE-PALM DAIRIES RESEARCH FOUNDATION	F	CAD	1	3	Parmalat Dairy & Bakery Inc	3	100.000		
Calgary							100.000	100.0000	L
UNITED STATES OF AMERICA									
41902 DELAWARE INC. (già EVH USA)**	F	USD	1	1	9161-5849 Quebec Inc.	1	100.000		
Wilmington							100.000		C
MEXICO									
PARMALAT DE MEXICO S.A. de C.V.	F	MXN	390,261,812	390,261,812	Parmalat Spa	390,261,812	100.000		
Jalisco							100.000	100.0000	L
CENTRAL AMERICA									
BRITISH VIRGIN ISLANDS									
ECUADORIAN FOODS COMPANY INC	F	USD	50,000	25,500	Parmalat Spa	25,500	51.000		
Tortola							51.000	51.0000	L
COSTA RICA									
LACTEOS CENTROAMERICANOS LACTAM SA*	F	CRC	12,000	12	Parmalat Centroamerica sa	12	100.000		
San José							100.000		C
PARMALECHE DE COSTARICA SA*	F	CRC	10,000	10	Parmalat Spa	10	100.000		
San José							100.000		C
CUBA									
CITRUS INTERNATIONAL CORPORATION SA	F	USD	11,400,000	627	Parmalat Spa	627	55.000		
Pinar del Rio							55.000	55.0000	**L**
EL SALVADOR									
LACTEOS SAN MIGUEL S.A. DE C.V.*	F	SVC	100,000	1,000	Parmalat Centroamerica sa	999	99.900		
San Salvador					Lacteos Centroamericanos sa	1	0.100		
							100.000		C
GUATEMALA									
COMERCIALIZADORA SAN ISIDRO SA	F	GTQ	5,000	10	Parmalat Centroamerica sa	9	90.000		
Guatemala					Lacteos San Miguel sa de cv	1	10.000		
							100.000	45.9000	L
NICARAGUA									
PARMALAT NICARAGUA SA	F	NIO	2,000,000	2,000	Parmalat Spa	57	2.850		
Managua					Curcastle Corporation nv	1,943	97.150		
							100.000	100.0000	L
DOMINICAN REPUBLIC									
PARMALAT DEL CARIBE SA*	F	DOP	3,390,000	33,893	Curcastle Corporation nv	33,893	99.979		
							99.979		C
SOUTH AMERICA									
NETHERLANDS ANTILLES									
CURCASTLE CORPORATION NV	F	USD	6,000	6,000	Parmalat Austria gmbh	6,000	100.000		
Willemstad							100.000	100.0000	L
ZILPA CORPORATION NV	F	USD	6,000	6,000	Curcastle Corporation nv	6,000	100.000		
Willemstad							100.000	100.0000	L

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BRAZIL									
BATAVIA SA**	F	BRL	144,200,000	73,541,997	Parmalat Brasil Ind. de Alim. sa	73,541,997	51.000		
							51.000		C
GELATERIA PARMALAT LTDA**	F	BRL	10,131,767	10,131,767	Gelateria Parmalat Srl	330,847	3.265		
					Parmalat Particip do Brasil ltda	9,800,920	96.735		
São Paulo							100.000		C
ITC-COMERCIO INT. DO BRASIL LTDA**	F	BRL	22,985,352	22,985,352	Parmalat Particip do Brasil ltda	22,985,350	99.999		
					Parmalat Empr e Admin ltda	2	0.001		
São Paulo							100.000		C
PARMALAT ADMIN E PART DO BRASIL**	F	BRL	1,000,000	999,999	Parmalat Spa	810,348	81.035		
					Parmalat Food Holdings (UK) ltd	189,651	18.965		
São Paulo							100.000		C
PARMALAT BRASIL SA IND. DE ALIMENTOS**	F	BRL	848,597,317	5,329,074	Parmalat Empr e Admin ltda	5,329,074	99.871		
São Paulo							99.871		C
PARMALAT EMPREEND. E ADM. LTDA**	F	BRL	1,443,660,566	1,181,177,020	Parmalat Particip do Brasil ltda	1,181,177,020	81.818		
São Paulo							81.818		C
PARMALAT PARTICIPACOES DO BRASIL LTDA**	F	BRL	1,271,257,235	1,271,257,235	Parmalat Spa	1,177,921,807	92.660		
São Paulo					Parmalat Food Holdings (UK) ltd	93,335,428	7.340		
							100.000		C
SEIB-SOC. EXPORT E IMPORT DE BENS LTDA**	F	BRL	15,658,112	15,658,112	Parmalat Particip do Brasil ltda	15,658,110	99.999		
São Paulo					Parmalat Empr e Admin ltda	2	0.001		
							100.000		C
CHILE									
PARMALAT CHILE SA**	F	CLP	13,267,315,372	2,096,083	Parmalat Spa	2,096,083	99.999		
Santiago							99.999		C
COLOMBIA									
GELATERIA PARMALAT COLOMBIA LTDA***	F	COP	32,480,000	16,240	Gelaeria Parmalat Srl	15,240	93.842		
Santafè de Bogotà					Parmalat Colombia Ltda	10	0.062		
					Parmalat Spa	990	6.096		
							100.000		C
PARMALAT COLOMBIA LTDA	F	COP	20,466,360,000	20,466,360	Parmalat Spa	18,621,581	90.986		
Santafè de Bogotà					Parmalat Particip do Brasil Ltda	1,844,779	9.014		
							100.000	90.9860	L
PROCESADORA DE LECHES SA (PROLECHE SA)	F	COP	173,062,136	138,036,745	Parmalat Spa	131,212,931	94.773		
Medellin					Dalmata Srl	4,101,258	2.962		
					Parmalat Colombia Ltda	2,722,556	1.966		
							99.701	99.5242	L
ECUADOR									
LECHE COTOPAXI COMPANIA.DE ECONOMIA MIXTA LECOCEM	F	USD	6,167,720	154,021,745	Parmalat del Ecuador sa	6,160,870	99.889		
Latacunga							99.889	99.8889	L
PARMALAT DEL ECUADOR SA	F	USD	345,344	8,633,599	Parmalat Spa	8,633,599	100.000		
Quito							100.000	100.0000	L
PRODUCTOS LACTEOS CUENCA SA PROLACEM	F	USD	35,920	872,732	Ecuadorian Foods Co. Inc	872,732	97.185		
Cuenca							97.185	49.5644	L

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PARAGUAY									
PARMALAT PARAGUAY SA*	F	PYG	9,730,000,000	9,632	Parmalat Spa	9,632	98.993		
Asuncion							98.993		C
URUGUAY									
AIRETCAL SA*	F	UYU	9,198,000	9,198,000	Parmalat Spa	9,198,000	100.000		
Montevideo							100.000		C
GELATERIA PARMALAT URUGUAY SA***	F	UYU	262,500	262,500	Gelateria Parmalat Srl	236,250	90.000		
Montevideo					Parmalat Spa	26,250	10.000		
							100.000		C
PARMALAT TRADING SOUTH AMERICA*	F	UYU	400,000	400,000	Parmalat Spa	400,000	100.000		
Montevideo							100.000		C
WISHAW TRADING SA*	F	USD	30,000	300	Parmalat Spa	50	16.667		
Montevideo					Parmalat Partcip do Brasil ltda	70	23.333		
					Parmalat Paraguay sa	90	30.000		
					Parmalat de Venezuela ca	90	30.000		
							100.000		C
VENEZUELA									
DISTRIBUIDORA MIXTA DE ALIMENTOS CA (DISMALCA)	F	VEB	3,300,000	3,300	Indu.Lac.Venezol. ca-Indulac	3,300	100.000		
Caracas							100.000	98.8202	L
FRUTICOLA MONTALBAN CA	F	VEB	25,522,000	255,220	Indu.Lac.Venezol. ca-Indulac	255,220	100.000		
Caracas							100.000	98.8202	L
FRUTICOLA SANTA CRUZ CA	F	VEB	64,062,000	640,620	Indu.Lac.Venezol. ca-Indulac	640,620	100.000		
Caracas							100.000	98.8202	L
GELATERIA PARMALAT DE VENEZ. CA***	F	VEB	10,000,000	10,000	Gelateria Parmalat Srl	9,000	90.000		
Caracas					Parmalat Spa	1,000	10,000		
							100.000		C
INDUSTRIA LACTEA VENEZOLANA CA (INDULAC)	F	VEB	34,720,471,600	343,108,495	Parmalat de Venezuela ca	343,108,495	98.820		
Caracas							98.820	98.8202	L
PARMALAT DE VENEZUELA CA	F	VEB	2,324,134,000	2,324,134	Parmalat Spa	2,324,134	100.000		
Caracas							100.000	100.0000	L
PASTEURIZADORA NATURA SA (PANASA)	F	VEB	92,000	10,436	Indu.Lac.Venezol. ca-Indulac	10,436	11.343		
Barcelona-Venezuela							11.343		C
QUESOS NACIONALES CA QUENACA	F	VEB	3,000,000,000	3,000,000	Indu.Lac.Venezol. ca-Indulac	3,000,000	100.000		
Caracas							100.000	98.8202	L
AFRICA									
BOTSWANA									
PARMALAT BOTSWANA (PTY) LTD	F	BWP	3,000	2,900	Parmalat Africa Ltd	2,900	96.667		
Gaborone							96.667	96.6670	L
MAURITIUS									
PARMALAT AFRICA LIMITED	F	USD	55,982,304	55,982,304	Parmalat Austria gmbh	53,560,373	95.674		
Port Louis					Parmalat Spa	2,421,931	4.326		
							100.000	100.0000	L
BONNITA HOLDINGS (PTY) LIMITED**	F	ZAR	1,434,000	143,400,030	Parmalat Austria Gmbh	143,400,030	100.000		
Port Louis							100.000		C

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(1) C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company
(2) L = line by line; C = at cost; EM = by equity method

Company		Share capital			Equity investment				
Name Head office	Type (1)	Curr.	Amount	Tot. number vot. shares/cap. interests held	Held by	Number of shares/cap. interests`	% (based on No. of shares/ cap. int.)	Group interest	Method of consolid. or valuat.(2)
MOZAMBIQUE									
PARMALAT MOZAMBIQUE - PROD ALIMEN LDA	F	MZM	18,910,800,000	18,909,300,000	Parmalat Africa Ltd	18,909,300,000	99.992		
Matola							99.992	99.9920	L
PARMALAT PRODUTOS ALIMENTARES SARL	F	MZM	57,841,500,000	536,415	Parmalat Mozambique P.A. Lda	168,000	29.045		
Matola					Parmalat Africa Ltd	368,415	63.694		
							92.739	92.7367	L
SOUTH AFRICA									
DUN ROBIN PRODUCTS (PTY) LIMITED	F	ZAR	1,000	100,000	Parmalat Africa Ltd	100,000	100.000		
Stellenbosch							100.000	100.0000	L
PARMALAT FOOD INDUSTRIES SOUTH AFRICA (PTY) LTD	F	ZAR	4,000	4,000	Parmalat Austria gmbh	4,000	100.000		
Stellenbosch							100.000	100.0000	L
PARMALAT SOUTH AFRICA (PTY) LTD	F	ZAR	1,220,100	122,010,000	Parmalat Africa Ltd	122,010,000	100.000		
Stellenbosch							100.000	100.0000	L
PRIMA DOLCE (PTY) LTD	F	ZAR	1,000	10,000	Parmalat South Africa (Pty) Ltd	10,000	100.000		
Stellenbosch							100.000	100.0000	L
SWAZILAND									
PARMALAT SWAZILAND (PTY) LTD	F	SZL	100	60	Parmalat Africa Ltd	60	60.000		
Mbabane							60.000	60.0000	L
ZAMBIA									
PARMALAT ZAMBIA LIMITED	F	ZMK	27,280,000	19,505,200	Parmalat Africa Ltd	19,505,200	71.500		
Lusaka							71.500	71.5000	L
ASIA									
CHINA									
PARMALAT (ZHAODONG) DAIRY CORP. LTD*	F	CNY	56,517,260	53,301,760	Parmalat Spa	53,301,760	94.311		
Zhaodong							94.311		C
SHANGHAI YONG AND DAIRY COMPANY LTD	F	CNY	14,322,425	25	Pauls Victoria Limited	25	25.000		
Shanghai							25.000		EM
INDIA									
SWOJAS ENERGY FOODS LIMITED**	F	INR	309,626,500	21,624,311	Parmalat Spa	21,624,311	69.840		
Shivajinagar							69.840		C
INDONESIA									
PT PARMALAT INDONESIA***	F	IDR	1,507,500,000	97,500	Parmalat Australia Ltd	97,500	65.000		
Jakarta							65.000		C
THAILAND									
PARMALAT ASIA (EWP) LIMITED*	F	THB	30,850,000	308,500	Parmalat Australia Ltd	308,494	99.998		
Bangkok					Pauls Foods Pty Ltd	1	0.000		
					Pauls Ice Cream & Milk Pty Ltd	1	0.000		
					Pauls Trading Ltd	1	0.000		
					Port Curtis Dairy Pty Ltd	1	0.000		
					Dairyfields Pty Ltd	1	0.000		
					Gold Coast Milk Ltd	1	0.000		
							100.000		C

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(2) L = line by line; C = at cost; EM = by equity method

Company		Share capital			Equity investment				
Name Head office	Type (1)	Curr.	Amount	Tot. number vot. shares/cap. interests held	Held by	Number of shares/cap. interests`	% (based on No. of shares/ cap. int.)	Group interest	Method of consolid. or valuat.(2)
OCEANIA									
AUSTRALIA									
BEAUDESERT MILK PTY LTD	F	AUD	3,000	1,500 Class A	Gold Coast Milk Pty Ltd	2,999	99.967		
South Brisbane				1,500 Class B	Dairyfields Pty Ltd	1	0.033		
							100.000	100.0000	L
BENDIGO MOULDERS PTY LTD	F	AUD	100	100	Parmalat Australia ltd	100	100.000		
South Brisbane							100.000	100.0000	L
BUTTER PRODUCERS CO-OPERATIVE FED LTD	F	AUD	8,305,106	1,928,970	Port Curtis Dairy Pty Ltd	1,600,917	19.276		
Hamilton					Dairyfields Pty Ltd	328,053	3.950		
							23.226		EM
DAIRYFIELDS PTY LTD	F	AUD	3,572,428	3,511,594	Pauls Trading Pty Ltd	3,511,594	100.000		
South Brisbane							100.000	100.0000	L
FIELDCO PTY LTD	F	AUD	100	50	Pauls Trading Pty Ltd	22	22.000		
					Dairyfields Pty Ltd	28	28.000		
Labrador							50.000		EM
GELATERIA PARMALAT PTY LTD***	F	AUD	500,000	500,000	Gelateria Parmalat Srl	500,000	100.000		
South Brisbane							100.000		C
GOLD COAST MILK PTY LTD	F	AUD	570,000	285,000	Pauls Trading Pty Ltd	114,000	40.000		
South Brisbane					Dairyfields Pty Ltd	171,000	60.000		
							100.000	100.0000	L
HABERFIELDS DAIRY PTY LIMITED	F	AUD	50	40 ord.	Parmalat Pacific Holding Pty Ltd	50	100.000		
South Brisbane				10 priv.			100.000	100.0000	L
MONTAGUE MOULDERS PTY LTD	F	AUD	200	160	Parmalat Australia ltd	137	68.500		
South Brisbane					Dairyfields Pty Ltd	23	11.500		
							80.000	80.0000	L
NORCOFIELDS PTY LTD	F	AUD	100	50	Pauls Trading Pty Ltd	22	22.000		
Labrador					Dairyfields Pty Ltd	28	28.000		
							50.000		EM
NORCO-PAULS MILK PARTNERSHIP	F	AUD	0	50	Pauls Trading Pty Ltd	22	22.000		
Labrador					Dairyfields Pty Ltd	28	28.000		
							50.000		EM
PARMALAT AUSTRALIA LTD	F	AUD	122,519,504	82,345,352	Parmalat Pacific Holding Pty Ltd	82,345,352	100.000		
South Brisbane							100.000	100.0000	L
PARMALAT FOODS AUSTRALIA PTY LIMITED	F	AUD	70	60 ord.	Parmalat Pacific Holding Pty Ltd	70	100.000		
South Brisbane				10 priv.			100.000	100.0000	L
PARMALAT PACIFIC HOLDING PTY LTD	F	AUD	522,932,237	322,618,866 ord.	Parmalat Belgium nv	322,618,866	100.000		
				200,313,371 priv.	Parmalat Spa	200,313,371	0.000		
South Brisbane							100.000	100.0000	L
PAULS (N.T.) PTY LTD	F	AUD	200,000	400,000	Parmalat Australia ltd	400,000	100.000		
South Brisbane							100.000	100.0000	L
PAULS DAIRY EXPRESS (MACKAY) PTY LTD	F	AUD	100	100	Parmalat Australia ltd	100	100.000		
South Brisbane							100.000	100.0000	L
PAULS EMPLOYEE SHARE PLAN PTY LTD	F	AUD	18	9	Parmalat Australia ltd	9	100.000		
South Brisbane							100.000	100.0000	L

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Company		Share capital			Equity investment				
Name Head office	Type (1)	Curr.	Amount	Tot. number vot. shares/cap. interests held	Held by	Number of shares/cap. interests`	% (based on No. of shares/ cap. int.)	Group interest	Method of consolid. or valuat.(2)
PAULS FOODS PTY LTD	F	AUD	286,000	143,000	Parmalat Australia ltd	142,996	99.996		
South Brisbane					Pauls (N.T.) Pty Ltd	1	0.001		
					Pauls Trading Pty Ltd	1	0.001		
					Peters Artic Delicacy Co.Pty Ltd	1	0.001		
					Suncoast Milk Pty Ltd	1	0.001		
							100.000	100.0000	L
PAULS ICE CREAM & MILK PTY LTD	F	AUD	606,038	302,027	Parmalat Australia ltd	302,023	99.996		
South Brisbane					Pauls (N.T.) Pty Ltd	1	0.001		
					Pauls Trading Pty Ltd	1	0.001		
					Peters Artic Delicacy Company Pty Ltd	1	0.001		
					Suncoast Milk Pty Ltd	1	0.001		
							100.000	100.0000	L
PAULS PTY LTD	F	AUD	1	1	Parmalat Australia ltd	1	100.000		
South Brisbane							100.000	100.0000	L
PAULS TRADING PTY LTD	F	AUD	2	2	Parmalat Australia ltd	2	100.000		
South Brisbane							100.000	100.0000	L
PAULS VICTORIA LIMITED	F	AUD	23,234,773	24,753,773	Parmalat Australia ltd	25,753,729	100.000		
Rowville					Pauls Trading Pty Ltd	2	0.000		
							100.000	100.0000	L
PETERS ARTIC DELICACY CO. PTY LTD	F	AUD	916,034	1,832,068	Parmalat Australia ltd	1,832,064	100.000		
South Brisbane					Pauls (N.T.) Pty Ltd	1	0.000		
					Pauls Foods Pty Ltd	1	0.000		
					Pauls Ice Cream & Milk Pty Ltd	1	0.000		
					Pauls Trading Pty Ltd	1	0.000		
							100.000	100.0000	L
PETERS MILK PTY LTD	F	AUD	41,504	20,752	Peters Artic Delicacy Co Pty Ltd	20,748	99.980		
South Brisbane					Pauls (N.T.) Pty Ltd	1	0.005		
					Pauls Foods Pty Ltd	1	0.005		
					Pauls Ice Cream & Milk Pty Ltd	1	0.005		
					Pauls Trading Pty Ltd	1	0.005		
							100.000	100.0000	L
PORT CURTIS DAIRY PTY LTD	F	AUD	2,578,140	1,289,070	Parmalat Australia ltd	1,289,070	100.000		
South Brisbane							100.000	100.0000	L
PORT CURTIS MOULDERS PTY LTD	F	AUD	200	155	Parmalat Australia ltd	90	45.000		
South Brisbane					Port Curtis Dairy Pty Ltd	50	25.000		
					Dairyfields Pty Ltd	15	7.500		
							77.500	77.5000	L
Q.U.F. INDUSTRIES PTY LTD	F	AUD	2	2	Parmalat Australia ltd	2	100.000		
South Brisbane							100.000	100.0000	L
SANDHURST FARMS PROPERTIES PTY LTD	F	AUD	920,000	920,000	Parmalat Australia ltd	920,000	100.000		
South Brisbane							100.000	100.0000	L
SUNCOAST MILK PTY LTD	F	AUD	50,000	25,000	Peters Artic Delic. Co. pty ltd	25,000	100.000		
South Brisbane							100.000	100.0000	L
SWAN HILL MILK DISTRIBUTORS PTY LTD	F	AUD	200	200	Parmalat Australia ltd	200	100.000		
Victoria							100.000	100.0000	L

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(2) L = line by line; C = at cost; EM = by equity method

Company		Share capital			Equity investment				
Name Head office	Type (1)	Curr.	Amount	Tot. number vot. shares/cap. interests held	Held by	Number of shares/cap. interests`	% (based on No. of shares/ cap. int.)	Group interest	Method of consolid. or valuat.(2)
SWISSFIELD CHEESES PTY LIMITED	F	AUD	108,012	108,000 ord.	Parmalat Foods Australia pty ltd	108,000	100.000		
South Brisbane				12 priv.		12	0.000		
							100.000	100.0000	L
THE ALL AUSTRALIAN DAIRY COMPANY PTY LTD	F	AUD	1,000	1,000	Dairyfields Pty Ltd	1,000	100.000		
South Brisbane							100.000	100.0000	L
THE FIELDCO TRUST	F	AUD	2,689,483	1,344,741	Pauls Trading Pty Ltd	591,686	22.000		
Labrador					Dairyfields Pty Ltd	753,055	28.000		
							50.000		EM
THE NORCOFIELD TRUST	F	AUD	525,273	262,636	Pauls Trading Pty Ltd	115,560	22.000		
Labrador					Dairyfields Pty Ltd	147,076	28.000		
							50.000		EM

Companies included in the Parmalat Group

As a consequence of the acquisition, all the companies listed in the scope of consolidation, except for the Parent Company and the companies listed in the table below “Companies no longer included in the Parmalat Group”, have been acquired on October 1, 2005.

Companies no longer included in the Parmalat Group

Company	Country	Reason	Consolidation criteria
3450473 Canada Inc.	Canada	Dissolved	Line by line
3853853 Canada Inc.	Canada	Dissolved	Line by line
BF Holdings Usa Inc.	United States	Dissolved	Line by line
Bridge Farm Dairies (UK) Ltd	U.K.	Dissolved	Cost
Euromilk	Slovakia	Transferred	Cost
Lakeland Foods (UK) Ltd	U.K.	Dissolved	Cost
Loseley Chilled Products (UK) Ltd	U.K.	Dissolved	Cost
Parmalat Gelaterie Houston Inc.	United States	Dissolved	Cost
Verimac (UK) Ltd	U.K.	Dissolved	Cost

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Annex – IFRS 1 RECONCILIATIONS: FIRST-TIME ADOPTION OF THE IFRSs

The financial statements at December 31, 2005 are the first financial statements prepared in accordance with International Financial Reporting Standards, as approved by the European Commission (hereinafter referred to individually as IAS/IFRS or collectively as IFRSs).

As required by the transitional provisions of Issuer Regulation No. 11971/1999, as amended, the Company has prepared the reconciliations required by Paragraphs 39 and 40 of IFRS 1 "First-time Adoption of the International Financial Reporting Standards," as approved by the European Commission. These reconciliations are accompanied by notes that explain the criteria applied and the individual items included in the reconciliation schedules.

The data included in the balance sheet and income statement at December 31, 2004 have been restated to comply with the IFRSs that have been approved as of the date of this Report and are commented below. They are used as comparative data in the statutory financial statements and the consolidated financial statements of the Group at December 31, 2005.

The information provided below, which has been compiled as part of the migration to the IFRSs and is consistent with the requirements of Issuer Regulation No. 11971/1999, does not include all of the schedules, comparative data and detailed notes that would be necessary to provide a complete presentation, in accordance with IFRS requirements, of the Company's balance sheet, operating performance and financial position at December 31, 2004, which, in any case, did not involve material amounts.

ADOPTION OF IFRS 1

The transition date to the IFRSs is January 1, 2004. Accordingly, the Company prepared an opening balance sheet as of that date by applying the IFRSs retroactively. In order to facilitate the transition process, IFRS 1 "First-time Adoption of International Financial Reporting Standards" provides optional and mandatory exceptions to retroactive implementation.

Since the Company's business operations were then extremely limited, none of the optional exemptions provided by IFRS 1 was applicable.

EVENTS OCCURRING SUBSEQUENT TO THE FINANCIAL STATEMENT AT DECEMBER 31, 2004

No subsequent events that would have required a restatement of the data or disclosures provided have occurred since the reference date of the financial statements at December 31, 2004.

As required by IFRS 1, in preparing the requisite balance sheet and income statement schedules, no change was made to the estimates and underlying assumptions used to measure the assets and liabilities shown on the financial statements at December 31, 2004, which were prepared in accordance with Italian accounting principles.

Reconciliation of the Balance Sheet at January 1, 2004

Reconciliation of the Balance Sheet at January 1, 2004	Italian principles	Impact of Transition to the IFRSs	IFRS
ASSETS			
Other intangible assets	2,312	(2,312)	-
Prepaid taxes		861	861
Total non-current assets	**2,312**	**(1,451)**	**861**
			-
Receivable from shareholders	7,000		7,000
Other receivables	3		3
Cash and cash equivalents	2,185		2,185
Prepaid expenses			
Total current assets	**9,188**	**-**	**9,188**
TOTAL ASSETS	**11,500**	**(1,451)**	**10,049**
			-
LIABILITIES AND SHAREHOLDERS' EQUITY			-
			-
Share capital	10,000		10,000
Retained earnings (Loss carryforward)		(1,451)	(1,451)
Profit (Loss) for the period	(310)		(310)
Total shareholders' equity	**9,690**	**(1,451)**	**8,239**
			-
Total non-current liabilities	-		-
			-
Trade payables	1,810		1,810
Loans payable	-		
Other current payables	-		
Total current liabilities	**1,810**	**-**	**1,810**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,500	(1,451)	10,049

Notes to the Reconciliation of the Balance Sheet at January 1, 2004

The data shown in the “Italian principles” column have been reclassified to comply with the guidelines of IAS 1 on the presentation and content of financial statements.

Notes explaining the restatements of balance sheet accounts are provided below.

Other Intangible Assets

The amount recognized in the balance sheet prepared in accordance with the old principles represented incorporation costs incurred in 2003, which did not meet IAS/IFRS requirements for capitalization. The derecognition of this amount (2,312 euros), was offset by a charge to the shareholders’ equity account “Retained earnings (Loss carryforward).”

Prepaid taxes

This restatement reflects the tax impact of the derecognition of intangible assets explained above.

Reconciliation of the Balance Sheet at December 31, 2004

Reconciliation of the Balance Sheet at December 31, 2004	Italian principles	Impact of Transition to the IFRSs	IFRS
ASSETS			
Other intangible assets			-
Prepaid taxes			-
Total non-current assets	**-**	**-**	**-**
			-
Receivable from shareholders			
Other receivables	510,690		510,690
Cash and cash equivalents	85,486		85,486
Prepaid expenses	5,705,407		5,705,407
Total current assets	**6,301,583**	**-**	**6,301,583**
TOTAL ASSETS	**6,301,583**	-	**6,301,583**
			-
LIABILITIES AND SHAREHOLDERS' EQUITY			-
			-
Share capital	120,000		120,000
Retained earnings (Loss carryforward)	(310)	(1,451)	(1,761)
Profit (Loss) for the period	(14,347)	1,451	(12,896)
Total shareholders' equity	**105,343**	**-**	**105,343**
			-
Total non-current liabilities	-		-
			-
Trade payables	5,522,002		5,522,002
Loans payable	614,238		614,238
Other current payables	60,000		60,000
Total current liabilities	**6,196,240**	**-**	**6,196,240**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,301,583**	**-**	**6,301,583**

Notes to the Reconciliation of the Balance Sheet at December 31, 2004

The data shown in the “Italian principles” column have been reclassified to comply with the guidelines of IAS 1 on the presentation and content of financial statements.

The reclassification from “Retained earnings (Loss carryforward)” to “Profit (Loss) for the period” is explained in detail in the reconciliation of the income statement for the 2004 fiscal year, which is provided below.

Reconciliation of the Income Statement for the 2004 Fiscal Year

Reconciliation of the Income Statement for the 2004 Fiscal Year	Italian principles	Impact of Transition to the IFRSs	IFRS
Revenues	-		
Overhead	(10,683)		(10,683)
Other revenues (expenses)	(3,023)	2,312	(711)
Total operating costs	**(13,706)**	**2,312**	**(11,394)**
EBIT	**(13,706)**	**2,312**	**(11,394)**
Financial income	638		638
Financial expense	(1,279)		(1,279)
Loss before taxes	**(14,347)**	**2,312**	**(12,035)**
Income taxes	-	(861)	(861)
Total taxes	**-**	**(861)**	**(861)**
Profit (Loss) for the year	**(14,347)**	**1,451**	**(12,896)**

Notes to the Reconciliation of the Income Statement for the 2004 Fiscal Year

The data shown in the “Italian principles” column have been reclassified to comply with the guidelines of IAS 1 on the presentation and content of financial statements.

Notes explaining the restatements of accounts of the income statement for the 2004 fiscal year are provided below.

In 2004, the Company decided to write off incorporation costs that it capitalized in 2003. For IFRS purposes, these costs had been expensed out in the opening financial statements. As a result, the 2004 income statement reflects among the IFRS adjustments the time difference between the occurrence of write off and the corresponding tax impact.

The Chairman Mr Raffaele Picella	The Chief Executive Officer Mr Enrico Bondi

Report of the Independent Auditors

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT EX ART. 156 D. LGS. 24.2.1998, N. 58

To the Shareholders of Parmalat SpA

1 We have audited the consolidated financial statements of Parmalat SpA and its subsidiaries ("The Parmalat Group"), consisting of the consolidated balance sheet, income statement, cash flow statement, changes in shareholders' equity and notes thereto, as at 31 December 2005. These consolidated financial statements are the responsibility of Parmalat SpA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The above mentioned consolidated financial statements have been prepared for the first time in accordance with International Financial Reporting Standards adopted by the European Union.

2 We conducted our audit in accordance with the auditing standards and criteria for audits recommended by CONSOB. In accordance with such standards and criteria, we have planned and performed the audit to obtain every element necessary to verify whether the consolidated financial statements are free of material misstatements and, taken as a whole, are reliable. The audit process includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present, for comparative purposes, the amounts related to prior year prepared in accordance with the same accounting principles. In addition, the Appendix to the explanatory notes shows the effect of the transition to International Financial Reporting Standards adopted by the European Union. The disclosure presented in such Appendix to the explanatory notes has been examined by us for the purpose of expressing our opinion on the consolidated financial statements as of 31 December 2005.

3 In our opinion the consolidated financial statements of Parmalat SpA as of 31 December 2005 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union and, therefore, have been drawn up clearly and give a true and fair view of the financial position, of the changes in shareholders' equity and of

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the results of operations and cash flows for the year then ended of the Parmalat Group.

4 For the purpose of a better understanding of the consolidated financial statements, we draw your attention to the following circumstances, which are disclosed in greater detail in the notes to the consolidated financial statements.

(a) The implementation of the Composition with Creditors resulted in the transfer of the assets of Parmalat in AS to the new Parmalat SpA (the Assumptor). On October 1, 2005, following the approval of the Composition with Creditors by the Court of Parma, the assets and liabilities of the 16 companies that were parties to the Proposal of Composition with Creditors were transferred to the Assumptor. The financial statements at 31 December 2005 reflect the preliminary allocation of the transaction value at the acquired assets and liabilities fair value.

(b) The Parmalat Group is a party to civil and administrative proceedings related to events that affected the companies included in the Composition with Creditors prior to their becoming eligible for Extraordinary Administration status. The proceedings in place, by and against the Group, are detailed in section "Legal Disputes and Contingent Liabilities at December 31, 2005" of the notes to the financial statements.

Milan, 7 April 2006

This report has been translated from the original Italian which was issued in accordance with Italian legislation. References in this report to the financial statements refer to the financial statements in the original Italian and not to their translation.

PricewaterhouseCoopers SpA

Elena Cogliati
(Partner)

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Report of the Statutory Auditors

- TRANSLATION IN PROGRESS -