Annual Report
at December 31, 2007

Mission

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

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

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

Countries of Operation

Direct Presence

Europe

Italy, Portugal, Romania and Russia

Rest of the World

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

Presence Through Licensees

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

Contents

Board of Directors, Board of Statutory Auditors and Independent Auditors

Board of Directors

Chairman	Raffaele Picella
Chief Executive Officer	Enrico Bondi
Directors	Piergiorgio Alberti (i) 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 Nominations and Compensation Committee
(3) Member of the Litigation Committee

Board of Statutory Auditors

Chairman	Alessandro Dolcetti
Statutory Auditors	Enzio Bermani Mario Magenes

Independent Auditors

PricewaterhouseCoopers S.p.A.

Financial Highlights

Income Statement Highlights

(amounts in millions of euros)

GROUP	2007	2006 restated[1]	2005 pro forma restated[1]
- NET REVENUES	3,863.7	3,633.6	3,481.1
- EBITDA	366.6	347.7	269.2
- EBIT	767.9	341.1	180.6
- NET PROFIT	674.4	195.4	50.3
- EBIT/REVENUES (%)	19.7	9.3	5.2
- NET PROFIT/REVENUES (%)	17.3	5.3	1.4
- INTEREST EXPENSE COVERAGE	n.m	5.3	4.0
COMPANY			
- NET REVENUES	869.4	841.9	863.1
- EBITDA	78.4	69.5	41.7
- EBIT	568.2	122.3	(22.2)
- NET PROFIT	554.7	125.6	(12.3)
- EBIT/REVENUES (%)	63.5	14.0	n.m.
- NET PROFIT/REVENUES (%)	62.1	14.4	n.m.
- INTEREST EXPENSE COVERAGE	n.m	n.m.	n.m.

Balance Sheet Highlights

(amounts in millions of euros)

GROUP	12/31/07	12/31/06	12/31/05
- NET FINANCIAL ASSETS (NET BORROWINGS)	855.8	(170.0)	(369.3)
- ROI (%)	38.0	15.5	8.3
- ROE (%)	28.5	9.9	2.7
- EQUITY/ASSETS	0.6	0.5	0.5
- NET FINANCIAL POSITION/EQUITY	(0.3)	0.1	0.2
- OPERATING CASH FLOW PER SHARE	0.16	0.05	
COMPANY			
- NET FINANCIAL ASSETS (NET BORROWINGS)	1,231.4	341.4	324.5
- ROI (%)	73.6	14.5	n.a.
- ROE (%)	25.1	6.7	n.a.
- EQUITY/ASSETS	0.8	0.8	0.7
- NET FINANCIAL POSITION/EQUITY	(0.5)	(0.2)	(0.2)
- OPERATING CASH FLOW PER SHARE	0.08	(0.0)	

[1] Following the disposal of all of the Group's Spanish operations and of the Boschi Luigi e Figli S.p.A. business operations, the data for 2006 and 2005 were restated, reclassifying all of the income statement items attributable to these operations under "Net profit (loss) from discontinuing operations."

Information About Parmalat's Securities

The securities of Parmalat S.p.A. have been trading on the Milan Online Stock Market since October 6, 2005. The key data for 2007 are summarized below:

	Common Shares	Warrants
Securities outstanding at 12/31/07	1,652,466,014*	76,766,249**
Closing price on 12/28/07	2.647	1.639
Capitalization	4,374,077,539.058	125,819,882.111
High for the year (in euros)	3.515 February 2, 2007	2.51 February 2, 2007
Low for the year (in euros)	2.3175 August 17, 2007	1.35 August 17, 2007
Average price in December (in euros)	2.59	1.59
Highest daily trading volume	63,026,792 May 31, 2007	1,349,137 July 2, 2007
Lowest daily trading volume	2,372,143 August 27, 2007	18,548 April, 25 2007
Average trading volume in December	9,177,895***	93,374

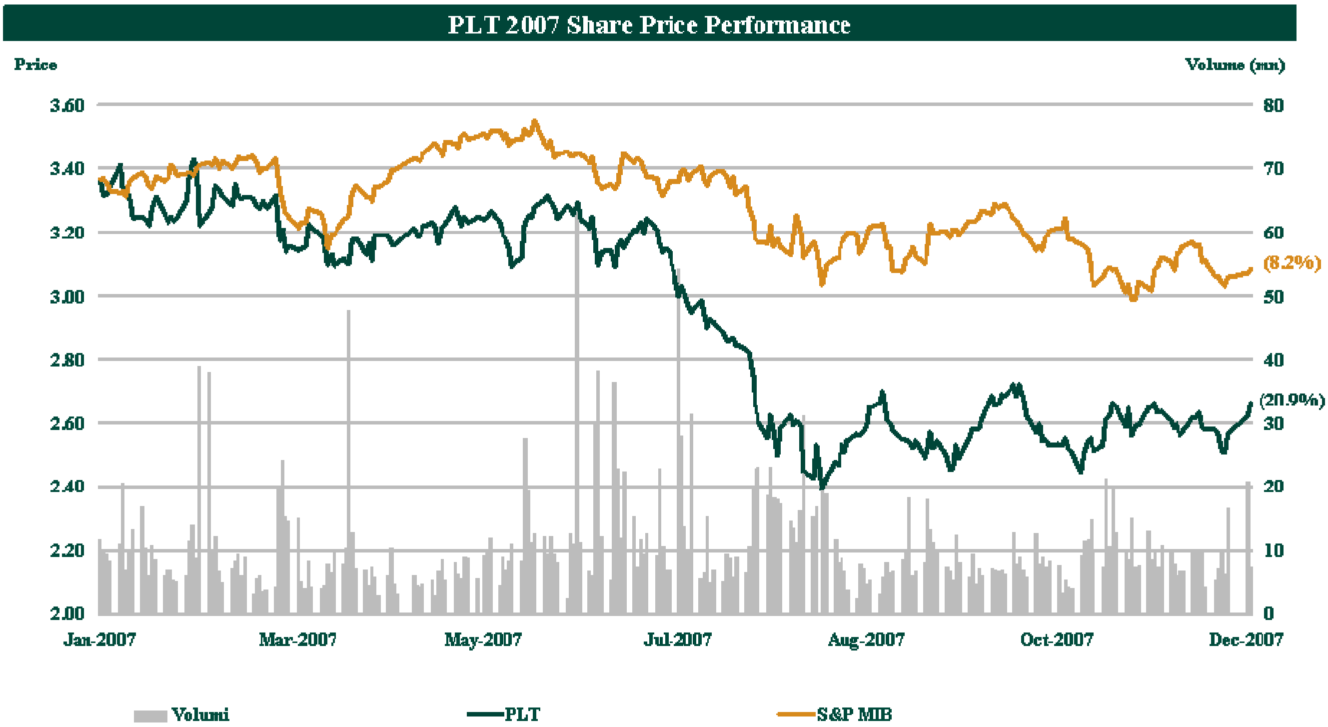
* Shares outstanding at December 28, 2007
** Warrants outstanding at December 28, 2007
*** 0.56% of the share capital

Performance of Parmalat's Shares

The charts that follow compare the performance of the Parmalat shares with that of the Italian market indices (S&P MIB, Mibtel, Midex and Food Share Indices).

Because the market views Parmalat's shares as securities with a high volatility component, related mainly to the expected outcome of various legal actions to void in bankruptcy and other actions pursued by the Company, any changes in price, while reflecting the overall trend of the market indices, tend to be amplified.

The Parmalat shares have been part of the DJ STOXX 600 Index since March 2006 and were added to the MSCI World Index on June 1, 2007.



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 February 29, 2008:

	Shares calculated on the shareholders' capital deposited on 2.29.08			
Shareholders	**N. of shares**	**of which pledged**		**Percentage**
		N. of shares	**Percentage**	
JP Morgan Chase & Co. Corporation	49,997,275			3.010%
Società Generale Asset Management UK Ltd	48,540,624			2.922%
Capital Research and Management	46,641,900			2.808%
Fir Tree, Inc.	43,753,261			2.634%
Total Intesa S. Paolo Group	40,274,358			2.424%
of which: Intesa Sanpaolo SpA	*36,930,518*	*411,658*	*0.00025*	*2.223%*
other Banks of Sanpaolo Imi Group	*3,343,840*			*0.201%*
Deutsche Bank AG	33,924,745			2.042%
Total of significant shareholders	**263,132,163**			**15.840%**

For the sake of full disclosure, please note that, as a result of the share allocation process and the resulting crediting of shares to the creditors of the Parmalat Group, as of the date of this Report (February 29, 2008), the Company's share capital increased by 8,787,845 euros. Consequently, the share capital, which totaled 1,652,419,845 euros at December 20, 2007, currently amounts to 1,661,207,690 euros.

More specifically, 33,162,487 shares, equal to 2.0% of the share capital, are still held on deposit by Parmalat S.p.A. A breakdown of these shares is as follows:

- 13,388,617 shares, equal to 0.8% 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;
- 19,773,870 shares, equal to 1.2% of the share capital, are registered in the name of Fondazione Creditori Parmalat, broken down as follows:
  - 120,000 shares represent the initial capital of Parmalat S.p.A.;
  - 19,653,870 shares, equal to 1.2% of the share capital, belong to creditors who have not yet claimed them.

The maintenance of the Stock Register has been outsourced to Servizio Titoli S.p.A.

Characteristics of the Securities

Shares

The shares 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 Extraordinary Shareholders' Meeting of March 1, 2005 approved a capital increase of up to 2,009,967,908 euros, reserved as follows:

a) up to 1,502,374,237 euros for unsecured creditors with verified claims;
b) up to 38,700,853 euros for Fondazione Creditori Parmalat;
c) up to 238,892,818 euros for creditors with contested or conditional claims;
d) up to 150,000,000 euros for late-filing creditors;
e) up to 80,000,000 euros for the conversion of warrants.

The Extraordinary Shareholders' Meeting of September 19, 2005 approved a resolution making "permeable" the tranches into which the capital increase approved at the Shareholders' Meeting of March 1, 2005 is divided.

Consequently, if one of the tranches into which the abovementioned capital increase is divided (except for the first tranche – for maximum 1,502 million euros – and the last 80,000,000-euro tranche – now 95,000,000-euro tranche – reserved for warrant conversion purposes) should contain more shares than are needed to actually convert into share capital the claims for which it has been reserved, the surplus can be used to draw the resources needed to convert the claims of a different category of creditors, whose conversion needs are greater than those that can be accommodated with the capital increase tranche reserved for them pursuant to the resolution approved by the Extraordinary Shareholders' Meeting of March 1, 2005.

On April 28, 2007, the Shareholders' Meeting, convened in Extraordinary Session and acting pursuant to Article 5 of the Company Bylaws, approved a resolution increasing from 80 million euros to 95 million euros the share capital reserved for the conversion of warrants.
Consequently, the Company's share capital totals 2,025 million euros, an amount that includes 95 million euros reserved for the exercise of warrants.

Acting in accordance with the abovementioned resolutions of the Shareholders' Meeting, the Board of Directors carried out the requisite capital increases, as needed.

Warrants

The warrants, which have a par value of 1 euro each, 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 shares 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, 2007, a total of 39,473,110 Global Depositary Receipts and 104,660 Global Depositary Warrants were outstanding.

Review of Operating and Financial Performance

Parmalat Group

Consolidated net sales revenues totaled 3,863.7 million euros, or 230.1 million euros more (+6.3%) than the 3,633.6 million euros reported in 2006. If the data are restated to eliminate the impact of the appreciation of the euro versus the main currencies (102.3 million euros) and of the change in the scope of consolidation caused mainly by the inclusion of Newlat S.p.A. and Carnini S.p.A. (97.6 million euros, net of intra-Group transactions), the deconsolidation of Italcheese S.p.A. (about 10 million euros) and the inclusion of the operations in Paraguay (6.4 million euros), net revenues show an increase of 6.6%. This improvement is chiefly the result of higher unit sales in Canada and Italy. Sales were up also South Africa, aided in part by the growth of the local economy. In Italy, the launch of new functional products helped boost shipments of fruit juices by 16.3% compared with 2006, while in Canada the overall increase in unit sales was driven mainly by an 8.5% gain in shipments of cheese products.

EBITDA grew to 366.6 million euros, up 18.9 million euros (+5.4%) compared with the 347.7 million euros reported in 2006. If the data are restated to eliminate the impact of the appreciation of the euro versus the main currencies (10.2 million euros) and of the change in the scope of consolidation caused mainly by the inclusion of Newlat S.p.A., Carnini S.p.A. and the operations in Paraguay and the deconsolidation of Italcheese (6.0 million euros), EBITDA total 370.8 million euros, or 23.1 million euros more (+6.6%) more than the previous year. An improved sales mix, with a greater preponderance of products with a higher value added and a reduction in operating costs are the main reasons for this improvement, which was achieved despite a worldwide increase in the price of raw milk that could be reflected also in list prices.

EBIT rose to 767.9 million euros, for a gain of 426.8 million euros over the 341.1 million euros reported at December 31, 2006. Aside from the contribution provided by EBITDA totaling 366.6 million euros, the 2007 EBIT are mainly the net result of the following items: proceeds from settlements of actions to void and actions for damages (642 million euros versus 171.5 million euros in 2006), depreciation, amortization and writedowns of non-current assets (117.5 million euros versus 116.7 million euros in 2006), legal costs incurred to pursue actions to void and actions for damages (56.2 million euros versus 55.0 million euros in 2006), additions to provisions for tax risks (25.8 million euros versus 6.9 million euros in 2006), additions to provisions for contingent liabilities that may arise in connection with the disposal of non-strategic assets (11.2 million euros), additions to provisions for contingent liabilities that may arise while completing the process of liquidating or divesting some Group companies (9.0 million euros) and restructuring costs (7.0 million euros versus 3.3 million euros in 2006).

The **Group's interest in net profit** amounted to 673.4 million euros, or 480.9 million euros more than the 192.5 million euros earned in 2006. In addition to the increase in EBIT (+426.8 million euros), other significant developments that account for this improvement include a 75.1-million-euro drop in net financial expense made possible by a decrease in the average cost of borrowings, a reduction in indebtedness and an increase in the liquidity invested by the Group's Parent Company; and the higher net profit generated by discontinuing operations (67.2 million euros). These positive factors were offset in part by higher current taxes (78.5 million euros) computed on the income from actions for damages.

Net invested capital totaled 1,829.5 million euros, for a decrease of 392.2 million euros compared with the amount reported at the end of 2006 (2,221.7 million euros). The sale of the Spanish companies and of the business operations of Boschi Luigi & Figli S.p.A., coupled with the collection of a receivable for settlements of actions to void and actions for damages owed by Banca Nazionale del Lavoro at December 31, 2006, accounts for most of this reduction.

The **net financial position** improved sharply in 2007, switching from net borrowings of 170 million euros to net financial assets of 855.8 million euros, for an overall positive change of 1,025.8 million euros compared with December 31, 2006. Most of this improvement is the result of the collection of a "Receivable for settlements of actions to void in bankruptcy and actions for damages" owed by Banca Nazionale del Lavoro (112 million euros) and of proceeds totaling 642.5 million euros generated by settlement agreements reached with the Intesa Sanpaolo Group (396 million euros), Deloitte & Touche S.p.A. and Dianthus S.p.A. (99.9 million euros, net of legal costs amounting to 7.3 million euros), Banca Monte Parma S.p.A. (35 million euros), Merrill Lynch (29.1 million euros), the Banca Popolare di Milano Group (25 million euros), Banca delle Marche S.p.A. (22 million euros), Graubuendner Kantonalbank – GKB (20.8 million euros), ING Bank (8 million euros) and other parties (6.7 million euros). It also reflects the effect of the divestiture of such non-strategic assets as the Spanish companies and the business operations of Boschi Luigi & Figli S.p.A. (249.2 million euros), the impact of the deconsolidation of the Spanish companies and the consolidation of SATA Srl (14.2 million euros) and the contribution provided by the exercise of warrants (7.5 million euros). The overall improvement that resulted from these changes was offset in part by a dividend distribution totaling 43.7 million euros (41.2 million euros attributable to the Group's Parent Company).

The **Group's interest in shareholders' equity** totaled 2,659.6 million euros, for an increase of 645.5 million euros compared with 2,014.1 million euros at December 31, 2006. The net profit attributable to the Group (673.4 million euros), the increase in share capital (7.4 million euros) and the impact of the translation of the financial statements of Group companies that do not operate within the euro zone (6.0 million euros), offset in part by a dividend distribution of 41.2 million euros, account for most of the improvement.

Parmalat Group

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in millions of euros)	**2007**	**2006 restated (**)**	**2006 (*)**
REVENUES	**3,894.8**	**3,669.5**	**3,881.4**
Net sales revenues	3,863.7	3,633.6	3,844.0
Other revenues	31.1	35.9	37.4
OPERATING EXPENSES	**(3,515.4)**	**(3,317.9)**	**(3,525.7)**
Purchases, services and miscellaneous costs	(3,070.9)	(2,890.1)	(3,047.8)
Labor costs	(444.5)	(427.8)	(477.9)
Subtotal	**379.4**	**351.6**	**355.7**
Writedowns of receivables and other provisions	(12.8)	(3.9)	(5.0)
EBITDA	**366.6**	**347.7**	**350.7**
Depreciation, amortization and writedowns of non-current assets	(117.5)	(116.7)	(150.5)
Other revenues and expenses:			
- Legal fees for actions to void and actions for damages	(56.2)	(55.0)	(55.0)
- Restructuring costs	(7.0)	(3.3)	(12.3)
- Miscellaneous revenues and expenses	582.0	168.4	166.6
EBIT	**767.9**	**341.1**	**299.5**
Financial income	65.5	27.4	30.6
Financial expense (-)	(56.4)	(93.4)	(100.9)
Interest in profit (loss) of companies valued by the equity method	(0.4)		
Other income from (expenses for) equity investments	3.3	0.5	0.5
PROFIT BEFORE TAXES	**779.9**	**275.6**	**229.7**
Income taxes	(145.6)	(53.1)	(34.2)
NET PROFIT FROM CONTINUING OPERATIONS	**634.3**	**222.5**	**195.5**
Net profit (loss) from discontinuing operations	40.1	(27.1)	(0.1)
NET PROFIT	**674.4**	**195.4**	**195.4**
Minority interest in net (profit) loss	(1.0)	(2.9)	(2.9)
Group interest in net profit (loss)	673.4	192.5	192.5

Continuing operations:

Basic earnings per share	**0.4084**	**0.1178**	**0.1178**
Diluted earnings per share	**0.3948**	**0.1140**	**0.1140**

(*) Approved at the Shareholders' Meeting of April 28, 2007.
(**) The differences compared with the financial statements approved by the Shareholders' Meeting of April 28, 2007 are explained in the section of this Report entitled "Reclassification Applied to the 2006 Consolidated Income Statement."

Parmalat Group

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(in millions of euros)	**12/31/07**	**12/31/06**
NON-CURRENT ASSETS	**1,968.2**	**2,158.5**
Intangibles	1,233.7	1,290.5
Property, plant and equipment	678.2	728.1
Non-current financial assets	9.7	99.3
Deferred-tax assets	46.6	40.6
AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES	**4.7**	**24.2**
NET WORKING CAPITAL	**324.9**	**545.4**
Inventories	387.4	348.3
Trade receivables	522.4	530.0
Other current assets	243.2	406.6
Trade payables (-)	(532.7)	(521.0)
Other current liabilities (-)	(295.4)	(218.5)
INVESTED CAPITAL NET OF OPERATING LIABILITIES	**2,297.8**	**2,728.1**
PROVISIONS FOR EMPLOYEE BENEFITS (-)	**(106.8)**	**(122.1)**
PROVISIONS FOR RISKS AND CHARGES (-)	**(338.3)**	**(359.5)**
PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS	**(23.2)**	**(24.8)**
NET INVESTED CAPITAL	**1,829.5**	**2,221.7**
Covered by:		
SHAREHOLDERS' EQUITY (a)	**2,685.3**	**2,051.7**
Share capital	1,652.4	1,641.5
Reserve for creditor challenges, contested liabilities and claims of late-filing creditors convertible exclusively into share capital	221.5	224.9
Other reserves	16.2	(44.5)
Retained earnings (Loss carryforward)	96.1	(0.3)
Profit for the year	673.4	192.5
Minority interest in shareholders' equity	25.7	37.6
(NET FINANCIAL ASSETS) NET BORROWINGS	**(855.8)**	**170.0**
Loans payable to banks and other lenders	582.8	694.2
Loans payable to investee companies	6.0	5.4
Other financial assets (-)	(591.7)	(207.8)
Cash and cash equivalents (-)	(852.9)	(321.8)
TOTAL COVERAGE SOURCES	**1,829.5**	**2,221.7**

(a) The schedule that reconciles the result and shareholders' equity at December 31, 2007 of Parmalat S.p.A. and the consolidated result and shareholders' equity is explained in the Notes to the Consolidated Financial Statements.

Parmalat Group

STATEMENT OF CHANGES IN NET FINANCIAL POSITION IN 2007

(in millions of euros)	**2007**	**2006**
Net borrowings at the beginning of the year	**170.0**	**369.3**
Changes during the period:		
- Cash flow from operating activities	(264.8)	(172.9)
- Cash flow from investing activities	141.7	102.7
- Accrued interest	41.1	65.4
- Cash flow from settlements	(699.5)	10.5
- Cash flow from divestitures and sundry items	(249.2)	(188.2)
- Dividend payments	43.7	2.9
- Exercise of warrants	(7.5)	(1.7)
- Miscellaneous items	(11.6)	3.0
- Impact of changes in the scope of consolidation	(14.2)	36.3
- Currency translation impact	(5.5)	(57.3)
Total changes during the period	(1,025.8)	(199.3)
Net borrowings at the end of the year	**(855.8)**	**170.0**

BREAKDOWN OF NET FINANCIAL POSITION

(in millions of euros)	**12/31/07**	**12/31/06**
Net borrowings		
Loans payable to banks and other lenders	582.8	694.2
Loans payable to investee companies	6.0	5.4
Other financial assets (-)	(591.7)	(207.8)
Cash and cash equivalents (-)	(852.9)	(321.8)
Total	**(855.8)**	**170.0**

RECONCILIATION OF CHANGE IN NET INDEBTEDNESS AND CASH FLOW STATEMENT (Cash and Cash Equivalents)

(in millions of euros)	**Cash and cash equivalents**	**Other financial assets**	**Gross indebted-ness**	**Net indebted-ness**
Balance at the beginning of the year	**(321.8)**	**(207.8)**	**699.6**	**170.0**
Cash flow from operating activities	(264.8)	-	-	(264.8)
Cash flow from investing activities	141.7	-	-	141.7
New borrowings	(22.3)		22.3	-
Loan repayments	148.3		(148.3)	-
Accrued interest	-	-	41.1	41.1
Investments in current financial assets and sundry assets	382.1	(382.1)	-	-
Cash flow from settlements	(699.5)	-	-	(699.5)
Cash flow from divestitures and sundry items	(249.2)	-	-	(249.2)
Outlays for purchases of equity investments	43.7	-	-	43.7
Dividend payments	(7.5)	-	-	(7.5)
Miscellaneous items	(0.3)	(1.9)	(9.4)	(11.6)
Impact of changes in the scope of consolidation	(3.4)	0.1	(10.9)	(14.2)
Currency translation impact	0.1	-	(5.6)	(5.5)
Balance at the end of the year	**(852.9)**	**(591.7)**	**588.8**	**(855.8)**

Parmalat S.p.A.

Net sales revenues totaled 869.4 million euros, for a gain of 3.3% compared with the 841.9 million euros reported in 2006.

EBITDA grew to 78.4 million euros, or 8.9 million euros more (+12.8%) than the 69.5 million euros earned in 2006. An improved sales mix, with a greater preponderance of products with a higher value added, and effective cost controls are the main reasons for this improvement, which was achieved despite a worldwide increase in the cost of raw milk that could be reflected also in list prices.

EBIT rose to 568.2 million euros, up 445.9 million euros compared with 2006, when they amounted to 122.3 million euros. This increase is chiefly the result of revenues generated by settlements reached with Deloitte & Touche S.p.A. and Dianthus S.p.A. (101.4 million euros, net of legal costs), Banca Monte Parma S.p.A. (35 million euros), Merrill Lynch (29.1 million euros), the Banca Popolare di Milano Group (25 million euros), Banca delle Marche S.p.A. (22 million euros), ING Bank (8 million euros), GKB Bank (20.8 million euros), the Intesa Sanpaolo Group (394 million euros, net of legal costs) and other parties (6.7 million euros), for a total of 642.0 million euros, compared with 171. 5 million euros collected from settlements in 2006.
These positive factors were offset in part by an increase of about 25.0 million euros in the additions made to provisions recognized in connection with plans to restructure certain operations of the Parent Company and other Group companies and to other provisions for risks.

The net profit amounted to 554.7 million euros. The increase of 429.1 million euros compared with the 125.6 million euros earned in 2006 is largely the result of the settlements listed above, which, net of the attributable tax effect, added about 390 million euros to the bottom line. Higher net financial income (up about 26 million euros), the profit from discontinuing operations (+33 million euros) and the gain in EBITDA (+8.9 million euros), offset in part by the abovementioned increase in additions to provisions and a higher tax burden, account for the rest of the improvement.

Net invested capital totaled 1,240.6 million euros, down 369.1 million euros from the 1,609.7 million euros reported at December 31, 2006. A significant portion (about 200 million euros) of this decrease is due to the reduction in working capital that resulted from the collection of a receivable for settlements of actions to void and actions for damages owed by Banca Nazionale del Lavoro at December 31, 2006 and to an increase in the provision for taxes.
The sale of the investment in the Spanish operations accounts for the balance.

Net financial assets were up sharply in 2007, rising from 341.4 million euros to 1,231.3 million euros, for a net change of 889.9 million euros compared with December 31, 2006. Most of this improvement is the result of the collection of a "Receivable for settlements of actions to void in bankruptcy and actions for damages" owed by Banca Nazionale del Lavoro (112 million euros included in receivables at December 31, 2006), of settlements reached in 2007 totaling about 640 million euros and of the proceeds generated by the sale of the Spanish operations (188 million euros).
These additions were offset by deductions of about 50 million euros that included a dividend distribution of about 41 million euros and investments in subsidiaries, which are discussed in detail in the notes to the financial statements.

The Company's **shareholders' equity** rose to 2,471.9 million euros, up from 1,951.1 million euros at December 31, 2006. The increase of 520.8 million euros is the net result of the profit for the year amounting to 554.7 million euros and of a share capital increase of 7.3 million euros, less a dividend distribution totaling 41.2 million euros.

Parmalat S.p.A.

RECLASSIFIED INCOME STATEMENT

(in millions of euros)	**2007**	**2006**
REVENUES	**894.7**	**872.7**
Net sales revenues	869.4	841.9
Other revenues	25.3	30.8
OPERATING EXPENSES	**(811.0)**	**(801.5)**
Purchases, services and miscellaneous costs	(711.8)	(697.6)
Labor costs	(99.2)	(103.9)
Subtotal	**83.7**	**71.2**
Writedowns of receivables and other provisions	(5.3)	(1.7)
EBITDA	**78.4**	**69.5**
Depreciation, amortization and writedowns of non-current assets	(32.5)	(29.9)
Other revenues and expenses:		
- Legal fees for actions to void and actions for damages	(56.3)	(55.0)
- Restructuring costs	(38.8)	(42.4)
- Miscellaneous revenues and expenses	617.4	180.1
EBIT	**568.2**	**122.3**
Financial income	40.9	13.0
Financial expense (-)	(2.9)	(7.7)
Other income from (expenses for) equity investments	9.1	7.5
PROFIT BEFORE TAXES	**615.3**	**135.1**
Income taxes	(94.4)	(9.6)
NET PROFIT FROM CONTINUING OPERATIONS	**520.9**	**125.5**
Net profit (loss) from discontinuing operations	33.8	0.1
NET PROFIT	**554.7**	**125.6**

Parmalat S.p.A.

RECLASSIFIED BALANCE SHEET

(in millions of euros)	**12/31/07**	**12/31/06**
NON-CURRENT ASSETS	**1,454.8**	**1,605.4**
Intangibles	468.8	483.6
Property, plant and equipment	154.1	138.0
Non-current financial assets	810.7	964.5
Deferred-tax assets	21.2	19.3
AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES	**0.0**	**7.5**
NET WORKING CAPITAL	**70.3**	**269.4**
Inventories	41.5	36.1
Trade receivables	250.7	225.7
Other current assets	153.1	298.5
Trade payables (-)	(218.8)	(204.0)
Other current liabilities (-)	(156.2)	(86.9)
INVESTED CAPITAL NET OF OPERATING LIABILITIES	**1,525.0**	**1,882.3**
PROVISIONS FOR EMPLOYEE BENEFITS (-)	**(31.9)**	**(40.6)**
PROVISIONS FOR RISKS AND CHARGES (-)	**(231.3)**	**(209.2)**
PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS	**(21.3)**	**(22.8)**
NET INVESTED CAPITAL	**1,240.6**	**1,609.7**
Covered by:		
SHAREHOLDERS' EQUITY	**2,471.9**	**1,951.1**
Share capital	1,652.4	1,641.5
Reserve for creditor challenges, contested liabilities and claims of late-filing creditors convertible exclusively into share capital	221.5	224.9
Other reserves	43.3	(11.6)
Retained earnings (Loss carryforward)		(29.3)
Profit for the year	554.7	125.6
(NET FINANCIAL ASSETS) NET BORROWINGS	**(1,231,3)**	**(341.4)**
Loans payable to banks and other lenders	9.7	12.5
Loans payable to investee companies	(1.2)	(7.1)
Other financial assets (-)	(588.9)	(206.0)
Cash and cash equivalents (-)	(650.9)	(140.8)
TOTAL COVERAGE SOURCES	**1,240.6**	**1,609.7**

Parmalat S.p.A.

STATEMENT OF CHANGES IN NET FINANCIAL POSITION IN 2007

(in millions of euros)	**2007**	**2006**
Net borrowings at the beginning of the year	**(341.4)**	**(324.5)**
Changes during the period:		
- Cash flow from operating activities	(124.4)	(22.0)
- Cash flow from investing activities	78.8	2.3
- Cash flow from settlements, net of costs incurred to pursue lawsuits	(699.5)	10.5
- Cash flow from divestitures and sundry items	(184.4)	
- Dividends paid to shareholders	41.2	0.0
- Exercise of warrants	(7.5)	(1.7)
- Miscellaneous items	5.9	(6.0)
Total changes during the period	(889.9)	(16.9)
Net borrowings at the end of the year	**(1,231.3)**	**(341.4)**

BREAKDOWN OF NET FINANCIAL POSITION

(in millions of euros)	**12/31/07**	**12/31/06**
Net borrowings		
Loans payable to banks and other lenders	9.7	12.5
Loans payable to investee companies	(1.2)	2.3
Other financial assets (-)	(588.9)	(215.4)
Cash and cash equivalents (-)	(650.9)	(140.8)
Total	**(1,231.3)**	**(341.4)**

RECONCILIATION OF CHANGE IN NET INDEBTEDNESS AND CASH FLOW STATEMENT (Cash and Cash Equivalents)

(in millions of euros)	**Cash and cash equivalents**	**Gross indebtedness**	**Net indebtedness**
Balance at the beginning of the year	**(140.8)**	**(200.6)**	**(341.4)**
Cash flow from operating activities	(124.4)		(124.4)
Cash flow from investing activities	78.8		78.8
New borrowings	(2.6)	2.6	0.0
Loan repayments	5.5	(5.5)	0.0
Investments in current financial assets and sundry assets	382.9	(382.9)	0.0
Cash flow from settlements	(699.5)		(699.5)
Cash flow from divestitures and sundry items	(184.4)		(184.4)
Outlays for purchases of equity investments	41.2		41.2
Dividend payments	(7.5)		(7.5)
Miscellaneous items		5.9	5.9
Balance at the end of the year	**(650.8)**	**(580.5)**	**(1,231.3)**

A Letter to Shareholders

Dear Shareholders:

The 2007 Annual Report that we are submitting for your approval marks the completion of the first phase in the life of the new Parmalat S.p.A., which began with the listing of its shares on the Milan Stock Exchange on October 5, 2005.

The objectives achieved during this period are important, in terms of the ability both to deliver positive industrial results and successfully seek redress in the courts, while streamlining and simplifying the structure of the Group.

The Group produced the following results during the 2005-2007 period:
- Revenues increased by 11% and EBITDA rose by 36%;
- The industrial operations generated a cash flow of more than 348 million euros;
- The cash flow from lawsuit settlements totaled 687 million euros;
- Extraordinary transactions and asset divestitures produced over 379 million euros in cash flow;
- The net financial position improved by 1,225.9 million euros, switching from net borrowings of 370.1 million euros to liquid assets of about 855.8 million euros.

The development strategy pursued over the past few years focused on achieving growth organically, both in the more mature economies and in the emerging markets where the Group was already present.

In Italy, Canada and Australia, which are the Group's main target markets, profit margins are still increasing, albeit at a more moderate pace. In the developing countries, such as South Africa and Russia, the growth rates continue to be impressive.

The Group's positive performance was achieved by shifting the sales mix away from traditional products and focusing instead on special products: functional milks, flavored milks and functional fruit juices.

More specifically, we invested in functional products with a higher value added, revamping our "milk" (launch of Zymil and Omega 3) and fruit juice (launch of Santàl 5 Colors) product lines.

In 2008, we will broaden the scope of this strategy, introducing new functional yogurts (Zymil, Fibresse and Omega 3) in the various markets where the Group operates.

In 2007, faced with turmoil on the supply side of the milk market (costs increased by an average of more than 10% at the Group level), the Company reacted swiftly: it adjusted sales prices to reflect cost increases, while at the same time cutting industrial and logistical costs and reducing overhead. As a result, profit margins were protected and the profitability projections announced to the financial markets were met.

As a result of a successful effort to streamline the Group's internal chain of control, virtually all of the operating companies, which are the entities that generate profits and financial resources, are owned directly by Parmalat S.p.A. This will ensure that Parmalat shareholders are rewarded based on the performance of the entire Group and not just on that of the Parent Company. In addition, the reduction of over 100 legal entities over the past two years produced considerable savings in administrative and management costs.
Work in this area is continuing with equal determination in the current year.

As we indicated on previous occasions, the Board of Directors believes that the Company, while continuing to pursue growth organically, is now ready to expand through acquisitions. The objective is to help Parmalat grow in size and increase its bottom line sufficiently to continue providing its shareholders with meaningful returns. To this end, Parmalat carried out a significant effort to identify and analyze available opportunities. This process is still ongoing.

Your company stands out among publicly traded Italian companies because it represents a true public company.

The Board of Directors performs a pivotal role in managing the Company and effectively exercises its guidance function not only by scheduling frequent meetings, but also through the important contribution provided at meetings of the Board Committees by Directors who have been asked to serve on those governance bodies.

Remarkably, nine of the Board's eleven members qualify as independent Directors pursuant to the Bylaws and the entire Board of Directors was elected with a system by which only shareholders who represent at least 1% of the Company's share capital are eligible to file slates of candidates.
With regard to elections, we remind you that the term of office of the current Board of Directors will end on the occasion of the next Shareholders' Meeting, which has been scheduled for April 8-9, 2008.

We take this opportunity to thank the Group's management team and all of its employees for their commitment and the shareholders for the confidence with which they have honored us thus far.

The Board of Directors

Report on Operations by the Board of Directors

Revenues and Profitability

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

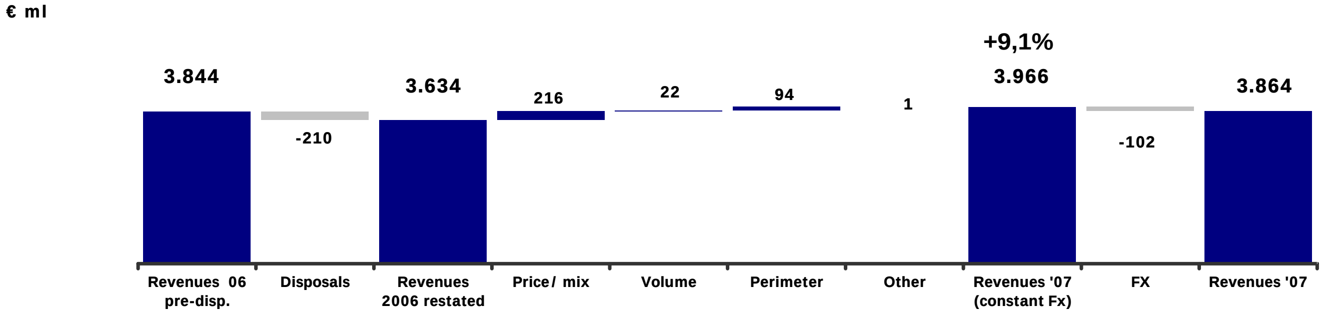
a) Group

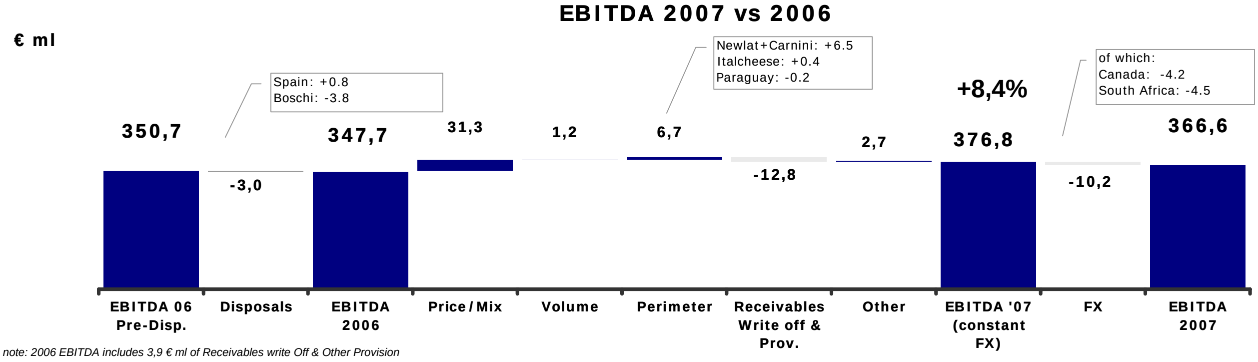
Consolidated net revenues totaled 3,863.7 million euros in 2007, for a gain of 6.3% compared with 2006. EBITDA, which grew to 366.6 million euros, or 18.9 million euros more than the previous year, were equal to 9.5% of revenues.
The Group's performance in 2007 was affected by a worldwide rise in the price of raw milk. The latter development is the result of a reduction in supply caused by unfavorable weather conditions in Australia and New Zealand and, in certain areas, by a growing trend toward the transformation of raw milk into powdered milk, originated by increased demand for the latter product in certain regions.
For these reasons, the cost of raw milk bought for Parmalat Group has increased of an average of 10%, equivalent of more than 150 million euros. Moreover, profitability has been impacted from the worsening of results of some Strategic Business Unit in Center and South America (Venezuela and Nicaragua), balanced from the important results of Italy and North America.

Changes in foreign currency exchange rates used for translation purposes (compared with the average exchange rates for 2006) reduced revenues by 102.3 million euros (2.8% of revenues) and EBITDA by 10.2 million euros (2.9% of EBITDA). The appreciation of the euro versus the Canadian and South African currencies accounts for most of the change.

€ ml	2006	2007	variance	
Revenues	**3.633,6**	**3.863,7**	**230,0**	*+6,3%*
EBITDA	**347,7**	**366,6**	**18,9**	
EBITDA %	*9,6*	*9,5*	*-0,1 ppt*	

Revenues 2007 vs 2006





note: 2006 EBITDA includes 3,9 € ml of Receivables write Off & Other Provision

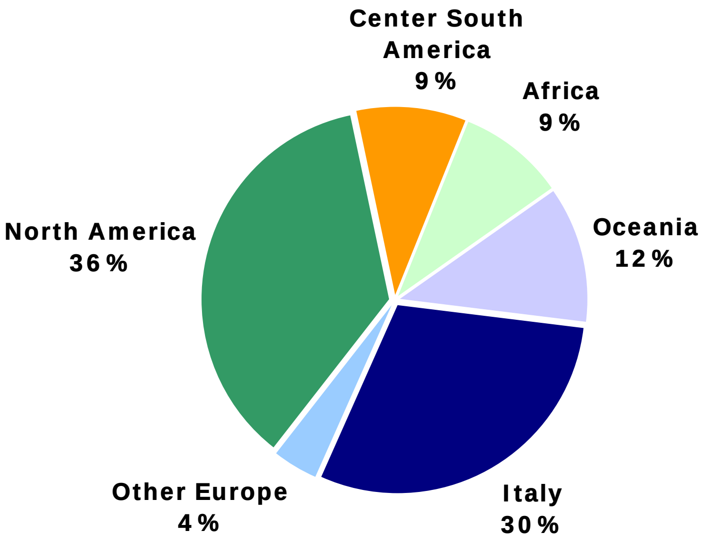
b) Data by Geographic Region

2006 Revenues	2006 EBITDA	2006 *EBITDA %*	Areas – December 31st – € ml	2007 Revenues	2007 EBITDA	2007 *EBITDA %*
1.015,8	105,8	*10,4*	**Italy**	1.146,7	117,2	*10,2*
132,7	18,7	*14,1*	**Other Europe**	152,2	20,0	*13,1*
57,3	9,9	*17,3*	Russia	71,4	9,5	*13,4*
63,8	7,1	*11,2*	Portugal	66,5	7,4	*11,1*
11,7	1,7	*14,1*	Romania	14,4	3,1	*21,5*
1.381,3	123,1	*8,9*	**North America**	1.400,6	137,0	*9,8*
343,8	39,9	*11,6*	**Africa**	354,1	40,4	*11,4*
417,9	39,5	*9,5*	**Australia**	446,7	37,7	*8,4*
335,8	43,5	*13,0*	**Center & South America**	366,1	34,1	*9,3*
194,6	27,8	*14,3*	Venezuela	204,7	21,0	*10,3*
108,3	10,9	*10,1*	Colombia	122,5	15,1	*12,3*
26,1	3,5	*13,5*	Nicaragua	23,8	(2,8)	*(11,7)*
3,2	(0,7)	*n.s.*	Ecuador	6,8	0,3	*n.s.*
3,6	2,0	*54,5*	Cuba	2,0	0,7	*32,2*
			Paraguay	6,4	(0,2)	*(3,2)*
(0,0)			*Elimination Intra Area*	(0,2)		
6,4	(22,8)	*n.s.*	**Others ***	(2,8)	(19,8)	*n.s.*
3.633,6	**347,7**	***9,6***	**Group**	**3.863,7**	**366,6**	***9,5***

Areas represent the consolidated countries

(*) Include Holding, Other no core Companies, eliminations between Areas

Revenues by Area

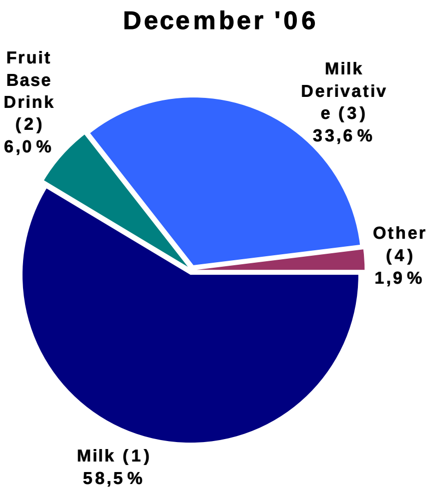


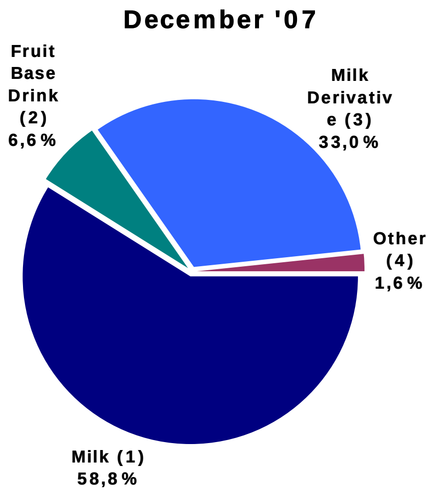
c) Data by Product Division

€ ml	December '06			December '07		
	Revenues	EBITDA	*EBITDA %*	Revenues	EBITDA	*EBITDA %*
Milk (1)	2.126,6	182,8	*8,6*	2.270,5	187,0	*8,2*
Fruit Base Drink (2)	218,2	33,7	*15,4*	256,3	48,9	*19,1*
Milk Derivative (3)	1.219,3	136,4	*11,2*	1.275,8	135,3	*10,6*
Other (4)	69,6	(5,2)	*(7,4)*	61,1	(4,7)	*(7,7)*
Group	**3.633,6**	**347,7**	***9,6***	**3.863,7**	**366,6**	***9,5***

(1) Include Milk, Cream and Bechamel
(2) Fruit juices and Tea
(3) Include Yogurt, Dessert, Cheese
(4) Include Others Products and Holding

Net Revenues by Product Division





(1) Include Milk, Cream and Bechamel
(2) Fruit juices and Tea
(3) Include Yogurt, Dessert, Cheese
(4) Include Others Products and Holding

The profitability of the Milk Division was adversely affected by the negative performance of the Venezuelan and Nicaraguan operations and by an increase in the cost of raw milk. On the other hand, the profitability of the Fruit-based Beverage Division improved by about 3.7 percentage points due mainly to higher sales of functional fruit juices in Italy.

d) Capital Expenditures

Parmalat Group

Synthesis of Capital Expenditure of Parmalat Group at December the 31st (excluding lands and buildings).

Figures in € ml	2006 value	2006 % On Total	2007 value	2007 % On Total
Italy	**25,1**	30,3%	**41,4**	36,3%
Other Europe	**3,5**	4,3%	**8,0**	7,0%
Russia	2,0	2,5%	6,3	5,5%
Portugal	0,9	1,0%	1,0	0,9%
Romania	0,6	0,8%	0,6	0,6%
North America	**19,6**	23,7%	**24,8**	21,8%
Africa	**15,8**	19,1%	**12,8**	11,2%
Australia	**13,5**	16,3%	**18,3**	16,1%
Center & South America	**5,0**	6,1%	**8,8**	7,7%
Venezuela	1,7	2,1%	4,3	3,8%
Colombia	1,7	2,0%	3,8	3,4%
Nicaragua	1,2	1,4%	0,2	0,2%
Ecuador	0,4	0,5%	0,4	0,3%
Cuba	0,0	0,0%	0,0	0,0%
Paraguay			0,1	0,1%
Other minor companies	**0,1**	0,1%	**0,0**	0,0%
Group	**82,7**	**100%**	**114,1**	**100%**

In the table above, the data for 2006 do not include the capital expenditures of the divested Spanish operations.

The Capital Expenditures of the Group during 2007 amount to 114.1 million euros, that represents an increase of 38% compared to the previous year and demonstrates the strong efforts to assure quality, organic growth, efficiency and security improvement. The major capital investment projects carried out in the various geographic regions are reviewed below.

Parent Company (Parmalat S.p.A)

€ ml	**2006**	**2007**	**variance**	
Revenues	**841,9**	**869,4**	**27,5**	*+3,3%*
EBITDA	**69,6**	**78,4**	**8,9**	
EBITDA %	*8,3*	*9,0*	*0,8 ppt*	

In 2007, revenues increased by 3.3% compared with the previous year. EBITDA, which are net of a 4.5-million-euro writedown of current assets (due to the restatement of certain positions), totaled 78.4 million euros, or 8.9 million euros more than in 2006. At December 31, 2007, holding company expenses were 18.0 million euros.

The main developments that characterized 2007 included the following:

- Increase in volumes and market share, spread over different products;
- Improved sales mix thanks to a shift in the product portfolio toward items with greater value added (juices and specialty milk);
- Consolidation of the leadership position achieved in the specialty milk segment;
- Implementation of higher list prices to offset an exceptional increase in the cost of raw milk;
- Establishment of a new balance in the “value chain” among farmers, manufacturers and retailers, as the increase in the cost of raw milk was not passed on fully to retailers;
- Cost rationalization at the manufacturing level, as well as in logistics and in the distribution process;
- Significant cost savings in Corporate expenditures.

Business Units

Italy

€ ml	2006	2007	variance	
Revenues	**1.015,8**	**1.146,7**	**131,0**	*+12,9%*
EBITDA	**105,8**	**117,2**	**11,4**	
EBITDA %	*10,4*	*10,2*	*-0,2 ppt*	

In order to provide a more meaningful comparison, the table below shows the SBU's results restated on a comparable scope of consolidation basis, i.e., eliminating the contribution of Newlat and Carnini in the fourth quarter of 2006 and in 2007.

Italy perimeter 2006

€ ml	2006	2007	variance	
Revenues	**984,9**	**1.018,2**	**33,3**	*+3,4%*
EBITDA	**105,1**	**110,8**	**5,6**	
EBITDA %	*10,7*	*10,9*	*0,2 ppt*	

Restated using the same scope of consolidation, 2007 net revenues are up 3.4% compared with 2006 while the EBITDA also increased, rising by 5.4%.

The improved results reported by the SBU are due mainly to a better sales mix, with fruit juices and products with a high value added providing a greater contribution, and to the rationalization of the logistics and distribution organization.
Tensions on the supply side of the raw milk market produced increases in purchasing costs that could be recovered also by increasing list prices. Sales prices were adjusted repeatedly during 2007 in order to bring them to a level consistent with the rise in the cost of raw milk. Presumably, the prices charged for the Group's products and the price paid for raw milk should again be fully in balance in the early months of 2008. In the case of some products (butter, for example), the inability to immediately adjust list prices penalized profit margins.

Markets and Products

In 2007, the SBU increased its market share (in terms both of revenues and volume) in virtually all of the segments in which it operates. In a relatively flat market, private labels have been growing even in market segments such as the fresh milk market, which, until recently, had been served exclusively by brand producers.
The milk market is substantially mature, with negative growth rates, while the markets for fruit juices (+1.6% on a volume basis) and yogurt (+4.5% on a volume basis) are still growing, with average sales prices on the increase in response to increases in raw material costs *(Source: Nielsen/Iri on Total Italy)*.

Despite price increases in the closing months of the year, the UHT milk market grew in 2007, expanding by about 1% on a volume basis (total for Italy, excluding the Hard Discount segment) and by 5.3% on a value basis.

Parmalat grew faster than the market as a whole in 2007, posting an increase of 3.3%, due mainly to strong sales of functional milks, which rose by 17.5%, and of white milk in 1000 milliliter bottles, which were up 8.0%.

These achievements enabled Parmalat to consolidate its already strong leadership position, raising its value market share to 33.8% *(Source: Nielsen S+I+LS)*.
Advertising for Zymil resumed in December 2007 with a new spot designed to make it attractive to young families and thus broaden its existing target market, which consists mainly of traditional families.

In the pasteurized milk market, sales continued to decrease in the Modern Channel, falling by 1.1% in 2007 *(Source: Nielsen S+I+LS)*. Based on internal estimates, sales in the Traditional Channel, which represents about half of the total market, were down 3.5%. On the other hand, sales in the Extended Shelf Life (ESL) and specialty milk segments grew by 15% and 40%, respectively, compared with 2006.
Parmalat Italia, capitalizing on growth opportunities in these innovative segments, reported an across-the-board increase of 1.3% in unit sales, despite the increasingly rapid growth of private labels. Shipments of microfiltered Zymil were up sharply, rising by 51% compared with 2006.
Estimates developed by Assolatte and Databank show that Parmalat Italia has a strong leadership position in the market for fresh pasteurized milk.

In the market for fruit-based beverages, Santàl continued to regain market share, posting sales that were 17% higher than in 2006, compared with a gain of 1.6% for the market as a whole. Thanks to this performance, Parmalat became for the first time the market leader (both in value and volume terms) with a value market share that, at 14.2%, was higher than that of the Yoga brand, even if just slightly. Parmalat succeeded in making sales of these products less seasonal, thereby achieving a positive performance also during periods other than the summer season. This improvement was made possible by a more effective distribution organization, a faster rotation, strong demand for the “3x200-milliliter” and “1000-milliliter” packages and the launch the Santàl 5 colors line, which quickly achieved a market share of almost 2%.

The yogurt market, counting both spoonable and drinkable yogurt, grew by 4.4% in volume terms *(Source: Nielsen Total Italia without Hard Discount)* due mainly to strong demand for functional products.
Thanks to an effective use of promotional programs, sales of Parmalat and Kyr branded yogurt were again up strongly in 2007 compared with the previous year.
This trend is even more remarkable considering that the growth of the overall market was driven by demand for functional products, while Parmalat Italia’s product line consisted mainly of basic products. Moreover, some of the brands that historically have been its mainstay (Vitasnella and Yomo above all others) reported lower sales than in 2006.
In 2007, Parmalat defined a new strategy that included the launch of Parmalat-branded products in the functional market segment.

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

Product	Value market share
UHT milk	33.8%
Pasteurized milk (*)	27.9%
UHT cream	36.4%
Béchamel	45.9%
Yogurt	6.1%
Fruit beverages	14.2%

Source: AC Nielsen – Modern Distribution
(*) Company reassessment of Assolatte data

Raw Materials and Packaging

The extraordinary increase in the cost of raw milk that characterized the dairy industry in 2007 was chiefly the result of the large differential between supply and demand. This development was particularly burdensome for Italy, which imports about 45% of the milk it uses. As for other raw materials, energy costs increased due to higher crude oil prices.

Manufacturing Organization

The Italian SBU operates 15 manufacturing facilities. Nine of those are owned by Parmalat SpA and are used mainly for the production of milk, fruit juices and yogurt. One facility, owned by Centrale del Latte di Roma, specializes in the production of pasteurized milk. Two facilities, owned by Latte Sole Spa, are used to produce UHT milk, pasteurized milk, cheese and cream. Further two facilities are owned by Newlat and one by Carnini.

Capital expenditures

Capital expenditures in 2007 totaled 41,4 million euros.
Capital expenditures allocated to the industrial area in 2007 were significantly higher than in 2006.
The largest investments focused on improving performance in the areas of quality, environment, health and safety and on providing support for strategic development.
Investments involving quality, environment, health and safety were carried out in connection with the "Zero Accidents" and "Total Quality" projects.
The main capital expenditures related to strategic development included the following:

- Installation of a new line to package pasteurized milk in PET bottles;
- Reconfiguration of two existing lines to accommodate the production of microfiltered and Omega-3 pasteurized milk;
- Installation of a new line to manufacture HDPE bottles for UHT milk and a line to manufacture UHT milk carry-out containers
- Installation of two new fruit juice production lines (1000 ml and 750 ml containers)
- Expansion of production lines in the "Blending Rooms";
- Expansion of existing lines for the production of "special microfiltered" products.

Other Countries in Europe

Russia

€ ml	2006	2007	variance	
Revenues	**57,3**	**71,4**	**14,1**	*+24,6%*
EBITDA	**9,9**	**9,5**	**(0,4)**	
EBITDA %	*17,3*	*13,4*	*-3,9 ppt*	

Local currency figures

Local currency ml	2006	2007	variance	
Revenues	**1.953,4**	**2.498,6**	**545,2**	*+27,9%*
EBITDA	**338,2**	**334,2**	**(4,0)**	
EBITDA %	*17,3*	*13,4*	*-3,9 ppt*	

The Russian ruble lost 2.7% of its value compared with the exchange rate applied in 2006. The negative impact of this change on revenues and EBITDA was 1.9 million euros and 0.3 million euros, respectively.

Total unit sales were up 20.0% compared with 2006. More specifically, shipments of UHT milk, which account for 35% of total unit sales, increased by 21.1% compared with 2006, while sales of pasteurized milk decreased by 1.4% year over year and those of fruit juices rose by 31.8% compared with the previous year.

The positive trend that started in 2006 continued in 2007, producing higher sales in most product categories and a more effective coverage of the sales territory. This improvement, which is aided in part by a rise in consumer spending, was made possible primarily by the modernization and expansion of the SBU's manufacturing and distribution organization and by the signing of new contracts with supermarket chains. However, the profitability of the SBU was adversely affected by an increase in price of raw milk, which doubled in just four months.

Market and Products

Because Russia is so vast, not all products are distributed on a national basis. More specifically, with the exception of unrefrigerated products, all fresh dairy products are marketed exclusively on a regional basis (Belgorod, Kursk, Varonesh and Sverdlovsk regions). The national UHT market is dominated by two big players (Wimm Bill Dann e Unimilk), while in the fruit juice segment, the four biggest players account for more than 80% of the entire market.
Dairy products are marketed under the Parmalat and Biely Gorod brands, while fruit juices are distributed with the Santàl and 4 Seasons brands. The Russian SBU imports products that generate high profit margins and help strengthen Parmalat's distinctive image, differentiating it from its competitors.
The main change in the product portfolio introduced in 2007 was the launch of Parmalat Bifilat, packaged in a Tetra Rex container with Gable top.
The Russian SBU increased its market shares (both in value and volume terms), particularly in the market segments of UHT milk and fruit-based beverages.

The table below shows the volume market share of the SBU in the main market segments in which it operates:

Product	Volume market share
UHT cream	8-9%
UHT milk	3.2-3.5%
Flavored UHT milk	11.5%
Fruit juices	1.2%

Source: AC. Nielsen, Tetra Pak, SBU's Management

Raw Materials and Packaging

Milk, which is the main raw material purchased by the local SBU, is a scarce resource in Russia and its price is heavily conditioned by availability on the local market and by conditions in the international markets. In 2007, the profitability of the Russian SBU was penalized by a sharp rise in the price of raw milk, which was particularly pronounced in the final quarter of the year. This sudden increase in purchasing costs made it necessary to adjust upward list prices for all classes of dairy products. The price of fruit concentrates was also up, as adverse weather in the producing countries reduced the available supply while demand continued to rise in the international markets. In the packaging area, the SBU succeeded in lowering its purchasing costs by diversifying its supplier base in the second half of 2007.

Manufacturing Organization

The Russian SBU has two manufacturing facilities located in Belgorod and Urallat (near Ekaterinburg).
In 2007, rising sales created significant problems for the SBU's manufacturing and logistics organization, making it necessary to carry out new capital investment programs to make the existing facilities capable of handling the higher sales volume and bring them in compliance with new regulatory requirements.

Capital expenditures

Total capital expenditures in 2007 amounted to 6.3 million euros and were used to improve the efficiency and production capacity of its facilities, strengthen its distribution organization (purchases of new vehicles) and comply with new regulations.
More specifically, projects at the Ekaterinburg factory included completing the construction of a new warehouse to store finished products, overhauling the facility to manufacture sterile products and replacing obsolete equipment and machinery. Work was carried out at the Bolgorod plant to expand production facilities and two new production lines were put into service — one line for fruit juices and another line that will help meet growing demand for flavored milk and UHT cream.
The main project in the area of factory services involved upgrading the cheese department and the boiler unit to comply with the requirements of local regulatory authorities.

Portugal

€ ml	2006	2007	variance	
Revenues	**63,8**	**66,5**	**2,7**	*+4,3%*
EBITDA	**7,1**	**7,4**	**0,3**	
EBITDA %	*11,2*	*11,1*	*-0,1 ppt*	

In 2007, net revenues totaled 66.5 million euros, or 4.3% more than in the previous year, even though unit sales decreased by 1.1% compared with 2006.

Revenues generated by sales of Santal fruit juices were down 13% in 2007. However, the impact of this decrease was more than offset by higher sales of cocoa-flavored milk and béchamel sold under the Parmalat brand, which were up 56% and 53%, respectively.

Market and Products

The market scenario remained challenging, with consumers still showing limited purchasing power. As a result, discount retail chains continued to expand. In a significant development, the “Carrefour” and “Plus” (Tengelmann) supermarket chains exited the Portuguese market.
The Portuguese SBU operates mainly through two main global brands (Parmalat and Santàl) and through a local brand (UCAL). These three brands are represented in all distribution channels.
The Portuguese SBU is implementing a strategy based on expanding sales of such high value-added items as béchamel, cream and cocoa-flavored milk.

The main components of the SBU’s product portfolio include the following:

- Milk: the market is dominated by Lactogal but private labels have been growing rapidly, with a resulting erosion of profit margins. In this market environment, sales of UCAL cocoa-flavored milk (which account for about 26% of the SBU’s total revenues) have been increasing. At the beginning of the year, as part of its strategy based on developing functional products, Pamalat Portugal added four new types of high-quality milk with a high nutritional value to its Ucal São Lourenço line.
- Fruit juices: This segment accounts for about 20% of its total revenues. In a contracting market, the SBU’s competitive position, which operates with the Santàl brand, weakened due to the growth of private labels (+26%).
- Cream, béchamel and flavored milk: These high margin products are sold under the Parmalat and Ucal brands. The market is characterized by the presence of strong competitors and steady growth by private labels. Nevertheless, the brands with which the SBU operates in the Portuguese market have been holding up well against the competition.

Product	Volume market share
Milk	0.8%
Fruit juices	6.0%

Source: AC Nielsen INA JJ 07

Raw Materials and Packaging

During 2007, the price paid to purchase raw milk increased by 37%. In the area of packaging, costs decreased by 1% for Tetrapak containers compared with 2006, but were up 8%, 6% and 2.7% for paper, glass and PET containers, respectively.

Manufacturing Organization

The SBU's only production facility is located in Aguas de Moura. All items sold by Parmalat Portugal are manufactured at this facility, except for products imported from Italy and some items that are produced by co-packers.

Capital expenditures

During 2007, the Portuguese SBU focused its capital expenditures of 1.0 million euros on upgrading its production and filling lines with the goal of increasing efficiency and production capacity. Additional investments were related to modernize production facilities and comply with regulatory requirements.

Romania

€ ml	2006	2007	variance	
Revenues	**11,7**	**14,4**	**2,7**	*+22,9%*
EBITDA	**1,7**	**3,1**	**1,4**	
EBITDA %	*14,1*	*21,5*	*7,4 ppt*	

Local currency figures

Local currency ml	2006	2007	variance	
Revenues	**41,2**	**47,9**	**6,7**	*+16,3%*
EBITDA	**5,8**	**10,3**	**4,5**	
EBITDA %	*14,1*	*21,5*	*7,4 ppt*	

The local currency (New Leu) increased in value by 5.4% compared with the exchange rate applied in 2006. The positive impact of this change on revenues and EBITDA was 0.8 million euros and 0.2 million euros, respectively.

Unit sales of fruit juices, which accounted for 93% of total sales, were up 26.7% compared with 2006.

The Romanian SBU has excellent profit margins. The two main products that it distributes are fruit juices and tea, which account for about 99% of total sales. In the second half of 2007, the SBU began to add to its product line several types of UHT functional milk imported from Italy.

EBITDA were up sharply compared with 2006 as a result of the following factors:

- A decrease in raw material prices made possible by the entry of Romania in the European Union, which caused the elimination of a number of customs duties;
- A steady reduction in manufacturing and other operating costs;
- A sales strategy focused on high margin products.

Market and Products

There are four major premium players, who are also local producers, in the Romanian fruit juice market: Prigat (Pepsi-Cola), Cappy (Coca-Cola), Santál and Tymbark (Maspex). Other significant players include Fruttia (European Drinks) and importers of Rauch, Pfanner and Granini branded products. With Romania joining the European Union, competitive pressure increased even more due to the entry of new players.

The market position of Parmalat Romania is strengthened by its access to the Santàl global brand, under which it markets fruit juice beverages. The Santàl brand is used for nectars, fruit juices and still drinks, enabling these products to be sold at premium prices in each of these market segments.
Parmalat Romania is the leader in the “juices” segment, ranks among the top five players in the “nectars” segment, but lags behind in the “juices-nectars-still drinks” segment.

Product	Value market share
Fresh fruit juices	20.7%
Nectars	12.3%
Still drinks	2.5%
Juices-Nectars-Still drinks	6.9%

Source: AC Nielsen Value Market share DJ-ON07 Retail+HoReCa

Raw Materials and Packaging

Following the entry of Romania in the European Union and the elimination of customs duties, many raw materials became less expensive than in 2006.

Packaging suppliers include international companies for cardboard (SIG Combibloc) and local companies for glass bottles. PET products are provided by the same supplier that currently serves the Parent Company.

Manufacturing Organization

Parmalat's only Romanian factory is located in Tunari (Jud. Ilfov), a few miles from Bucharest. The facility also includes a warehouse and offices. The production equipment includes one line for fruit juices packaged in cardboard containers (one was decommissioned in 2007), a filling line for juices sold in glass bottles and a PET bottling line, which went on stream in 2006. The company has been ISO 9001 and ISO 22000 (HACCP) certified since 2006.

Capital expenditures

Total capital expenditures in 2007 amounted to 0,6 million euros.

The capital investment carried out by the Romanian SBU in 2007 included increasing the production capacity of the PET line it installed in 2006, which was achieved by purchasing new equipment and a shrink-wrap system. In addition, it bought a new boiler and made further progress on building construction projects.

North America

€ ml	2006	2007	variance	
Revenues	**1.381,3**	**1.400,6**	**19,4**	*+1,4%*
EBITDA	**123,1**	**137,0**	**13,9**	
EBITDA %	*8,9*	*9,8*	*0,9 ppt*	

Local currency figures

Local currency ml	2006	2007	variance	
Revenues	**1.966,5**	**2.055,9**	**89,4**	*+4,5%*
EBITDA	**175,3**	**201,1**	**25,8**	
EBITDA %	*8,9*	*9,8*	*0,9 ppt*	

The Canadian currency rebounded strongly, making up some of the ground it lost versus the euro in the first half of 2007, when it decreased in value by an average of about 7.8% compared with the same period in 2006. As a result, the average euro/Canadian dollar exchange rate for the full year was 3.1% lower than in 2006. The negative impact of this change on revenues and EBITDA was 43.4 million euros and 4.2 million euros, respectively.

If the data are restated using constant exchange rates, net revenues show an increase of 4.5%, as unit sales grew by 1.2% compared with 2006. Compared with 2006, unit sales were up 8.5% for cheese but decreased by 1.5% for yogurt. Increased competitive pressure and a shift of demand toward supermarket house brands account for the decrease in yogurt sales.
The SBU has been focusing its marketing effort on cheese, functional yogurt and types of milk with a higher value added (premium). The following new functional products were introduced in 2007: a prebiotic and probiotic yogurt, a premium prebiotic fluid milk with natural DHA Omega 3 and a “snack cheese” with natural DHA Omega 3.
The manufacturing operations performed well in 2007 and general expenses continued to decrease, owing in part to the restructuring programs implemented during the past two years. An effective effort to control spending also had a positive effect on EBITDA.

Markets and Products

Canada has 32.6 million inhabitants, but its population is increasing very slowly and the food market is mature with very little innovation. The conditions in the markets for the products of interest to the SBU are reviewed below:

- The dairy industry is regulated, with restrictions and tariffs on imports and exports of dairy products;
- Raw milk prices are regulated and no alternative sources of supply are available;
- A limited number of suppliers for numerous types of packaging materials and ingredients (often just one or two suppliers).

With regard to distribution channels, the market is dominated by a small number of distributors, some of whom are vertically integrated with manufacturers.

Consumer spending has been shifting toward innovative products that improve health and wellness. The yogurt segment has benefited most from this trend, owing in part to the investments made by most market operators. However, the particularly aggressive competitive environment that characterized 2007 and the growth of private labels contributed to reducing margins compared with 2006 in the basic products’ segment.

The main reasons for the improved performance of the Canadian SBU in 2007 compared with the previous year include a more favorable sales mix, the success of aggressive marketing campaigns, new packaging solutions and the price increases implemented to absorb a rise in raw material costs. A better performance by the SBU's ingredients business, which benefited from an upturn in global demand and a resulting increase in prices, was also a positive factor.

The SBU's main product categories include the following:

- Milk. Parmalat Canada is a co-leader and one of the four top players in the liquid milk market, with a share of 18.9%. The SBU's position is mainly the result of strong growth in the premium milk segment and a positive performance by its functional milks (Omega-3, Calcium and Lactaid). In addition, the SBU carried out an intensive television advertising campaign to support the launch of a new product called Vitalité and a radio advertising campaign for the introduction of Smart Milk, a new line of functional products.
- Yogurt. The Canadian SBU is one of the market leaders in English-speaking Canada with the Astro brand. The positive results achieved in 2007 reflect the impact of aggressive marketing programs implemented to support the launch of Astro BioBest Omega-3 and Astro BioBest Vitalité, and relaunch Astro Fat Free Zero.
- Cheese. In a market characterized by the entry of new producers and an increase in competitive pressure, the SBU retained the leadership of the snack cheese segment, with a 54.7% share, and ranks second in the natural cheese segment, with a share of 18.1%.
- Margarine. Despite an increase in competitive pressure, the SBU reported increases in unit sales and revenues that were higher than the market average.
- Butter. Parmalat is the market leader in this segment, with a 19.2% market share. The Lactantia brand enjoys strong consumer loyalty.

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

Product	Market share
Milk	18.9%
Yogurt	29.9%
Natural cheese	18.1%
Snack cheese	54.7%
Butter	19.2%
Margarine	13.7%

Source: AC Nielsen, for 52 weeks ended 12/22/07

Raw materials and packaging

The cost of raw milk represents for the Canadian SBU approximately two thirds of its net revenues. The purchases of raw milk are regulated by the Government in a quota system that result in substantially higher raw milk prices compared to the Group average. The purchase price for raw milk used for processing liquid products increased by 5% year on year, while, the purchase price for raw milk used for cheese, butter and other ingredients production increased by 1% in the same period. The Canadian CBU managed to counterbalance such increases in raw milk prices through efficiency implementation and constant product mix improvements.

Manufacturing Organization

Currently, the Canadian SBU has 18 production facilities, 5 distribution centers and is a partner in several copacking facilities. Yogurt is manufactured at plants in Toronto, Niagara on the Lake and Lethbridge; milk is produced at facilities in Montreal, St. Hyacinthe, Brampton, Sudbury, Winnipeg, Calgary and Thunderbay; and cheese, butter, powdered milk and other milk-based powdered ingredients are manufactured at factories in Belleville, Grunthal, Laverlochere, Marieville, Mitchell, St. Claude, Victoriaville and Winchester.

Capital expenditures

Canadian SBU's total capital expenditures in 2007 amounted to 24.8 million euros and were used to modernize its factories and facilities, increase production capacity and comply with new regulatory requirements. Projects at plants in Brampton, Toronto, Mitchell and Victoriaville accounted for the bulk of the investments. Additional investments were used to modernize the distribution fleet, carry out research and development projects and launch new products. The Canadian SBU is beginning to feel the beneficial impact of the increased investments carried out during the past two years.

Africa

€ ml	2006	2007	variance	
Revenues	**343,8**	**354,1**	**10,3**	*+3,0%*
EBITDA	**39,9**	**40,4**	**0,6**	
EBITDA %	*11,6*	*11,4*	*-0,2 ppt*	

The reporting currency of the main African Business Unit (South African rand) decreased in value by 13.2% compared with the exchange rate applied in 2006. The negative impact of this change on revenues and EBITDA was 42.0 million euros and 4.5 million euros, respectively. However, the downward trend that characterized the exchange rate during first six months of 2007 compared with 2006 became less pronounced in the second half of the year.

The consolidated unit sales of the African SBU Africa were about the same as in 2006. Shipments of UHT milk, which account for 51% of total sales, increased by 1.7%.
Compared with 2006, sales grew by 6.4% for fruit juices (13% of total sales), decreased by 32.8% for pasteurized milk (6% of total sales), rose by 3.9% for cheese (8% of total sales) and increased by 17.7% for yogurt (9% of total sales).

The African market is growing in all product segments. Growth is occurring not just in South Africa, which still accounts for about the 80% of the results reported by the African SBU, but also in the smaller countries where the SBU operates (Mozambique, Botswana, Zambia and Swaziland), where Parmalat is the market leader with steadily growing market shares.

Capital expenditures

Total capital expenditures in 2007 amounted to 12.8 million euros.
The African SBU focused its capital expenditures on increasing production capacity. Investments in South Africa included expanding cheese production and adding packaging and refrigeration equipment at the Bonnievale plant, and upgrading the packaging line at the Stellenbosch factory. At the Port Elizabeth facility, also in South Africa, work started on the construction of a warehouse scheduled for completion in 2008. Elsewhere in Africa, cheese production capacity was increased and UHT milk production facilities were upgraded at the Lusaka plant in Zambia and UHT milk production capacity was upgraded at the Maputo factory in Mozambique.

South Africa

€ ml	2006	2007	variance	
Revenues	**308,6**	**317,8**	**9,3**	*+3,0%*
EBITDA	**33,9**	**34,3**	**0,4**	
EBITDA %	*11,0*	*10,8*	*-0,2 ppt*	

Local currency figures

Local currency ml	2006	2007	variance	
Revenues	**2.632,5**	**3.070,1**	**437,6**	*+16,6%*
EBITDA	**289,2**	**330,9**	**41,7**	
EBITDA %	*11,0*	*10,8*	*-0,2 ppt*	

Total unit sales were in line with the volumes reported in 2006. More specifically, shipments of UHT, which account for 54% of total sales, grew by 6.0% year over year. The positive results reported by this SBU continue to benefit from strong sales in the cheese segment, with shipments rising by 4.7% compared with the previous year.
Compared with 2006, unit sales increased by 1.3% for fruit juices and 19.1% for yogurt.

If the data are restated using constant exchange rates, the revenues reported by Parmalat SA in 2007 show an increase of 16.6% compared with 2006. This improvement was achieved despite the challenging market conditions created by a shortage of raw milk at a time when demand has been increasing.

Market and Products

New products launched in 2007 included a low-lactose version of Everfresh, Smart Growth and Omecol in the functional UHT segment, and MaxiSlice pre-sliced cheese, PureJoy Light UHT juice and Pod in a 25 milliliter container for the Hotel, Restaurant and Catering (HoReCa) market. The functional products launched in recent years are continuing to generate steadily rising sales.

Once again in 2007, Parmalat SA reported faster growth rates than the averages for the various market segments. The table below shows the market shares held by Parmalat's South African operations:

Product	Volume market share
Fruit juices	10.0%
Cheese, butter and powdered milk	31.8%
Cream and milk	19.6%
Yogurt and desserts	14.5%

Source: BMI

Raw Materials and Packaging

In the African market, milk production showed no sign of rebounding in 2007, as economic and weather conditions remained unfavorable. The current difficulties that exist in securing adequate supplies of raw milk are the combined result of a shortage of raw milk, both domestically and internationally, and of unfavorable exchange rates. Despite these challenges, Parmalat SA was able to increase its supply of raw milk by 5.4% compared with 2006. However, prices were 29.1% higher than in the previous year.
In addition to raw milk, energy costs (coal especially) increased by 15% during the first six months of 2007 and are estimated to have risen by a further 8% during the second half of the year.
Prices of packaging materials were up slightly, with imported materials adversely affected by the weakness of the local currency.

Manufacturing Organization

The African SBU has 10 manufacturing locations, seven of which are located in South Africa:

- Bonnievale: production of cheese, butter and whey powder;
- Kape Town: production of pasteurized milk and fruit juices;
- East London: production of ice-creams;
- Kyalami: production of pasteurized yoghurt and fruit juices;
- Ladismith: production of cheese and whey powder;
- Port Elizabeth: production of pasteurized milk and fruit juices, desserts, yoghurt, sterilized and powdered milk;
- Stellenbosch: production of cheese.

The 3 remaining manufacturing locations are located in:

- Maputo (Mozambico)
- Manzini (Swaziland)
- Lusaka (Zambia)

Australia

€ ml	2006	2007	variance	
Revenues	**417,9**	**446,7**	**28,8**	*+6,9%*
EBITDA	**39,5**	**37,7**	**(1,8)**	
EBITDA %	*9,5*	*8,4*	*-1,0 ppt*	

Local currency figures

Local currency ml	2006	2007	variance	
Revenues	**696,6**	**730,3**	**33,7**	*+4,8%*
EBITDA	**65,9**	**61,6**	**(4,2)**	
EBITDA %	*9,5*	*8,4*	*-1,0 ppt*	

The local currency (Australian dollar) increased in value by 1.9% compared with the exchange rate applied in 2006. The positive impact of this change on revenues and EBITDA was 8.6 million euros and 0.7 million euros, respectively.

The results of the Australian SBU were heavily penalized by the higher cost and concurrent shortage of milk, which is the raw material for its principal business, with the result that profitability declined both in absolute terms and in percentage terms. All market players were forced to respond to these developments by passing on to consumers the increase in the cost of raw milk, which had a dampening effect on market demand. This situation benefited private labels, as they were able to implement smaller price increases than other producers, thereby exacerbating the competitive pressure created by the shortage and high price of raw milk.

Unit sales were down 5.4% compared with 2006, which a decrease of 7.5% for shipments of pasteurized milk, which account for 76% of the overall sales volume. As for other products, shipments contracted by 6.6% for UHT milk, increased by 2.5% for yogurt and fell by 5.4% for desserts.

In response to this challenging scenario, Parmalat Australia implemented programs to cut the cost of other raw materials (plastics and ingredients), increase efficiency, optimize recipes and improve the sales mix by developing products that incorporate a high value added.

The strategic initiatives launched by the SBU (particularly regarding purchasing and product recipes) have been successful and helped mitigate the impact of unfavorable external factors.

Market and Products

Even though it is considered a mature market, the Australian market for dairy products continues to grow, both in volume and market terms,

Parmalat Australia continued to target the domestic market to distribute its pasteurized milk, milk-based beverages, yogurt and desserts, while exporting products with a long shelf life (UHT milk primarily) to markets in the Pacific regions of Asia.

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

In the fresh pasteurized “white” milk segment of the market, the SBU’s market share decreased compared with the first half of 2006 due mainly to the loss of the sales volumes previously generated by the Norco Pauls joint venture (terminated in July 2006). Even though Parmalat succeeded in retaining a vast majority of the sales generated by this joint venture, some loss was unavoidable following the cancellation of the agreement.

Thanks to its ability to report better results than its competitors and grow at a faster rate than the market as a whole, Parmalat Australia increased its share of the yogurt and desserts segments.

The table that follows shows the market share of the Australian SBU in the main segments in which it operates:

Product	Volume market share
Pasteurized “white” milk	13.9%
Flavored milk	18.7%
Yogurt	13.0%
Desserts	32.2%

Source: Computed based on available market data (main players in the retail chains channel)

Raw Materials and Packaging

In 2007, the supply of raw milk in Australia was affected mainly by two factors: a major drought, particularly in the northern regions of the country where Parmalat buys most of its raw milk; and an increase in global demand for dairy products. Increases in the prices of other production materials (other ingredients and packaging materials) were offset by improving efficiency with projects focused specifically on purchasing.

Manufacturing Organization

Parmalat Australia operates the following six production facilities, which are located mainly in Eastern Australia:

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

Rockhampton: production of pasteurized milk and fruit juices.

Capex expenditures

In the first half of 2007, capital expenditures were used primarily to increase the efficiency of the manufacturing and distribution organizations and improve the sales force. In addition, work continued on a project launched in 2006 to increase manufacturing capacity for products with higher value added (yogurt and desserts).

Central and South America

Venezuela

€ ml	2006	2007	variance	
Revenues	**194,6**	**204,7**	**10,1**	*+5,2%*
EBITDA	**27,8**	**21,0**	**(6,8)**	
EBITDA %	*14,3*	*10,3*	*-4,0 ppt*	

Local currency figures

Local currency ml	2006	2007	variance	
Revenues	**524.563**	**602.401**	**77.838**	*+14,8%*
EBITDA	**74.846**	**61.773**	**(13.073)**	
EBITDA %	*14,3*	*10,3*	*-4,0 ppt*	

The local currency (bolivar) decreased in value by 9.1% compared with the exchange rate applied in 2006. The negative impact of this change on revenues and EBITDA was 18.7 million euros and 1.9 million euros, respectively.

Overall, unit sales decreased by 2.0% compared with 2006, with individual gains of 11.7% for fruit juices (which account for 46% of the total sales volume and are the SBU's main source of growth) and 11.3%, for yogurt. Shipments of cheese were about the same as in the previous year, but unit sales were down 22.0% for pasteurized milk and 52.6% for condensed milk.

Reported EBITDA were adversely affected by an increase in the cost of raw milk and by policies introduced by the Government in February 2007 to control and regulate the prices charged to consumers for pasteurized milk, powdered milk and UHT milk. The elimination of price controls for UHT milk in December 2007 could lead to a much needed increase in the regulated prices for pasteurized and powdered milk and could produce an increase in profitability.

The incidence of fixed industrial costs increased due to a delay in the sale of the Barquisimeto and Machiques factories, which was supposed to take place early in 2007. The Machiques plant was sold to the Venezuelan government in November 2007, concurrently with the signing of a copacking agreement.

Market and Products

The subsidiary operates in a complex political, economic and financial environment, marked by uncertainty. Nevertheless, the Group maintains its commitment to growth, new products development and social commitment with initiatives described in the following paragraph “Corporate Social Responsibility”.

In 2007, the markets for products that are not subject to government price controls, such as juices, yogurt, dairy products and condensed milk, enjoyed strong growth in value terms. The same was not true for pasteurized milk and powdered milk (markets subject to price controls, where the government is increasingly a dominant player), where growth was much more modest.

Compared with 2006, the Venezuelan SBU intentionally shrunk by 4.5 percentage points its share of the pasteurized milk segment in order to minimize the losses generated by this product, which is sold a controlled price, thereby making milk available to manufacture more lucrative products that are not subject to price controls (such as cheese) and addressing the challenge created by the limited market supply of raw milk, for which cheese producers have been bidding aggressively.

The pullback in the area of pasteurized milk had a modest dampening effect on sales of juices, dairy products and yogurt, which are usually sold alongside pasteurized milk to retailers in the "panaderias" channel. However, it is worth noting that following Nielsen's purchase of Datos (the local market survey company) from IRI, the data collection method has changed completely, with the statistical sample concentrated in the supermarket channel, where sales of pasteurized products accounts for just 20% of the total market. This is because the "panaderias" channel (80% of the total market for pasteurized products) is more difficult to survey due to its high degree of fragmentation and high number of retail outlets.

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

Product	Value market share
Juices	21.4%
Condensed milk	28.5 %
Pasteurized milk	21.2 %
Dairy products	34.0%
Powdered milk	12.0 %
Yogurt	23.8 %

Source: ACNielsen (average for 2007)

Raw Materials and Packaging
The increase in the cost of raw milk compared with 2006 is chiefly the result of increased competition in the local market, mainly from cheese producers who are not constrained by controlled consumer prices for their products and, consequently, were able to bid up the price of raw milk. In addition, as a result of growing demand from Asia, the international price of powdered milk also rose compared with 2006. Because of the price controls imposed by the Venezuelan government, the resulting cost increases could not be reflected in sales prices, with a negative impact on profit margins, causing private-sector operators to slash imports.
Overall, the same inflationary trend characterized the prices of all packaging products and imported raw materials. This was due mainly to the restrictions placed by the central government on purchases of foreign currencies at the official exchange rates, forcing many importers to turn to the secondary currency market.

Manufacturing Organization
Following the sale of the Machiques plant to the Venezuelan government in November 2007, the SBU currently operates five main production facilities and is in the process of divesting a sixth factory (Barquisimeto).

Capital expenditures
Capital expenditures in 2007 totaled 4.3 million euros. The largest capital expenditures were earmarked for plants in Miranda (juices, tea, yogurt and fermented milk) and Quenaca (cheese), focusing in particular on improving manufacturing processes at both factories. Accordingly, new fruit juice and yogurt packaging machines were added to increase production capacity and enable these facilities to capitalize on rapidly rising demand in these highly lucrative market segments.

Colombia

€ ml	2006	2007	variance	
Revenues	**108,3**	**122,5**	**14,2**	*+13,2%*
EBITDA	**10,9**	**15,1**	**4,2**	
EBITDA %	*10,1*	*12,3*	*2,3 ppt*	

Local currency figures

Local currency ml	2006	2007	variance	
Revenues	**321.186**	**348.196**	**27.009**	*+8,4%*
EBITDA	**32.390**	**42.995**	**10.605**	
EBITDA %	*10,1*	*12,3*	*2,3 ppt*	

The local currency (peso) appreciated in value by 4.2% compared with the exchange rate applied in 2006. The positive impact of this change on revenues and EBITDA was 5.1 million euros and 0.6 million euros, respectively.

Overall, unit sales decreased by 8.8% compared with 2006, with shipments of pasteurized milk, which account for 79% of the total sales volume, down 9.4%. Unit sales of UHT, which are equal to 7% of total sales, increased by 2.7% compared with 2006, while those of powdered milk, which represent 6% of total unit sales, contracted by 11.4% over the same period.

Market and Products

In the Colombian dairy market, unit sales decreased compared with 2006 due to a scarcity of raw milk caused by the drought and the limited inventories available during 2007. As a result of this situation, the Colombian SBU and the other main market players were forced to raise prices more than the rate of inflation.

Parmalat Colombia is the third largest player in the Colombian market. In the pasteurized milk segment, it is the leader in Bogotá and ranks second in Medellin and Calí.
The Colombian SBU intends to focus its production on items with a higher value added and used advertising aggressively in 2007. Marketing efforts implemented in support of functional products (Zymil, LEN powdered milk and yogurt) produced significant sales gains, both in volume and value terms.

Two new products sold under the Slimm'na brand (a low fat yogurt and a liquid milk) and an Eny-branded powdered milk for children were launched during the second half of 2007.

Product	Volume market share
Pasteurized milk	8.0%
APP (UHT milk bag format)	9.0%
UHT milk (T. Brik format)	12.0%
Powdered milk	13.0%
Yogurt	5.0%
Desserts	3.0%

Source: SBU estimate

Raw Materials and Packaging

Except for the increase in the cost of raw milk, the prices paid to purchase other raw materials did not change significantly, rising in line with the rate of inflation (about 5%).

Manufacturing Organization

Parmalat Colombia has sufficient capacity to meet its projected needs. Pasteurized milk is produced in Bogotá, Calí, Medellin, Baranquilla and Cerete. Powdered milk is manufactured in Chia, Medellin and Cerete. In 2007, in order to achieve a more effective allocation of its manufacturing capacity, the SBU began the process of combining its Bogotà production facilities (used exclusively to produce pasteurized milk) with those in Chia (which have unused capacity).

Capital expenditures

In 2007, the Colombian SBU invested 3.8 million euros to increase the production capacity and improve the efficiency of its facilities. Investments to launch new products are scheduled for 2008.

Nicaragua

€ ml	2006	2007	variance	
Revenues	**26,1**	**23,8**	**(2,3)**	*-8,7%*
EBITDA	**3,5**	**(2,8)**	**(6,3)**	
EBITDA %	*13,5*	*(11,7)*	*-25,2 ppt*	

Local currency figures

Local currency ml	2006	2007	variance	
Revenues	**575,4**	**602,0**	**26,6**	*+4,6%*
EBITDA	**77,6**	**(70,3)**	**(147,9)**	
EBITDA %	*13,5*	*(11,7)*	*-25,2 ppt*	

The local currency (cordoba) decreased in value by 14.6% compared with the exchange rate applied in 2006. The negative impact of this change on revenues and EBITDA was 3.5 million euros and 0.4 million euros, respectively.

The overall sales volume was down 16.5% compared with the previous year. More specifically, shipments of pasteurized milk, which accounts for 72% of the SBU's total sales, were 5.8% higher than in 2006. Unit sales of pasteurized cream, which is the product with the highest profit margin, increased by 9.1%, while those of fruit juices were about the same as in the previous year.

The EBITDA decrease is mainly due to working capital writedowns equal to 3.6 million euros and to raw milk price increases deriving from bad weather conditions.

Market and Products

Parmalat Nicaragua has a leadership position in all of the market segments in which it operates, with the exception of yogurt, cheese and UHT milk (which is a very small segment due to the characteristics of the local market). Nicaragua is viewed as a producer of milk and UHT products for exports to the neighboring countries.
The Nicaraguan SBU plans to concentrate its production on items with a higher value added.

The main products marketed by the Nicaraguan SBU are reviewed below:

- Pasteurized Milk. The SBU has a revenue market share of 83%. In recent years, new producers entered the market pursuing particularly aggressive sales policies. During the first half of 2007, the SBU launched Fresh Milk Cardboard, a product specifically designed for sale in schools.
- UHT Milk. This market is quite small and the SBU's presence is marginal (revenue market share of 6.3%). UHT milk is produced under a copacking arrangement.
- Pasteurized Cream. The SBU's market share is 89% (Eskimo: 4%).
- Fruit Juices. The fruit juice market is also small. However, this is an attractive market in terms of profit margins and growth potential. The SBU has a market share of about 60%. The overall consumption decreased due to price increases.

Products	Value market share
Pasteurized milk	83%
UHT milk	6.3%
Pasteurized cream	89%
Fruit juices	60%

Source: SBU estimate

Raw Materials and Packaging

The entry of new players in the market produced an increase in demand for raw milk, while extremely unfavorable weather conditions reduced supply, causing the price of raw milk to rise.
The cost of orange juice concentrate was also up, due to the hurricanes that earlier had devastated sections of the producing areas, mainly in Florida, Mexico and Central America.

Manufacturing Organization

The Nicaraguan SBU, which operates a production facility in Managua and distribution centers in Managua, Sebaco and Leon, carried out capital investment programs to increase production capacity.

Capital Expenditures

The Nicaraguan SBU used its capital expenditures of 0.2 million euros to increase production capacity (purchase of pasteurized milk production equipment) and comply with new regulations.

Ecuador

€ ml	2006	2007	variance	
Revenues	**3,2**	**6,8**	**3,6**	*na*
EBITDA	**(0,7)**	**0,3**	**1,0**	
EBITDA %	*(20,1)*	*4,4*	*24,5 ppt*	

Local currency figures

Local currency ml	2006	2007	variance	
Revenues	**4,1**	**9,4**	**5,3**	*na*
EBITDA	**(0,8)**	**0,4**	**1,2**	
EBITDA %	*(20,1)*	*4,4*	*24,5 ppt*	

The Ecuadorian SBU, now under Colombian management, is again operating normally. Its biggest challenge will be regaining the confidence of the main distribution channels and customers.
Capital expenditures in 2007 totaled 0.4 million euros.

Market and Products

The Ecuadorian dairy market is fairly stable and currently is not affected by the problems related to the scarcity of raw milk. Nestlé and Gloria, the largest dairy company in Peru, are the dominant players in the milk market.
Production activity is concentrated almost exclusively in the area of basic pasteurized milk. Starting in the second half of 2007, the Ecuadorian SBU shifted the focus of its production effort toward items with greater value added, such as yogurt, powdered milk, condensed milk (imported from Colombia) and Zymil.

Manufacturing Organization

The Ecuadorian SBU operates mainly through a factory in Lasso. A second production facility in Cuenca was put back into service, resuming production of powdered milk in August 2007.

Cuba

€ ml	2006	2007	variance	
Revenues	**3,6**	**2,0**	**(1,6)**	*-43,2%*
EBITDA	**2,0**	**0,7**	**(1,3)**	
EBITDA %	*54,5*	*32,2*	*-22,4 ppt*	

Local currency figures

Local currency ml	2006	2007	variance	
Revenues	**4,5**	**2,8**	**(1,7)**	*-38,0%*
EBITDA	**2,5**	**0,9**	**(1,6)**	
EBITDA %	*54,5*	*32,2*	*-22,4 ppt*	

The reporting currency of the Cuban operations (U.S. dollar) decreased in value by 9.1% compared with the exchange rate applied in 2006. The negative impact of this change on revenues and EBITDA was 0.2 million euros and 0.1 million euros, respectively.

Almost all of the products sold by this Group company were purchased by Parmalat S.p.A.

The decrease in net revenues and EBITDA during 2007 is mainly due to a lower availabilty of raw material that could be purchased from farmers (mainly oranges and grape fruits). The sale prices for concentrated juices processed by the SBU remained substantially in line with previous year prices.

Products

Citrus International Corporation S.A. engages in the production of citrus juices and essential oils. Its principal products are grapefruit juice and orange juice concentrate, fresh juice and essential oils of oranges and grapefruits. Citrus International Corporation S.A. sells primarily to its shareholders (Parmalat SpA and Citricos) and its target markets are Italy (white grapefruit and orange concentrate), Europe in general (pink grapefruit concentrate sold through a Dutch company in which Citricos has an interest) and Mexico (essential oils).

Manufacturing Organization

The company has only one production facility. Its business is seasonal and is carried out during the six months between November and May.

Paraguay

€ ml	2006	2007	variance	
Revenues	**0,0**	**6,4**	**n.s.**	*n.s.*
EBITDA	**0,0**	**(0,2)**	**n.s.**	
EBITDA %	*0,0*	*(3,2)*	*n.s.*	

Having resumed its business activity, this SBU was consolidated into Group in 2007. Consequently, a comparison with the previous year would not be meaningful.

Market and Products

Overall, the Paraguayan dairy market is relatively stable. In 2007, however, it was adversely affected by a drought and the resulting scarcity of raw milk. Parmalat-branded milk is viewed as a premium product in the ultra-pasteurized market segment.

Manufacturing Organization

The subsidiary has a production facility in San Lorenzo where it produces pasteurized milk and cream, UHT milk, fruit juices and yoghurt.

Financial Performance

Financial Position of the Group and Its Main Companies

The Group's net financial position continued to improve in 2007, with the balance changing from net indebtedness of 170 million euros to net financial assets totaling 855.8 million euros. There was also an accentuation of the process of concentrating most of the liquidity at the Group's Parent Company with some of the subsidiaries holding debt positions that are gradually being reduced through scheduled and early repayments.

The primary objectives pursued with the financial transactions executed during the year just ended was to provide the Group with the financial flexibility needed to meet its operating needs and implement its growth strategy.
The conditions under which the Group is being provided financing are consistent with the best market terms, in terms both of interest paid and interest earned.

At December 31, 2007, the Group's liquid assets totaled 1,444.6 million euros (1,239.8 million euros held by Parmalat S.p.A.). As the Group's Parent Company holds no lines of credit, this high level of liquidity serves the purpose of protecting the Group's financial health. This liquidity has been invested primarily in treasury securities and time bank deposits. The liquid assets not held by Parmalat S.p.A. are held by individual Group companies, which invest them in the same instruments as the Parent Company. At the consolidated level, income from securities and bank interest totaled 35.9 million euros, 27.5 million euros of which were attributable to Parmalat S.p.A. The increase in financial income, compared with 2006, is attributable in roughly equal parts to a volume effect (increase in liquid assets) and to a rate effect (higher reference interest rates in the global market).

Indebtedness owed to banks and other lenders decreased significantly, falling from 699.6 million euros at December 31, 2006 to 588.8 million euros at December 31, 2007, due mainly to the ability of the Group's operations to generate sufficient cash flow to pay down indebtedness. The Canadian subsidiary accounts for most of this reduction, having repaid indebtedness totaling 115.5 million Canadian dollars, which included 81.5 million Canadian dollars repaid ahead of schedule.

The Group is not experiencing any financial difficulties and is fully qualified to increase its indebtedness to support growth initiatives.

Change in Net Financial Position

A the end of 2007, the Group's net financial position showed an improvement of 1,025.8 million euros, with the balance changing from net indebtedness of 170.0 million euros at December 31, 2006 to net financial assets totaling 855.8 million euros at December 31, 2007, which includes a positive foreign exchange effect of 5.5 million euros. The net financial position balances include the net indebtedness of the Venezuelan subsidiaries, which totaled 150.7 million euros at December 31, 2006 and 141.6 million euros at December 31, 2007.

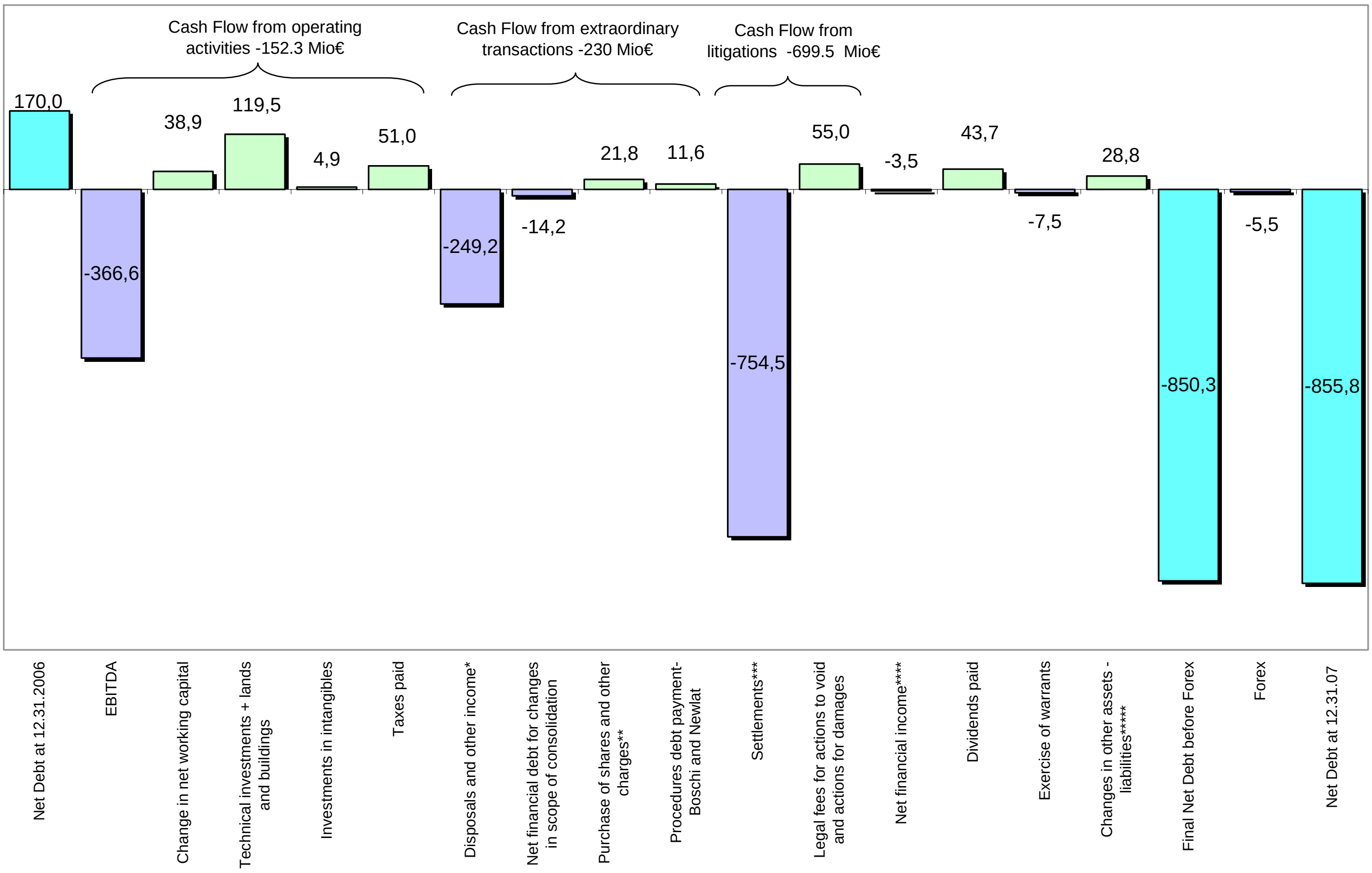
The cash flow from operations, net of changes in net operating working capital and after capital expenditures and income tax payments, amounted to 152.3 million euros.

Net cash flow from non-recurring transactions totaled 230.0 million euros. This amount is the result of a positive effect of 14.2 million euros from the deconsolidation of the Spanish subsidiaries and the consolidation of SATA S.r.l, 11.6 million euros paid to unsecured creditors of Boschi Luigi & Figli S.p.A. and Newlat S.p.A., proceeds of 249.2 million euros generated by the disposal of non-strategic non-current assets and the amount of 21.8 million euros paid for purchases of equity investments and other expenses. The amount of 249.2 million euros relating to disposals includes 187.8 million euros for the Spanish operations, 30.2 million euros for the business operations of Boschi Luigi & Figli S.p.A. and 5.3 million euros for two Portuguese subsidiaries (FIT and Italagro) while the amount of 21.8 million euros for purchases of equity investments and other expenses includes 8.1 million euros disbursed by Parmalat S.p.A. to buy back from the European Bank for Reconstruction and Development (EBRD) the interests held by this bank in a Russian and a Romanian subsidiary and 5.3 million euros invested by Parmalat Australia Ltd to purchase a majority interest in a distribution company.

Cash flows from litigation settlements totaled 699.5 million euros, which is the net result of legal costs amounting to 55.0 million euros and proceeds of 754.5 million euros generated by settlements reached during 2007.

Other items included net financial income of 3.5 million euros, dividend payments totaling 43.7 million euros, proceeds of 7.5 million euros from the exercise of warrants, a net change of 28.7 million euros in other assets and liabilities.

Consolidated Cash Flow Jan 1 - Dec 31, 2007



* Disposal of Spanish operations for 187.8 mln, tomato segment for 35.5 and other minor.
** Purchase of shares in Russian and Romanian subsidiaries for 8.1 mln , Quantum Distribution Services subsidiary for 5.3 mln and other minor charges.
*** Settlements: Intesa Group for 396 mln, BNL for 112 mln, Deloitte for 99.9 (net of legal fees paid for 7.3 mln), Banca Monte for 35, Merril Lynch for 29.1 , BPM for 25, Banca Marche for 22, GKB for 20.8, ING Bank for 8, Calyon for 2.6 , IFIS for 2.0, Parmafactor 1.2, Banco Santander 0.9. The amount does not include income from BPI for 15 mln as it has been used to settle the debt of the same amount.
**** The amount does not include non cash financial income for 4.5 mln.
***** The amount includes utilization of personnel-related provisions for 36.9 mln.

Government Grants and Subsidized Financing

In order to maximize their ability to secure the financial resources needed to support their industrial operations, the Group's Italian companies requested access for several of its facilities construction and research projects to regional, national or EU programs that could entitle them to receive capital grants or subsidized financing. During 2007, the Group collected about 1 million euros. At December 31, 2007, the grants receivable totaled about 15 million euros for projects scheduled for completion by 2009.

Upcoming Commitments and Their Financial Coverage

The Group expects to fund the capital expenditures planned in the various countries in which it does business with resources generated by its operations rather than using its net financial assets.

Managing Business Risks

In the normal course of business, the Group is exposed to the following financial and operational risks:

- Market risk, which is the risk from exposure to fluctuations in interest rates, foreign exchange rates ad commodity prices;
- Credit risk, which is the risk that a counterpart may become insolvent;
- Liquidity risk, which is the risk of being unable to perform the obligations that arise from financial liabilities;
- Operational risk, which is the risk entailed by the possibility that accidents, malfunctions and breakdowns may occur, causing injury to individuals, product quality or the environment, with a negative impact on the income statement and the balance sheet.

The policies adopted to manage financial risks are consistent with the guidelines issued by the Group's Parent Company, which the individual companies have adjusted to meet the specific needs that exist at the local level. These guidelines provide guideposts within which each company must operate and require compliance with specific parameters. More specifically, derivatives can only be used to manage the exposure of cash flows and of balance sheet and income statement items to fluctuations in exchange rates and interest rates. Derivatives can never be used for speculative purposes.

Market Risk

a) Foreign Exchange Risk

The Group has a limited exposure to foreign exchange risk due to the very nature of its core business, which causes most purchases and sales to be made in local currency. The limited foreign exchange risk entailed by commercial transactions is covered with relatively simple hedges, such as forward contracts.

From a more purely financial standpoint, the Group's policy is to require that all bank credit lines or investments of liquid assets be denominated in the local currency of the company in question, unless special reasons cleared with the Group's Parent Company require otherwise. The impact on the income statement of the foreign exchange risk that arises from the translation into the local currency (and then into euros) of indebtedness denominated in U.S. dollars, which is attributable mainly to the Venezuelan companies, was marginal at best in 2007. Moreover, this risk cannot be hedged at this point because the indebtedness of the Venezuelan companies has not yet been restructured.

b) Interest Rate Risk

The exposure to interest risk is managed primarily by balancing fixed-rate debt positions against variable-rate debt positions. Only the Australian and Canadian subsidiaries use instruments in the interest rate swap category to hedge their positions. More specifically, the Canadian companies use cross-currency interest rate swaps, which also provide a foreign exchange hedge for indebtedness denominated in U.S. dollars.

c) Price Risk

The Group is not exposed to the risk entailed by changes in the price of equity securities because its policy does not allow the investment of surplus liquidity in such instruments.

The exposure to price risk related to commodities is managed as part of the procurement process and no financial hedging instrument are used for this purpose.

Credit Risk

The Group has no significant credit risk exposure with regard to its cash and cash equivalent positions, since all of its liquidity is deposited with banks that are rated “investment grade” or invested in short-term Italian treasury securities.
Commercial risk is monitored locally in each country with the goal of ensuring that the quality of the customer portfolio is held at an acceptable level. Due to the limited availability of independent sources to rate the credit worthiness of its customers, each company implements internal procedures designed to minimize the risk entailed by its accounts receivable exposure.
In any case, the exposure to the risk incurred by extending commercial credit is limited at the Group level because the Group’s customers portfolio is spread over many countries and diversified within each country.

Liquidity Risk

Within the Group, liquidity risk is managed mainly locally by the individual companies, which are required to operate in accordance with guidelines provided by the Group’s Parent Company.

Each company manages its cash flows seeking to synchronize cash outflows and inflows so as to optimize its self-financing ability. This process is supported by an ongoing monitoring and control process in which several corporate departments play an active role.

The Group’s Parent Company is kept informed at all times about changes in the projected liquidity of its subsidiaries, so that it may help them find promptly the solutions needed to prevent the occurrence of financial stress. More specifically, in the case of companies that are parties to loan agreements with financial institutions, the Group’s Parent Company supports local management in reviewing compliance with financial covenants and assesses liquidity risk on regular basis to identify actions that may be taken to prevent the risk of default.

Medium- and long-term loan agreements are negotiated by local management, working closely with the Group’s Parent Company, which establishes general principles and must expressly approve the general terms and conditions of these agreements.

In 2007, the Parmalat Group succeeded in significantly lowering its financial risk profile, which made it possible to narrow the spreads charged in loan agreements.

Operational Risk

Providing quality products, protecting the health of consumers and ensuring the full satisfaction of its customers are primary objectives for the Group. To guarantee the quality of its products the Group has adopted a set of procedures and controls (the Parmalat Quality Management System) that cover every aspect of the production process, from the procurement of raw materials to the distribution of finished products.
An ongoing focus on identifying, assessing and minimizing risk is at the foundation of the Parmalat Quality Management System.
Nevertheless, as it is always the case for food industry processes, the Group's manufacturing processes entail the risk of exposure to a potential contamination that can affect both products and packaging materials. This risk could result in the Group having to carry out a costly product recall, with serious harm to the image of Parmalat products and the Group's reputation.
The Product Recall procedures adopted by the Group throughout the world, which have as their main objective the Safety, Protection and Health of Consumers, require full compliance with all relevant regulations and the adoption of principles, standards and solution that constitute the best practices in the food industry.

As part of the policy it has developed to monitor, minimize and transfer the operational risks entailed by its industrial and commercial activities, the Group has established an insurance system that combines master policies negotiated and executed at the Group's headquarters with primary risk policies executed locally. The latter provide immediate coverage, which is supplemented by the master policies when the amount of the claim is greater than the coverage available locally.

* * *

Neither the Parent Company nor its subsidiaries own any Parmalat S.p.A. shares.

* * *

Transactions among Group companies or with related parties were neither atypical nor unusual and were conducted in the normal course of business.
These transactions were carried out on market terms, i.e., on the same terms as those that would be applied by unrelated parties.
Details about individual positions are provided in the notes to the financial statements of Parmalat S.p.A. and the Group.

Tax Issues

In 2007, the Group elected for the first time to file a National Consolidated Tax Return, which is governed by the provisions of Articles 117 to 129 of the Uniform Financial Code.
The companies that have agreed to file a National Consolidated Tax Return include Parmalat SpA, as the consolidating company, and Centrale del Latte di Roma SpA, Padial Srl, Newlat SpA, Carnini SpA, Impianti Sportivi Srl, Dalmata SpA and Boschi Luigi & Figli SpA, as the consolidated companies.
Transactions between the companies included in the return are governed by regulations that have been approved by the Board of Directors of each company.
With reference to fiscal year 2007, the tax consolidation regime has determined a saving of current taxes of about 3,3 millions euros.
Several amendments to the existing legislation were introduced at the end of 2007 as part of the 2008 Budget law. These amendments had an impact both on on business income in general and in the filing of a National Consolidated Tax Return, eliminating certain benefits such as the total tax exemption of dividends and the suspension of the tax liability on transfers of assets (that do not constitute revenues) between companies included in the consolidated tax return.
In accordance with the Budget Law, beginning on January 1, 2008, the corporate income tax (IRES) rate decreased from 33% to 27.5% and the local tax (IRAP) rate decreased from 4.25% to 3.9%. This reduction in tax rates had an impact both on the existing deferred-tax assets and liabilities at December 31, 2006 and on the additional deferred-tax assets and liabilities recognized in 2007. The combined effect of these two factors had a positive impact on the income statement of about 754,000 euros.
Among the more significant changes that have an impact on the taxation of business income, the elimination of Schedule E.C., which was used in the uniform tax return form to list non-accounting deduction, is worth mentioning.
The Budget Law also allows taxpayers to realign the amount at which assets are carried for reporting purposes and for tax purposes, when these amounts have become misaligned due to non-accounting deductions, against payment of a substitute tax.
It is also worth noting that the law allows taxpayers who have adopted the IAS/IFRS accounting principles to deduct for tax purpose the amortization of intangibles with an indefinite life, which for reporting purposes must be tested for impairment on a regular basis and cannot be amortized.
Lastly, new regulations have been introduced with regard to the deduction of interest expense and the “Thin Capitalization” and “Pro rata Asset Allocation” rules have been eliminated.
In practice, starting in 2008, companies will be allowed to deduct interest expense only for the amount by which it exceeds interest income and the deductible amount may not be greater than 30% of a company gross operating income. Special benefits may be available to companies that file a National Consolidated Tax Return, since the deductibility of interest expense can be determined on a consolidated basis.

Streamlining the Corporate Chain of Control

The main objectives of the process of streamlining and simplifying the chains of corporate control are:

- Optimize the flow of dividends from the operating companies to Parmalat S.p.A.;
- Eliminate the largest possible number of non-operating companies, with the added benefit of ensuring a more transparent and readily understandable corporate structure.

The following results have been achieved thus far:

- The number of companies included in the Group was drastically reduced in 2006, falling from 171 at December 31, 2005 to 130 at the end of 2006 (124 excluding changes in the scope of consolidation). As of the approval of the 2007 Annual Report, their number had decreased to 91 (68 excluding changes in the scope of consolidation).

Research and Development

During 2007, the Group's research and development activities, which focused on developing new products, working in some instance with universities and research institutions, were supported by investments totaling several million euros.

Consistent with our Mission and the guidance provided by the scientific community, and in response to the nutritional needs of consumers, Parmalat was the first company in Europe to develop a line of functional milk products that, in addition to being nutritious, help improve overall health.

In pursuit of these objectives, we made further progress in the development of scientifically and clinically tested proprietary and unique "formulas" that can deliver greater and/or more effective health benefits.

Nutraceutic Products

Project Heart

A recently developed Omega-3 milk is characterized by the addition of a mix of functional products that can contribute to reducing the risk of developing a number of major heart diseases and help maintain a healthy heart.

The effectiveness of this product will be tested by Istituto Scientifico Universitario San Raffaele, in Milan, which will conduct a clinical trial in cooperation with the Farmacology Department of the School of Pharmacy at the University of Milan. The trial will involve the enrollment of 330 participants who will drink 500 milliliters of this milk a day for eight weeks. The trial is expected to show decreases in triglycerides and cholesterol, increases in EPA and DHA (Omega-3) levels and reductions in some cardiovascular risk factors.

Intestinal Regularity Project

Parmalat developed Fibresse, which is milk fortified with soluble fiber (SOF) and vitamins. Fibresse's beneficial effect was tested in a symptomatology study. In addition, a clinical trial carried out by the Federico II University in Naples has shown that the fiber added to milk in Fibresse helps the body absorb calcium, thereby increasing the intake of this natural and important "functional mineral."

Probiogenomics

Microorganisms for Better Health Project

Parmalat, working in cooperation with the Department of Genetics, Anthropology and Evolution at the University of Parma, developed a project with innovative procedures and objectives: to develop and characterize, at the genome level, microorganisms that potentially could have a beneficial effect on human health.

This project will provide Parmalat with proprietary probiotic strains, with genetically proven properties, which can be used to prepare food items (fermented milk, beverages, etc.) that can meet fully all safety, quality and effectiveness requirements.

This project also includes clinical trials and functional genomic analyses to assess the probiotic function of the abovementioned strains and their interaction with a human host.

Human Resources

Group Staffing

The table below provides a breakdown by geographic region of the employees of Group companies that were consolidated line by line at December 31, 2007 and a comparison with the data at December 31, 2006.

Total payroll by geographic region		
Geographic region	**December 31, 2007**	**December 31, 2006**
Italy	2,940	3,074
Europe excluding Italy	1,383	1,321
Canada	2,974	2,961
Central and South America	3,607	3,730
Africa	2,237	2,225
Australia	1,432	1,452
Subtotal (on a comparable scope of consolidation basis)	**14,573**	**14,763**
Available-for-sale assets	-	1,332
Newly consolidated companies	148	-
Total	**14,721**	**16,095**

In 2007, the Group implemented a series of programs that, by restructuring its organization at the operational level, helped increase efficiency, with an attendant reduction in staffing levels. The only exceptions were the Russian and Romanian operations, where revenue growth made it necessary to add personnel at some operational units.
Most of the instances of staff downsizing that resulted from internal reorganization and restructuring programs occurred in Central and South America, particularly in Venezuela where the Machiques factory has been sold and the Barquisimeto factory has been restructured. In Italy, the process of streamlining the Group's organization continued in pursuit of the objectives set forth in the Industrial Plan.

The decrease in the total number of Group employees also reflects the net impact of extraordinary transactions that included, on the one hand, an addition of 148 employees due to the reinclusion of Parmalat Paraguay into the scope of consolidation and, on the other, a reduction of 1,609 employees due to the sale of Parmalat España, in Spain, and the business operations of Boschi Luigi, in Italy.

Union Relations

In 2007, the companies of the Parmalat Group continued to pursue a policy based on an ongoing dialog and constructive engagement when discussing with the labor unions issues related to reorganization and restructuring programs and the renewal of labor agreements. An overview of the main developments of 2007 is provided below.

In Italy, the main events were the renewal of the national collective bargaining agreement for food workers and the completion of the Restructuring Plan launched in 2006, which produced a staff reduction of 250 employees.
In Canada, contract negotiations were completed successfully for the Belleville, Brampton and Winnipeg production facilities and the Laval and Longueil warehouses. The duration of these contracts varies between two and five years, depending on the location. In Australia, three-year contracts were signed for the Rockhampton and Nambour facilities and, in South Africa, Parmalat and the unions signed an agreement that establishes the rules and procedures that must be followed in the collective bargaining process and will govern the relations between the parties. In Colombia, the Company and the unions renewed a collective bargaining agreement that will remain in force until August 2008.

Management and Development of Human Resources

The Company believes that the professional development and motivation of its employees are essential if it is to achieve its objectives and implement its business strategies.
Accordingly, it adopted management policies that, consistent with the principles set forth in its corporate Mission and Values, are primarily designed to attract, retain and motivate quality human resources.
The fulcrum of the Group's management policy is the empowerment of its human resources, which is pursued with the joint deployment of compensation and training policies.

The compensation levels are based on a compensation policy that is always consistent with local market conditions and the specific business needs of each local company. This policy is supplemented by a merit-based incentive system based on the achievement of predetermined targets. Performance is assessed by means of a performance appraisal system, which is linked with a compensation and benefit program and management incentive program that have been adopted by all Group companies.
Thanks to this detailed and homogeneous system, Parmalat has been able to identify the Group's key resources. Consequently, it is familiar with their profiles and is able to apply appropriate compensation policies that are fair both internally and externally.

Employee training is left to the discretion of local managers, who are best able to implement programs that are consistent with the specific needs and objectives of local companies.
The Group is still in the process of developing appropriate methods for identifying talented and high-potential resources.

Communications

Parmalat has established a new corporate website for improved corporate communications where it is possible to access information about Group events directly online, understand better its business, contact the Company directly, review its management organization and consult operating and financial data.
In order to improve internal communications, the Group developed an Extranet.

Corporate Social Responsibility

The principles of social responsibility set forth in Parmalat's Mission Statement and in its Values have been endorsed in different actions, consistently with the perceived priorities within the communities in the respective geographical regions. In Italy, South Africa, Venezuela and Nicaragua educational activities, in particular nutritional education projects, have been implemented, while in Canada the actions taken were mainly oriented towards environmental sustainability.

Corporate Governance

Issuer's Governance Structure and Profile

Governance Structure

The Company's system of corporate governance consists of a series of rules and activities that it has adopted to ensure that its governance bodies and control systems function efficiently and transparently. This Report was prepared in accordance with the provisions of the Code of Conduct published by Borsa Italiana and is consistent with best international practices. It describes the practice of corporate governance at Parmalat S.p.A. in 2007.

Parmalat adopted the Code of Conduct published by Borsa Italiana S.p.A. (hereinafter referred to as the "Code"). Parmalat's Board of Directors approved a separate code of conduct, which in this Report is cited as the "Parmalat Code of Conduct" and it will be better explained at the following paragraph 3.2.2.

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, apart, Independent Auditors (outside entity).

The Corporate Governance model also includes a series of powers, delegations of power, and internal control procedures, as well as the Parmalat Code of Conduct, a Code of Ethics, the Internal Dealing Handling Code and the Organization, Management and Control Model required by Legislative Decree No. 231/01, each approved by the Board of Directors, with which all members of the Company — Directors, Statutory Auditors and employees — are required to comply.

This Report is also available on the Company website (www.parmalat.com → Corporate Governance page) and is included in the 2007 Report on Operations.

Group's mission

The Group's mission is set forth in the Code of Ethics, which is available on the Company website: www.parmalat.net → Corporate Governance page.
The Code of Ethics encompasses all of those principles that, having been enunciated in general form, must then be embodied in the rules, standards and procedures that govern Parmalat's individual operations. Thus, the Code of Ethics provides a standard of behavior that all associates (including Directors, employees and all those who, irrespective of the legal nature of their relationship with the Group, operate under its management or oversight) are required to comply with and cause others to abide by. The values and rules of conduct set forth in the Code of Ethics provide the foundation for the Group's corporate culture, which emphasizes attention to qualitative excellence pursued through continuous technological innovation, with the goal of providing consumers with maximum guarantees and protection. The provisions of the Code constitute a tool that can be used to safeguard the Group's reliability, assets and reputation and ensure that all counterparts are treated with respect. Therefore, the Parmalat Code of Ethics should be applied by all Group companies in Italy and abroad, taking into account cultural, political, social, economic and commercial differences. The Code of Ethics is divided into three sections. The Group's Mission is set forth in the first section.

The strategy pursued by Parmalat Group is based on the identification of a clear mission in the global market. Parmalat intends to consolidated its position as a primary player both domestically and internationally. The mission of the Parmalat Group is as follows:
"The Parmalat Group is an Italian food-industry group with a multinational strategy that seeks to increase the well-being of consumers throughout the world. The ultimate purpose of the Group is to create value for its shareholders while adhering to ethical principles of business conduct, to perform a useful social function by fostering the professional development of its employees and associates, and to serve the communities in which it operates by contributing to their economic and social progress.

We intend to establish Parmalat as one of the top players in the global market for functional foods with high value added, which deliver improved nutrition and wellness to consumers, and attain clear leadership in selected product categories and countries with high growth potential for the Group.
Milk and dairy products and fruit beverages, foods that play an essential role in everyone's daily diet, are key categories for the Group."

Share Capital and Shareholders

Share Capital

On October 1, 2005, upon the Court approving the Proposal of Composition with Creditors of the Parmalat Group Under Extraordinary Administration, all of the assets (with a few specific exceptions) of the companies that were parties to the Proposal of Composition with Creditors (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 and Newco Srl) 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 Parmalat S.p.A.

In exchange for acquiring the assets listed above, Parmalat S.p.A. assumed, among other undertakings, the obligation toward the creditors of the Parmalat Group Under Extraordinary Administration to proceed (through Fondazione Creditori Parmalat) with the process of issuing the shares allocated to eligible unsecured creditors and distribute shares and warrants to the abovementioned creditors in accordance with the provisions of the Proposal of Composition with Creditors.

As of February 29, 2008, following the distribution of shares in the manner described above, the Company's approved share capital amounted to 2,025,087,908 euros, of which 1,661,207,690 euros had been subscribed, allocated as follows:

33,162,487 shares, equal to 2.0% of the share capital, are still held on deposit by Parmalat S.p.A. A breakdown of these shares is as follows:

- 13,388,617 shares, equal to 0.8% 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;
- 19,773,870 shares, equal to 1.2% 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.;
  - 19,653,870 shares, equal to 1.2% of the share capital, which belong to creditors who have not yet claimed them.

As of the same date, a total of 86,714,112 warrants had been issued, 9,814,421 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, if the case maybe, an amount that could reach 2,025,087,908.00 euros, which was approved by the Shareholders' Meeting on April 28, 2007, or until the expiration of the warrant conversion deadline, i.e., December 31, 2015.

Shareholder Base

Based on the data contained in the Stock Register, the communications received pursuant to law and other information available as of February 29, 2008, the shareholders listed on the table that follows are believed to own, either directly or through representatives, nominees or subsidiaries, an interest in the Company that is greater than 2% of the voting shares. The ownership percentages shown have been computed based on a share capital of 1,661,207,690 euros, which is the amount deposited as of February 29, 2008.

	Significant equity investments			
Shareholder	No. of shares	Pledged shares		Percentage
		No. of shares	Percentage	
JP Morgan Chase & Co. Corporation	**49,997,275**			**3.010%**
Société Generale Asset Management UK Ltd	**48,540,624**			**2.922%**
Capital Research and Management	**46,641,900**			**2.808%**
Fir Tree, Inc.	**43,753,261**			**2.634%**
Total for the Intesa S. Paolo Group	**40,274,358**			**2.424%**
breakdown: Intesa Sanpaolo SpA	*36,930,518*	*411,658*	*0.00025*	*2.223%*
other banks of the Sanpaolo IMI Group	*3,343,840*			*0.201%*
Deutsche Bank AG	**33,924,745**			**2.042%**
TOTAL SHAREHOLDERS WITH SIGNIFICANT EQUITY INTERESTS	**263,132,163**			**15.840%**

Information About Ownership Issues (as per Article 123-bis of the Uniform Financial Code)

As of the date of approval of this Report:

a) Share Capital Structure
At February 29, 2008, the Company's share capital amounted to 1,661,207,690 euros. The share capital consists of common shares, all of which convey all of the rights and obligations required pursuant to law.

b) Restrictions on the Transfer of Shares
There are no restrictions on the transfer of shares, such as limitations on stock ownership or the requirement that the transfer be approved by the Issuer or other owners of the securities.

c) Shareholder Base and Shareholders with Significant Equity Interests
Information about this issue is provided in Section 2.2 above.

d) Securities that Convey Special Rights
No securities that convey special control rights have been issued.

e) Employee Stock Ownership: Method of Exercising Voting Rights
There is no employee stock ownership plan.

f) Restrictions of the Right to Vote
There are no restrictions of the right to vote.

g) Shareholders' Agreement
Parmalat is not aware of any shareholders' agreements, as defined in Article 122 of the Uniform Financial Code.

h) Election and Replacement of Directors
Information about this issue is provided in Section 3.1 below.

i) Authorizations to Increase Share Capital and Authorizations to Buy Treasury Shares
The Board of Directors has not been authorized to increase the Issuer's share capital, as required by Article 2443 of the Italian Civil Code.

The Shareholders' Meeting has not authorized the purchase of treasury shares, as required by Articles 2357 and following of the Italian Civil Code

j) Significant Agreements
For some of the Group's companies, the signing of agreements that contain "change of control clauses" is part of the normal process of negotiating major contracts. A review pertaining to this issue was carried out with regard to Parmalat S.p.A. and its subsidiaries. Only Parmalat Canada indicated that it was a party to an agreement with a "change of control clause", pursuant to which lenders would be paid an amount equal to 10% of Parmalat Canada's equity value in the event of a change of control.

k) Indemnities Payable to Directors in the Event of Resignation or Dismissal Without Just Cause or if the Relationship Is Terminated Due to a Tender Offer
Parmalat is not a party to any agreements with Directors calling for the payment of indemnities in the event of resignation or dismissal without just cause or if the relationship is terminated due to a tender offer.

Board of Directors

Composition and Election

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.

As required by Article 11 of the Bylaws, as amended by the Board of Directors on February 7, 2008, in addition to a slate of candidates, the shareholders must file, no later than 10 days prior to the Shareholders' Meeting, affidavits by which each candidate accepts to stand for election and attests, on his responsibility, that there is nothing that would bar the candidate's election or make the candidate unsuitable to hold office and that he has met the requirements for election to the respective office. Each candidate must file a curriculum vitae together with his affidavit, listing his personal and professional data and, if applicable, showing his suitability for being classified as an independent Director.

On the occasion of Shareholders' Meetings convened to elect new corporate governance bodies, the Board of Directors must urge shareholders to file slates of candidates to the Board of Directors within the 15 (fifteen) days deadline recommended by Borsa Italiana Spa in the Code of Conduct approved on March 2006, even though the deadline set forth in the Bylaws will remain at 10 (ten) days.

The election of the Board of Directors will be carried out in the following manner:

a) A number of Directors in proportion to the number of votes received plus two, but not more than 9 (nine), will be taken from the slate that received the majority of votes. Fractions greater than 0.5 (zero point five) will be rounded to the next higher whole number, and fractions smaller than 0.5 (zero point five) will be eliminated;

b) The remaining Directors will be elected from the remaining slates. To that end, the votes cast for these lists will be divided in sequence by one, two, three or four, depending on the number of Directors that need to be elected. The quotients thus obtained will be attributed progressively to the candidates in each of the slates, in the order in which the candidates are listed on the slates. The quotients thus attributed to the candidates on the various slates will be arranged in decreasing order. The candidates with the highest quotients will be elected. If more than one candidate receives the same quotient, the candidate belonging to the slate that contains no elected Directors or the smallest number of elected Directors will be elected.

If none of these slates contains an elected Director or all contain the same number of elected Directors, the candidate who received the highest number of votes will be elected. If candidates receive the same number of slate votes and the quotient is the same, the Shareholders' Meeting will be asked to vote again, and the candidate who receives a plurality of the votes will be elected.

If the group of candidates elected from the slate that received the majority of the votes cast does not include a sufficient number of independent Directors, the non-independent candidate elected with the smallest quotient from the slate that received the highest number of votes after the first slate will be replaced by the unelected independent candidate from the same slate with the highest quotient, and so forth, slate by slate, until the required number of independent Directors is reached.

If only one slate is filed or no slates are filed or the election concerns only a portion of the Board of Directors, the Shareholders' Meeting will vote with the applicable statutory majorities and in accordance with the provisions Article 11, Paragraph 2, of the Bylaws.

If one or more Directors should leave office in the course of the fiscal year, irrespective of the reason, the Board of Directors will proceed in accordance with provisions of Article 2386 of the Italian Civil Code. If one or more the departing Directors had been elected from a slate containing names of candidates who had not been elected, the Board of Directors will replace the departing Directors by appointing candidates taken in sequence from the slate of the departing Director, provided these candidates are still electable and are willing to serve. If an independent Director should leave office, he must be replaced, to the extent that it is feasible, with the first of the unelected independent Directors in the slate from which the departing Director was drawn.

Whenever the majority of the members of the Board of Directors elected by the Shareholders' Meeting leave office for any cause or reason whatsoever, the remaining Directors who have been elected by the Shareholders' Meeting will be deemed to have resigned and their resignation will become effective the moment a Shareholders' Meeting convened on an urgent basis by the Directors still in office elects a new Board of Directors.

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 of the Bylaws.

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 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.

The table that follows lists the Directors who were in office as of the writing of this Report and the posts they held at publicly traded companies; financial, banking and insurance institutions; and large businesses. The current Board of Directors was elected by the Shareholders' Meeting on November 8, 2005 and will remain in office up to the date of the Shareholders' Meeting convened to approve the annual financial statements at December 31, 2007. This Meeting has been convened for April 8, 2008 on the first calling and April 9, 2008, if a second calling is necessary.

There was no change in the composition of the Board of Directors between the end of the year and the date when this Report is being submitted for approval.

The Directors currently in office were elected based on a slate of candidates filed by the following investors: *Lehman Brothers International (Europe), Lehman Brothers Bankhaus AG, Angelo, Gordon & Co. LP, Cargill Financial Markets Plc, D. E. Shaw Laminar Portfolios L.L.C, D.E. Shaw Laminar International Inc, DK Distressed Opportunities International Ltd, GLG Credit Fund, GLG Market Neutral Fund, Harbert Distressed Investment Master Fund Ltd and Strategic Value Master Fund Ltd.* The abovementioned slate was published in *Il Sole 24 Ore,* an Italian newspaper, on October 31, 2005.

Name of Director	***Board Post in Parmalat***	***Posts held at other companies (as defined by Criterion 1.C.2 of the Code) that are not part of the Parmalat Group***
Raffaele Picella	Chairman	➢ 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 Ferroviari S.p.A.
Enrico Bondi	Chief Executive Officer (*)	
Vittorio Mincato	Independent Director	➢ Chairman of Poste Italiane SpA ➢ Indipendent Director of FIAT SpA
Marco De Benedetti	Independent Director	➢ Director of Cofide SpA
Piergiorgio Alberti	Independent Director	➢ Indipendent Director of Finmeccanica SpA
Andrea Guerra	Independent Director	➢ Chief Executive Officer of Luxottica SpA ➢ Director of BNL
Carlo Secchi	Independent Director	➢ Indipendent Director of Pirelli & C. SpA ➢ Independent Director of Tangenziali Esterne di Milano (TEM) SpA ➢ Indipendent Director of Allianz SpA ➢ Indipendent Director of Mediaset SpA ➢ Director of Italcementi SpA
Massimo Confortini	Independent Director	➢ Indipendent Director of Caltagirone Editore SpA ➢ Director of Cementir SpA
Marzio Saà	Independent Director	➢ Director of Eridano Finanziaria Spa ➢ Indipendent Director of Juventus Club SpA ➢ Director of Same Deutz-Fahr Group SpA ➢ Director of Società Italiana Tecnodinamica LA PRECISA SpA
Erder Mingoli	Independent Director	➢ Chairman of the Board of Directors of Lucchini Sidermeccanica SpA ➢ Chairman of the BoD of Lucchini UK Ltd ➢ Chairman of the BoD of Lucchini Sweden AB ➢ Chairman of the BoD of Lucchini Poland Sp. Z.O.O.
Ferdinando Superti Furga	Independent Director	➢ Chairman Board of Stat. Auditors of Fininvest SpA ➢ Chairman of the Board of Directors of Banca Infrastrutture Innovazione e Sviluppo SpA ➢ Chairman of the Board of Statutory Auditors of Arnoldo Mondadori Editore SpA ➢ Statutory Auditor of Edison SpA ➢ Statutory Auditor of Telecom Italia SpA ➢ Chair. Board of Stat. Auditors of Publitalia'80 SpA ➢ Indipendent Director MolMed SpA ➢ Deputy Chairman of the Board of Directors of Immit SpA

(*) Also serves as Chairman of Fondazione Creditori Parmalat.

Information about the personal and professional backgrounds of the Directors referred to in Article 144-*octies,* Letter b.1), of the Issuers' Regulations, as cited in Article 144-*decies,* of the Issuers' Regulations, is available on the Company website: www.parmalat.net → Corporate Governance → Board of Directors page.

Independence

The requirement of independence is governed by Article 12 of the Bylaws. This article is one of the so-called "locked" articles of the Bylaws, which are articles the provisions of which cannot be amended until the financial statements for the year ended December 31, 2009 have been approved, unless an amendment is approved by a vote cast on the first calling or on a subsequent calling by shareholders representing at least 95% of the share capital. This requirement made it impossible to officially adopt the Code's requirements. The other articles of the Bylaws the amendment of which requires the same voting quorum are listed in the final paragraph of Article 10 of the Bylaws.

Each independent Director certified that he qualified as independent pursuant to the Bylaws when his name was placed in nomination. These qualifications were checked individually by the Board of Directors at the first Board meeting after the election and were reviewed again by the Board of Directors at its meeting of May 14, 2007. At that meeting, which was attended by the entire Board of Statutory Auditors, the Directors performed the independence verification process in a manner consistent with the recommendation set forth in Section 3.C.1 of the Code of Conduct published by Borsa Italiana, which requires that substance rather than form be the guiding principle when assessing the independence of non-executive Directors, taking also into account the criteria set forth in Section 3.C.1 of the Code. The outcome of this review was communicated to the market on May 14, 2007.

The current Board of Directors includes nine independent Directors, which is more than the minimum number of independent directors required pursuant to Article 11 of the Bylaws.

In 2007, the independent Directors met separately from the other Directors on one occasion.

Board Evaluation

In addition to checking whether non-executive Directors qualified as independent, the Board of Directors also performed a process of self evaluation with regard to the size, composition and operating procedures of the Board itself and its Committees, which it concluded with a positive overall rating. The board evaluation process was carried out by requesting that all members of the Board of Directors fill out a questionnaire by which they assessed the Board's performance in terms of the parameters referred to above and provided suggestions about the inclusion of members with professional qualifications that could prove useful to the Board. Prior to its use, the self-evaluation questionnaire was submitted for review to the Internal Control and Corporate Governance Committee, which handled the preparatory phase of the board evaluation process. The Committee also reviewed the findings provided by the questionnaires and discussed them in a report that was submitted to the Board of Directors prior to a vote on the relevant resolution.

Guidelines About the Maximum Number of Governance Positions

At its meeting of December 11, 2007, the Board of Directors expressed its views with regard to the maximum number of posts that may be held on Boards of Directors of publicly traded companies; financial, banking and insurance institutions; and large businesses compatibly with the obligation to serve effectively as a Director of Parmalat.

More specifically, the Board of Directors — taking into account: i) the composition and rules of operation of the current Board of Directors; ii) the high level of attendance by the Directors at the meetings held by the Board of Directors and its Committees; iii) the obligations of Directors, as set forth in Article 13 of the Bylaws and Article 4 of the Parmalat Code of Conduct (which must be used subjectively as a source of guidance by Directors when accepting to serve on the Board) — provided an indication as to the maximum number of governance positions that may be held compatibly with the obligation to serve effectively as a Director of Parmalat SpA, in accordance with the Section 1.C.3 of the Code, stating that Directors may not serve on more than five (5) Boards of Directors or Boards of Statutory Auditors (including the Board of Directors of Parmalat SpA) of companies whose securities are traded on a regulated market in Italy or abroad. The Board of Directors also stated that, in exceptional cases, this limit may be changed (both downward or upward) by means of a resolution approved by the Board of Directors. This resolution, which shall be disclosed in the Annual Report on Corporate Governance, must explain the reason for the change, based on considerations that take into account the size, organization and ownership relationships that exist between the companies in question.

Lead Indipendent Director

The Company did not appoint a Lead Independent Director because it does not meet the requirements for the establishment of such a position, as set forth in Section 2.C.3 of the Code of Conduct.

Non-compete Obligation

As a rule, the prior approval of the Shareholders' Meeting is not required to waive the non-compete obligation set forth in Article 2390 of the Italian Civil Code.

Chairman and Chief Executive Officer

On November 15, 2005, the Board of Directors appointed Raffaele Picella Chairman of the Board of Directors 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.

As of the writing of this Report, no management powers have been delegated to the Chairman of the Board of Directors and he does not perform a specific function in the development of Company strategies. The role of the Chairman of the Board of Directors is governed by Article 14 of the Bylaws and Article 5 of the Parmalat Code of Conduct, which is available on the Company website: www.parmalat.net → Corporate Governance page.

The specific duties of the Chairman of the Board of Directors include:

- convening meetings of the Board of Directors, determining the meeting's Agenda and, in preparation for the meetings, transmitting to the Directors, as expeditiously as appropriate based on the circumstances, the materials required to participate in the meeting with adequate knowledge of the issues at hand;
- supervising the meeting and the voting process;
- handling the preparation of Minutes of the meeting;
- ensuring that there is an adequate flow of information between the Company's management and the Board of Directors and, more specifically, ensuring the completeness of the information that the Board uses as a basis for making its decisions and exercising its power to manage, guide and control the activities of the Company and the entire Group;
- ensuring that the Board of Directors and the Board of Statutory Auditors are provided with adequate information ahead of meetings of the Board of Directors;
- in general, ensuring that the Company is in compliance with the provisions of all laws and regulations, and with the Bylaws and the corporate governance rules of the Company and its subsidiaries; is responsive to the regulations and conduct guidelines issued by the entity governing the regulated market where the Company's shares are traded, and adheres to best industry practices.

The Chairman of the Board of Directors is not the person who is chiefly responsible for managing the Issuer and is not the Issuer's controlling shareholder.

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, within the limits imposed by the applicable laws and excluding those transactions that fall under the sole jurisdiction of the Board of Directors, which have been specifically listed. In this area, the Board of Directors reserved sole jurisdiction over the review and approval of transactions that have a material impact on the Company's operations, particularly when they involve a related party. The criteria to identify such transactions are listed in the abovementioned Parmalat Code of Conduct approved by the Board of Directors.

At each meeting 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, the use of the powers of attorney he has been granted and the material transactions not requiring the prior approval of the Board of Directors that were executed by the Company and its subsidiaries.

In the performance of their duties, the Directors reviewed the information provided by the Chief Executive Officer, specifically asking the CEO to provide clarifications, in-depth analyses and additional information as may have been necessary and appropriate for a complete and accurate assessment of the facts brought to the attention of the Board of Directors.

In order to help the Directors gain greater insight into the Company's organization and its businesses, the respective Chairmen invited Company executives, mainly from Operations, Consolidated Financial Statements and Reports, and Human Resources, to attend meetings of the Board of Directors and the Board Committees (Nominations and Compensation Committee and Internal Control and Corporate Governance Committee) for the purpose of discussing and analyzing in greater detail specific Company issues. The subjects that were reviewed and discussed, on occasion with the assistance of an outside expert, included the Company's market positions and its potential and strategies.

Functions of the Board of Directors

Functions of the Board of Directors

In the Corporate Governance system adopted by Parmalat SpA, 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 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;
- 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 Board of Directors, during the meeting held on the July 25, 2007 based on the input provided by the Internal Control and Corporate Governance Committee with regard to the need to officially clarify the manner in which the recommendations set forth in the Code are being implemented, explained that, concerning issues that are exclusively under the jurisdiction of the Board of Directors, the Board of Directors, in discharging its obligations, substantively:

- reviews and approves the strategic, industrial and financial plans of the Company and the Group, as well as the Company's corporate governance system and the Group's structure;
- assesses the effectiveness not only of the organizational and administrative structure, but also the general accounting system of the Company and its strategically significant subsidiaries, as developed by the Chief Executive Officer, particularly with reference to the internal control system and the handling of conflicts of interest;
- monitors and assesses the overall performance of the Group's operations, based primarily on the information provided by the Chief Executive Officer, and compares on a regular basis reported results against planned results;
- reviews and approves in advance transactions executed by the Company and its subsidiaries when these transactions have a material impact on the Company's strategy, income statement, balance sheet or financial position, paying special attention to situations in which one or more Directors may have an interest directly or on behalf of third parties and, more specifically, to transactions with related parties. In

this area, the Board of Directors has already provided in the Directors' Code of Conduct general guidelines to identify material transactions.

More specifically, non-executive Directors provided major contributions to the proceedings, drawing on general strategic knowledge and specific technical skills they acquired outside the Company. This body of knowledge made it possible to analyze issues from different perspectives and contributed to the development of a lively discussion, which is the hallmark of a collegial, reasonable and informed decision making process.

The Parmalat Code of Conduct

The Code of Conduct approved by the Board of Directors of Parmalat S.p.A. on March 1, 2005, reserves for the exclusive jurisdiction of the Board of Directors all 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 and identifies for this purpose the following transactions that may be executed by Parmalat S.p.A. or its subsidiaries:

- Placements of issues of financial instruments with a total value of more than 100 million euros;
- Granting of loans and guarantees, investments in and disposals of assets (including real estate) and acquisitions and divestitures of equity investments, companies, businesses, assets and other property valued at more than 100 million euros;
- Mergers and demergers, when at least one of the parameters listed below, when applicable, is equal to or greater than 15%:
  a) Total assets of the absorbed (merged) company or assets that are being demerged/total assets of the Company (taken from the consolidated financial statements, if available);
  b) Profit before taxes and extraordinary items of the absorbed (merged) company or assets earmarked for demerger/income before taxes and extraordinary items of the Company (taken from the consolidated financial statements, if available);
  c) Total shareholders' equity of the absorbed (merged) company or business earmarked for demerger/total shareholders' equity of the Company (taken from the consolidated financial statements, if available).

  Mergers of publicly traded companies and mergers between a publicly traded company and a privately held company are always deemed to be material operating, financial and asset transactions.

Information must also be provided about transactions that, while on their own involve amounts lower than the threshold listed above or that trigger the exclusive jurisdiction of the Board of Directors, are linked together in a strategic or executive project and taken together exceed the materiality threshold.

Consequently, transactions such as those listed above are not covered by the powers that the Board of Directors granted to the Chief Executive Officer on November 11, 2005.

The Parmalat Code of Conduct is available on the Company website: www.parmalat.net → Corporate Governance page.

A version updated on July 25, 2007 of the table that shows the other requirements of the Code of Conduct approved by Board of Directors of Parmalat S.p.A. is provided on the following page.

Additional Requirements of the Code	Yes	No	**Brief explanation of the reason for not following the Code's recommendations**
System for the Delegation of Powers and Transactions with Related Parties			
Did the BoD delegate powers defining:			
a) the scope of the powers	X		
b) the manner in which they may be exercised	X		
c) the reporting intervals	X		
Has the BoD reserved jurisdiction over reviewing and approving transactions that could have a material effect on the Company's operating performance, balance sheet or financial position (including transactions with related parties)?	X		
Has the BoD defined guidelines and criteria to identify "material transactions"?	X		
Are these guidelines and criteria described in this Report?	X		
Has the BoD established specific procedures for the review and approval of transactions with related parties?	X		
Are the procedures for the approval of transactions with related parties described in this Report?	X		
Latest procedures for the election of Directors and Statutory Auditors			
Were the slates of candidates to the post of Director filed at least 15 days before the Shareholders' Meeting?		X	The Bylaws were recently amended to make them consistent with the provisions of Article 144-*octies* of the Issuers' Regulations. When the election of the Board of Directors is on the Agenda of a Shareholders' Meeting, the Board of Directors must recommend that the slates of candidates and the candidates' affidavits agreeing to stand for election be filed at least 15 days before the date of the Shareholders' Meeting, convened on the first calling, and that the slated be published in at least two national newspapers and the *Financial Times* at least 10 days before the abovementioned date. Article 11 of the Bylaws.
Were the slates of candidates to the post of Director filed together with adequate information?	X		
Were the slates of candidates to the post of Director filed together with affidavits by the candidates attesting that they qualified as independent Directors?	X		
Were the slates of candidates to the post of Statutory Auditor filed at least 15 days before the Shareholders' Meeting?		X	The Bylaws were recently amended to make them consistent with the provisions of Article 144-*sexies* of the Issuers' Regulations. When the election of the Board of Statutory Auditors is on the Agenda of a Shareholders' Meeting, the Board of Directors must recommend that the slates of candidates and the candidates' affidavits agreeing to stand for election be filed at least 15 days before the date of the Shareholders' Meeting, convened on the first calling, and that the slated be published in at least two national newspapers and the *Financial Times* at least 10 days before the abovementioned date.
Were the slates of candidates to the post of Statutory Auditor filed together with adequate information?	X		
Shareholders' Meetings			
Did the Company approve Shareholders' Meeting regulations?		X	For the time being, the Company has not proposed the adoption of specific Shareholders' Meeting regulations because it believes that the power attributed by the Bylaws to the Chairman of the Meeting are sufficient to maintain an orderly performance of Shareholders' Meetings, thereby avoiding the risks and inconveniences that could result, should a Shareholders' Meeting fail to comply with Meeting regulations. Pursuant to article 10 of the Bylaws, the Chairman of the Meeting is responsible for ascertaining whether the Meeting has been properly convened,

Additional Requirements of the Code	Yes	No	Brief explanation of the reason for not following the Code's recommendations
			managing the progress of the Meeting and discussion of the items on the Agenda and verifying voting results.
Are these Regulations annexed to this Report?		X	
Internal Control			
Did the Company appoint Internal Control Officers?	X		
Are these Officers hierarchically independent of operational managers?	X		
Is there an organizational unit responsible for the internal control system (as per Article 9.3 of the Code)?	X		
Investor Relations			
Did the Company appoint and Investor Relations Officer?	X		
Contact information			Cristina Girelli - Tel: +39 0521 808550 E-mail: c.girelli@parmalat.net

Meetings 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. When necessary, the Chief Executive Officer may ask Company executives to attend Board meetings to provide useful information about the items on the Agenda.

In 2007, the Board of Directors met 12 times. The attendance percentage of each Director is listed below:

R. Picella	100.0%
E. Bondi	100.0%
P. Alberti	83.34%
M. Confortini	83.34%
M. De Benedetti	83.34%
A. Guerra	58.33%
V. Mincato	100.0%
IE. Mingoli	91.67%
M. Saà	100.0%
C. Secchi	100.0%
F. Superti Furga	100.0%

Six meetings of the Board of Directors have been planned for 2008. As of the date of approval of this Report, the Board had already met three times.

A calendar of Board meetings that will be convened to review annual and interim results is communicated to Borsa Italiana in January and published on the Company website: www.parmalat.com → Investor Relations→ Press Releases page.

The Company has agreed to disclose promptly any changes to the dates listed in the press release it published on January 29, 2008.

Handling of Corporate Information

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.
This procedure, which was adopted in 2005, is used both to manage insider documents and information internally and to communicate them outside.

Among other issues, the abovementioned procedure 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. The purpose of this procedure is to ensure that corporate information is not disclosed selectively, at an inappropriate time or in incomplete or inadequate form.

As part of this procedure, the Company established the Register of Parties that Have Access to Insider Information required pursuant to Article 115-*bis* of the Uniform Financial Code. In accordance with this procedure, which complies with the requirements of Issuers' regulations published by the Consob, the Company is required to maintain such a Register, which is operated with a special software. The Register was prepared in accordance with Consob guidelines in order to provide an accurate flow of corporate information. Accordingly, it contains the following data: identity of each individual who has access to insider information on a regular or occasional basis; the reason why each person is entered in the Register; and the date when information about each person was last updated.

Lastly, the Company adopted an Internal Dealings Handling 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. Significant Persons are required to sign a special affidavit stating that they are thoroughly familiar with and accept the Internal Dealing Handling Code.
None of the Directors and Statutory Auditors of Parmalat SpA helds, nor has ever hold, any equity investment in Parmalat as indicated in the enclosed Annex "sub B".

Internal Committees of the Board of Directors

The establishments of Internal Committees is governed by Article 18 of the Bylaws. The rules governing the operation of the Committees have been approved by the Board of Directors and they can be integrated or modified with some approval of the Board of Directors.

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.
These Committees are:

- Litigation Committee;
- Nominations and Compensation Committee;
- Internal Control and Corporate Governance Committee.

The composition, activities and rules of operation of these Committees are explained in detail below.
Individuals who are not Committee members may be invited to attend Committee meetings to provide their input with regard to specific items on the Agenda.
Minutes are kept of each Committee meeting and the minutes are recorded in a special Minutes Book.

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 Corporate Counsel of Parmalat SpA 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 ahead of the meeting that has the issues in question on its Agenda.

In 2007, the Litigation Committee met 10 (ten) times. Each meeting was attended by all Committee members, who reviewed all settlement proposals prior to their approval by the Board of Directors

Nominations and Compensation Committee

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

The specific functions of this Committee include the following:
- It submits proposals to the Board of Directors regarding the appointment of a Chief Executive Officer 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.

In 2007, the Nominations and Compensation Committee met twice. All Committee members — Carlo Secchi, Marco De Benedetti and Marco Guerra — attended both meetings. At those meetings, the Committee reviewed the program for the management and development of the corporate staff.

Compensation of Directors

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."

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, acting upon a proposal by the Nominations and Compensation Committee, approved a resolution that set the individual compensation of its members and of the Chief Executive Officer. This information is provided in a schedule annexed to this Report, Annex sub "A" entitled "Compensation of Directors and Statutory Auditors."

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 are 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.

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[*] These are rules concerning corporate governance and the obligation to oversee and assess the overall performance of the Company's operations.

- 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.

In 2007, the Internal Control and Corporate Governance Committee met 9 (nine) times. Each meeting was attended by all Committee members and by the Chairman of the Board of Statutory Auditors. The Committee reviewed the valuation criteria and accounting principles applied to prepare the income statement and balance sheet prior to their submission to the Board of Directors, the Group's independent audit plan, the annual internal audit plan, the projects carried out to implement the Company's governance rules (including the appointment of the Internal Control Officer, as required by Law No. 262/05), the programs launched in connection with Legislative Decree No. 231/2001 and those concerning market abuse, focusing on the implementation of the Register of Parties that Have Access to Insider Information required pursuant to Article 115-*bis* of the Uniform Financial Code. The programs related to Legislative Decree No. 231/2001 are discussed in greater detail in Section 10 below on the Internal Control System.
The Committee also provided the Board of Directors with a report reviewing the effectiveness of the internal control system.

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 the applicable statutes; 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 in the statutory 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.

Specifically, the Group's internal control system performs two distinct functions at the operational level:
- Line control, which includes all of the control activities that the Group's individual operating units and companies apply to their processes. These control activities are a primary responsibility of operational managers and are deemed to be an integral part of all Company processes.
- Internal auditing, which is performed by a separate Company organization. The purpose of the internal auditing function is to help the Risk Management office identify and minimize the different types of risks to which the Company is exposed. It accomplishes this goal by monitoring line controls in terms of their effectiveness and the results they produced.

The Board of Directors uses the support of the Internal Control and Corporate Governance Committee to ensure that the guidelines provided above are complied with.
The Board of Directors asked the manager of the Group Internal Audit Office to also serve as Internal Control Officer. The Internal Control Officer is hierarchically independent of executives that oversee operational departments and reports directly to the Chief Executive Officer. The Internal Control Officer provides information on a regular basis to the Internal Control and Corporate Governance Committee and the Board of Statutory Auditors.
Essentially, the Chief Executive Officer is the executive Director who is responsible for ensuring that the internal control system referred to in Criterion 8.3.5 of the Code is functioning effectively.
Consistent with the requirements of the Code of Conduct published by Borsa Italiana (Implementation Criterion 8.C.1, Letter a), the Company launched a risk assessment program that will lead to a better and more specific identification of the main operating processes with the goal of identifying and managing risks, both individually by each department and at the Group level by the Board of Directors.

The internal control system has been upgraded with the adoption of the Organization and Management Model required by Legislative Decree No. 231/2001. The Board of Directors also appointed an Oversight Board that, in accordance with the abovementioned Decree, will be responsible for overseeing the implementation of the Model. The members of the Oversight Board are an independent Director (Marzio Saà), a Statutory Auditor (Mario Magenes) and the Internal Audit Manager (Francesco Albieri). The Oversight Board adopted internal regulations that were approved by the Board of Directors. The Board of Directors, after hearing the input of the Board of Statutory Auditors, appoints the members of the Oversight Board based on requirements that include professional background, competence, integrity, autonomy and independence. The reasons that would make a candidate unelectable to the Oversight Board include: (i) having been barred or disqualified from holding public office, filed for bankruptcy or received a sentence that includes being barred (even if temporarily) from holding public office or disqualifies the defendant from holding a management position; (ii) having been convicted of one of the crimes referred to in the abovementioned Decree.
A member of the Oversight Board may be removed from office only if there is sufficient cause to justify such cause and the removal decision must be set forth in a resolution approved by the Board of Directors, based on the input provided by the Board of Statutory Auditors.
In 2007, the Oversight Board met four times. It analyzed issues related to the effectiveness and efficiency of the Model, reviewed the findings of audits that it performed on processes that are relevant to the implementation of the Model, the structure of outgoing and incoming information flows and the coordination of the various Oversight Boards established within the Parmalat Group. On February 2, 2007, the Board of Directors agreed to establish a separate budget earmarked for use by the Oversight Board.

In 2007, the Group completed the implementation of Organization, Management and Control Models at its main Italian subsidiaries and the Company's Board of Directors approved guidelines for its foreign subsidiaries. These guidelines set forth principles of business conduct and organizational rules that are consistent with the Group's Code of Ethics and should be applied to corporate processes that are relevant for the purposes of Legislative Decree No. 231/2001. Each company is required to adopt these principles and rules, compatibly with the relevant provisions of local laws.

In addition, the organizational model used by Parmalat and its Italian subsidiaries is being upgraded to address an expansion of the range of prosecutable offenses, particularly with regard to the provisions of Law No. 123/07, which holds companies liable for crimes committed in violation of occupational safety laws (Law No. 626/94)

Lastly, the Company completed a project to map the main risks entailed by the preparation of financial reports. This effort was necessary to comply with the requirements of Law No. 262/05, as amended by Legislative Decree No. 303/06, particularly with regard to the provisions concerning the function of the Corporate Accounting Documents Officer.

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.

By a resolution approved on April 28, 2007, the Shareholders' Meeting agreed to extend the audit assignment of PricewaterhouseCoopers for an additional six years, i.e., until the approval of the financial statements at December 31, 2013, as allowed by Legislative Decree No. 303/06.

Corporate Accounting Documents Officer

The Corporate Accounting Documents Officer must meet the following requirements: (i) he must have served as a corporate executive for at least 5 year; (ii) he must have worked in the accounting or control areas or served in another management function at a corporation with a share capital of at least 2 million euros; and (iii) he must meet the law's standards of integrity and professionalism. These requirements are set forth in Article 20-*bis* of the Bylaws.

As part of the process of appointing a Corporate Accounting Documents Officer (hereinafter the Documents Officer), as required by Article 154-*bis* of the Uniform Financial Code (Legislative Decree No. 58/98), the Company found that its Chief Financial Officer was the person best qualified to meet the requirements of the Uniform Financial Code, as amended. The appointment of the Documents Officer, which falls under the jurisdiction of the Board of Directors, was carried out by a resolution that the Board of Directors, acting with the support of the Board of Statutory Auditors and of the Internal Control and Corporate Governance Committee, approved on July 25, 2007. At the same meeting, the Board of Directors approved guidelines to govern the tasks assigned to the Documents Officer; the manner in which the Documents Officer is appointed, is terminated or dismissed; the powers and resources awarded to the Documents Officer; and the relationships between the Documents Officer and other corporate governance bodies and departments.
As of the date of approval of this Report, the Board of Directors had approved the 2008 expense budget for the Documents Officer, who is required to report to the Board of Directors at least semiannually about the use of his budget.
Consistent with the scope of the powers and functions allocated to him, the Documents Officer may exceed the limits of the approved budget to address specific and demonstrable needs, provided he is expressly authorized by the Board of Directors. In cases of clearly urgent needs, the Documents Officer may be awarded spending authority beyond his assigned budget without requiring the prior approval of the Board of Directors, if the unnecessary passing of time would be prejudicial to the attestations required pursuant to Article 154, Section 2 and 5, of the Uniform Financial Code.
The Documents Officer is part of the senior management team and is a member of the Chief Executive Officer's staff. The Documents Officer must be allowed to organize his activity with maximum autonomy.
The Chief Executive Officer must ensure that all accounting and financial data forwarded by the subsidiaries to the Documents Office that may have an impact on the Company's semiannual financial statements, statutory financial statements and consolidated financial statements or which may otherwise be certified by the Documents Officer pursuant to Article 154-*bis*, Section 2, be accompanied by an affidavit signed by the Chief Executive Officer, Country Manager or Accounting Manager of each subsidiary certifying that: i) adequate accounting and administrative procedures that are consistent with the guidelines provided by the

Documents Officer have been adopted; ii) these procedures were actively used during the period covered by the accounting data; iii) the accounting data are consistent with the entries in the accounting and other business records; and iv) the accounting data provide a truthful and fair representation of the balance sheet, income statement and financial position of the company that they represent.

The Documents Officer was appointed for an undetermined term of office. In other words, he will serve until his appointment is revoked or he resigns.

Consequently, the Documents Officer can be automatically removed from his office only in the following cases: i) he is terminated as an employee of the Company or of a company in the Parmalat Group by which he was employed; or ii) he no longer meets the integrity requirements he possessed when he was appointed. If the Documents Officer is a Company Director, he will be automatically removed from his office upon ceasing to be a Company Director, unless he is also an employee of the Company or of another Parmalat Group company.

The Documents Officer can also be dismissed by the Board of Directors. In such cases, the dismissal must be justified and the requirements of Article 2383 of the Italian Civil Code that apply to the dismissal of Directors must be met.

If the Documents Officer is removed or dismissed, the Board of Directors shall take action promptly and urgently to appoint a replacement.

Guidelines for Transactions with Related Parties

Consistent with the provisions of the Code, the Board of Directors has established a special process to review and approve transactions with related parties.
More specifically, the Board of Directors is responsible for verifying that transactions in which a Director has a personal interest, either directly or for the benefit of a third party, are executed transparently and in a manner that is fair both substantively and procedurally.

Transactions with related parties, including intra-Group transactions, must be approved in advance by the Board of Directors, except for typical or regular transactions (i.e., transactions that in view of their purpose, type, characteristics or conditions are part of the Company's normal course of business and do not entail particular problems because of their characteristics or the risks presented by the counterpart or the timing of their execution) or transactions executed on standard terms.

Transactions that require the approval of the Board of Directors are transactions that, because of their purpose, amount involved or implementation timing could have an impact on the safety of the Company's assets or on the fairness or completeness of accounting and other information. Special attention is paid to transactions that involve an amount greater than 50 million euros and to transactions of a lesser amount that are executed on non-standard terms.

When justified by the type or characteristics of a transaction, in order to avoid executing it on unfair terms, the Board of Directors may request 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 conditions and/or fairness of the transaction.
In choosing the abovementioned experts, the Board of Directors must approach individuals of proven professional skill and competence in the applicable subject area, and their independence and lack of conflict of interest must be checked carefully. In the most significant cases, in keeping with the principles of independence, the Board of Directors must use different experts for each related party.

Because Articles 9.4 and 14 of the Parmalat Code of Conduct already set forth detailed guidelines to identify such transactions and the actions that must be taken; for this reason, the Board of Directors did not approve a special procedure in this area.

Election 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 accordance with Article 21 of the Bylaws, the slates of candidates filed by shareholders must be deposited at the Company's registered office at least 15 days before the date of the Shareholders' Meeting, convened on the first calling. The additional procedures required to file slates of candidates and the eligibility to file such slates are governed by Article 11 of the Bylaws, insofar as they are not in conflict with the provisions of Article 144-*sexies,* Section 5, of the Issuers' Regulations.

Together with each slate of candidates, shareholders must file and publish affidavits by which each candidate accepts to stand for election and attests, on his responsibility, that there is nothing that would bar the candidate's election or make the candidate unsuitable to hold office and that he has met the requirements for election to the respective office. Each candidate must file a curriculum vitae together with his affidavit, listing his personal and professional data.

Statutory Auditors can also be selected among candidates who qualify as independent based on the criteria provided in the Code for Directors. The Board of Statutory Auditors will verify compliance with these criteria after the election and, subsequently, once a year. The results of this review process shall be disclosed in the Annual Report on Corporate Governance.

Individuals who, pursuant to laws or regulations, are not electable, are no longer allowed to remain in office or lack the required qualifications may not be elected Statutory Auditors and, if elected, must forfeit their office. The requirements of Article 1, Section 2, Letters b) and c), and Section 3 of Ministerial Decree No. 162 of March 30, 2000 apply when a candidate's professional qualifications refer, respectively, to the Company's area of business and to the fields of law, economics, finance and technology/science.

In addition to the other cases listed in the applicable law, individuals who serve as Statutory Auditors in more than 5 (five) companies whose shares are traded in regulated markets in Italy or who are in one of the situations described in the last paragraph of Article 11 of the Bylaws may not be elected Statutory Auditors and, if elected, must forfeit their office.

Statutory Auditors

The current Board of Statutory Auditors was elected at the Shareholders' Meeting of November 8, 2005. It will remain in office until the Shareholders' Meeting convened to approve the financial statements at December 31, 2007. A Shareholders' Meeting has been convened for April 8, 2008, on the first calling, and, if necessary, for April 9, 2008, on the second calling. None of the members of the current Board of Statutory Auditors have been elected by minority shareholders because only one slate was filed when elections were held in 2005.

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

Alessandro Dolcetti *Chairman*
Enzio Bermani
Mario Magenes

and the following two Alternates:

Marco Benvenuto Lovati
Massimo Colavolpe

The table that follows lists the posts held by Statutory Auditors (*):

Name of Director	***Board Post in Parmalat***	***Posts held***
Alessandro Dolcetti	Chairman	➢ Chairman of the Statutory Auditors Enìa SpA ➢ Statutory auditor Salov SpA
Enzio Bermani	Statutory auditor	➢ Chairman of the Statutory Auditors Sistemi di Energia SpA ➢ Statutory auditor Cimberio SpA ➢ Chairman RCS Investimenti SpA
Mario Magenes	Statutory auditor	➢ Chairman of the Statutory Auditors Fibe SpA ➢ Statutory auditor Aedes SpA ➢ Statutory auditor Magneti Marelli Powertrain SpA ➢ Statutory auditor Magneti Marelli Sistemi Elettronici SpA ➢ Statutory auditor Fenice SpA ➢ Statutory auditor Eurofly Service SpA ➢ Statutory auditor Attijariwafa Finanziaria SpA ➢ Statutory auditor Investimenti e Sviluppo Holding Srl ➢ Statutory auditor Aedes Added Value S.G.R.p.A. ➢ Statutory auditor Aedes Servizi SpA ➢ Sole Director Verim Srl

The Statutory Auditors currently in office were elected based on a slate of candidates filed by the following investors: *Lehman Brothers International (Europe), Lehman Brothers Bankhaus AG, Angelo, Gordon & Co. LP, Cargill Financial Markets Plc, D. E. Shaw Laminar Portfolios L.L.C, D.E. Shaw Laminar International Inc, DK Distressed Opportunities International Ltd, GLG Credit Fund, GLG Market Neutral Fund, Harbert Distressed Investment Master Fund Ltd and Strategic Value Master Fund Ltd.* The abovementioned slate was published in *Il Sole 24 Ore,* an Italian newspaper, on October 31, 2005.

The Statutory Auditors currently in office, in addition to meeting the requirements of independence set forth also in the Code, also meet the statutory requirements of integrity and professionalism. The Statutory Auditors has checked the independence criteria according to the criterion 10.C.2 of the Code during the meeting on 16 October 2007.

Information about the personal and professional backgrounds of the Statutory Auditors referred to in Article 144-*octies,* Letter b.1), of the Issuers' Regulations, as cited in Article 144-*decies* of the Issuers' Regulations, is annexed to this Report, Annex sub "C" (available only in Italian).

In 2007, on the occasion of the Annual shareholders' Meeting convened to approve the Annual Report, the Board of Statutory Auditors submitted a motion recommending that the assignment to audit the Company's financial statements granted to PricewaterhouseCoopers Spa be extended to cover the period from 2008 to 2013, as allowed by Article 159 of Legislative Decree No. 58 of February 24, 1998, as amended by Article 3 of Legislative Decree No. 303 of December 29, 2006.
The Board of Statutory Auditors provided opinions with regard to additional assignments awarded to PriceWaterhouseCoopers and monitored its independence.

In 2007, the Board of Statutory Auditors worked in close cooperation with the Internal Control and Corporate Governance Committee. The Chairman of the Board of Statutory Auditors attended all Committee meetings. In addition, a Statutory Auditor (M. Magenes) is a member of the Oversight Board established pursuant to Legislative Decree No. 231/01 and attended all Oversight Board meetings.

(*) we remind you that the Statutory Auditors have been elected before the changes in the "Regolamento Emittenti" which establishes the maximum number of positions.

In the performance of its duties, the Board of Statutory Auditors makes it a practice to coordinate its activities with the Internal Audit Department.

Lastly, as part of the tasks that it is required to perform pursuant to law, the Board of Statutory Auditors checked that the verification criteria and procedures adopted by the Board of Directors to assess the independence of its members were being properly applied.

The Board of Statutory Auditors met 18 times in 2007. The full Board attended each of these meetings.

The compensation payable to the Board of Statutory Auditors, which was approved by the Shareholders' Meeting on November 8, 2005, is outlined in a schedule annexed to this Report, Annex sub "A" entitled "Compensation of Directors and Statutory Auditors."

Relationship with Shareholders

Parmalat's communication policy is based on maintaining an ongoing dialog with institutional investors, shareholders and the market in general. The objective pursued by this approach to communications is to ensure the dissemination of complete, accurate and timely information in a manner that prevents the occurrence of "timing differences" in the disclosure of information and ensures that the same information is made available at the same time to all shareholders.

The ongoing disclosure of information to investors, the market and the media is achieved by means of press releases; regular meetings with institutional investors, the financial community and the media; and documents that are posted on the Company website: www.parmalat.net.

The Company supports any initiative that encourages the largest possible number of shareholders to attend Shareholders' Meetings and helps them exercise their rights. Accordingly, it publishes all Notices of Shareholders' Meetings in the *Official Gazette of the Italian Republic*, two Italian newspapers with national circulation and the *Financial Times,* and makes material with relevant information available on its website at least 15 days before the date of each Shareholder's Meeting.

In addition to the opportunities provided by the Shareholders' Meetings, the Company's dialog with its shareholders and institutional investors continues on the occasion of regular meetings with the financial community organized by the Investor Relations Office, headed by C. Girelli, and with the support of the Corporate Affairs Office.

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.

Pursuant to the Bylaws (Articles 8, 9 and 10), Shareholders' Meetings are convened by means of a notice published in the Official Gazette of the Italian Republic and in two of the following newspapers: *Corriere della Sera, La Repubblica* or *Il Sole 24 Ore*, as well as in the *Financial Times*.

In addition, the Company provides the public with information about the items on the Meeting's Agenda by making relevant material available at its headquarter, communicating it to Borsa Italiana through the NIS system and posting it on its website.

Only shareholders who have deposited their shares, or the corresponding certifications, at the Company's registered office or at the banks listed in the Notice of Shareholders' Meeting at least two days in advance may attend the Meeting.

If the Company accesses the equity capital market, Shareholders' Meetings may be attended by shareholders who received from the Company the communication required by Article 2370, Section Two, of the Italian Civil Code at least two days prior to the date of a single Shareholders' Meeting, and who, on the date of the Meeting, can produce the requisite certification, unless the Notice of Meeting allows attendance by shareholders who are entitled to vote and can prove their right to do so in the manner required by the statutes currently in force, without the need to make deposits or communications ahead of time.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors. If the Chairman is absent, Meetings are chaired by the Deputy Chairman.

Insofar as the handling of Shareholders' Meetings is concerned, the Company has chosen 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 Shareholders' Meetings. This approach avoids the risks and inconveniences that could result if the Shareholders' Meeting should fail to comply with all of the provisions of such Regulations.
Pursuant 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.

On the occasion of the Shareholders' Meeting, the Board of Directors reported on its past and planned activities and answered specific questions asked by shareholders. The Board has strived to provide shareholders with ample disclosures about issues that are relevant to the process of making informed decisions about matters over which the Shareholders' Meeting has jurisdiction.

Changes Occurring Since the End of the Reporting Year

The Company's system of corporate governance has not changed during the period between the end of the reporting year and the date when this Report was submitted for approval.

Information About Compliance with the Code

This Report also serves the purpose of providing a detailed disclosure of the Company's compliance with the recommendations of the Code and lists any deviations from said recommendation, providing reasons for these deviations that are consistent with Section IA.2.6 of the Instructions for the Regulations of the Markets Operated by Borsa Italiana.

ANNEX "A"

Compensation of Directors and Statutory Auditors

On November 8, 2005, the Shareholders' Meeting approved a resolution granting to the Board of Directors a total annual compensation of 1,000,000.00 euros. On December 15, 2005, the Board of Directors allocated this amount as follows:

- To each Director a fixed fee of €20,000.00 and a variable fee of up to €20,000.00, based on the percentage of attendance at Board meetings, as follows:
  - ➢ for less than 50% attendance €0;
  - ➢ for an attendance between 50% and 70% €10,000.00;
  - ➢ for an attendance greater than 70% €20.000.00;
- For the Chairman an additional fee of €210,000.00;
- For the Chief Executive Officer and additional fee of €350,000.00.

In addition, Directors who serve on Board Committee receive an attendance fee for each meeting amounting to 5,00 euros for the Committee Chairman and 3,000 euros for the other Committee members.

Compensation for 2007 – Amounts in thousands of euros

Directors	Fixed annual fee	Variable fee	Committee attendance fee	Oversight Board fee	Total compensation for posts held at the company preparing annual financial statements at 12/31/07	Non-cash benefits	Bonus and other incentives	Other compensation
Raffaele Picella	230	20			250			
Enrico Bondi	370	20			390			
Vittorio Mincato	20	20	30		70			
Marco De Benedetti	20	20	6		46			
Piergiorgio Alberti	20	20			40			
Andrea Guerra	20	10	6		36			
Carlo Secchi	20	20	37		77			
Massimo Confortini	20	20	50		90			
Marzio Saà	20	20	45	10	95			
Erder Mingoli	20	20			40			
Ferdinando Superti Furga	20	20	57		97			
	780	**210**	**231**	**10**	**1.231**	**===**	**===**	**===**

Statutory Auditors								
Alessandro Dolcetti	50				50			
Enzio Bermani	35				35			
Mario Magenes	35			10	45			
	120	**===**	**===**	**10**	**130**	**===**	**===**	**===**

On November 8, 2005, the Shareholders' Meeting also approved the annual compensation payable to the members of the Board of Statutory Auditors, as follows: 50,000 euros for the Chairman and 35,000 euros for each Statutory Auditor.

Annex "B"

Equity Investments held by Members of the Corporate Governance Bodies

FIRST AND LAST NAME	INVESTEE COMPANY	NUMBER OF SHARES HELD at January 1, 2007	NUMBER OF SHARES BOUGHT in 20067	NUMBER OF SHARES SOLD in 2007	NUMBER OF SHARES HELD at December 31, 2007
Directors					
Raffaele Picella	---	---	---	---	---
Enrico Bondi	---	---	---	---	---
Massimo Confortini	---	---	---	---	---
Marco De Benedetti	---	---	---	---	---
Ferdinando Superti Furga	---	---	---	---	---
Andrea Guerra	---	---	---	---	---
Vittorio Mincato	---	---	---	---	---
Piergiorgio Alberti	---	---	---	---	---
Erder Mingoli	---	---	---	---	---
Marzio Saà	---	---	---	---	---
Carlo Secchi	---	---	---	---	---
Statutory Auditors					
Alessandro Dolcetti	---	---	---	---	---
Enzio Bermani	---	---	---	---	---
Mario Magenes	---	---	---	---	---

Annex “C”

Personal and professional background of the Statutory Auditors

ALESSANDRO DOLCETTI – Presidente del Collegio Sindacale

Nato a Cortina d’Ampezzo (BL) il 18 agosto 1962. Laurea con lode in Economia Aziendale all’Università di Venezia nel 1986. E’ iscritto all’Albo degli Esercenti la libera professione di Dottore Commercialista e nel Registro dei Revisori Contabili. Svolge attività professionale a favore di società industriali e finanziarie, dedicandosi principalmente ad operazioni di riorganizzazione industriale, acquisizioni e problematiche di *corporate governance*. Ha studio in Roma, Via di San Basilio 72, presso lo studio legale Simmons & Simmons, di cui è *of counsel*. Nel 1986 è entrato nel Gruppo Pirelli – settore pneumatici, occupandosi, a Milano e a Francoforte, di *financial controlling e key account management*. Dal 1994 al 2004 ha svolto attività di consulenza societaria e tributaria presso lo studio legale tributario Fantozzi & Associati.

ENZIO BERMANI – Sindaco Effettivo

Nato a Casalbeltrame (NO) il 17 luglio 1931. Laurea in Economia e Commercio conseguita presso l’Universita Bocconi di Milano. E’ iscritto nel Registro dei Revisori Contabili . Dopo il 2000, Amministratore Delegato di RCS Investimenti SpA e Sindaco in varie società Dal 1983 fino al 1999 nel Gruppo Fila con la mansione di Direttore Amministrazione, Finanza, Controllo e Sistemi. Nel 1993, quotazione della società al NYSE (New York Stock Exchange) e nomina a *Chief Financial Officer.* Amministratore Delegato di Fila Sport S.p.A. dal 1995 al 1999 e membro di numerosi Consigli di Amministrazione di società del Gruppo. Fino al 1983 sviluppo di carriera nel Gruppo B.P.D. fino alla carica di Vice Direttore Generale, Responsabile di Amministrazione, Finanza, Controllo, Sistemi e Personale della società S. Andrea Novara S.p.A.

MARIO MAGENES – Sindaco Effettivo

Nato a Milano il 7 aprile del 1945. Laureato in Giurisprudenza all’Università degli Studi di Milano. Iscritto nel Registro dei Revisori Contabili. Partner fondatore di IAM International Advising & Managing S.r.l. società costituita alla fine del 2004 da un team di mangers che, dopo aver maturato significative esperienze in importanti gruppi industriali, hanno deciso di unirsi per offrire una risposta alle esigenze gestionali e di sviluppo delle aziende, in molteplici aree aziendali (*Corporate Finance, Corporate Governance,* Amministrazione e Controllo, Organizzazione e Personale *Temporary management*). Dal 1999 al 2004 in HDP SpA (ora RCS Mediagroup SpA) ha ricoperto la posizione di Direttore Amministrazione, Fiscale e Bilancio Consolidato. Precedentemente, per 25 anni in Fiat S.p.A. ha ricoperto diversi incarichi nell’area amministrativa, sino ad assumere la responsabilità della Direzione Amministrazione, Bilancio e Pianificazione Fiscale di Fiatimpresit S.p.A.

Key Events of 2007

Settlement with Deloitte & Touche S.p.A. and Dianthus S.p.A.

On January 12, 2007, the action for damages filed by Parmalat against Deloitte & Touche S.p.A and Dianthus S.p.A. and their countersuits against Parmalat in the same proceedings were settled out of court. Under the terms of the settlement, Deloitte and Dianthus will pay Parmalat S.p.A. consideration amounting to US$149 million. As part of the settlement the parties agreed to withdraw all pending actions and claims.
On February 20, 2007, the New York Court issued an order granting a motion by which Deloitte & Touche S.p.A. and Dianthus S.p.A., and by Deloitte & Touche LLP, Deloitte & Touche USA LLP, Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Auditores Independentes asked the Court to issue an order regulating the relationships among jointly liable debtors (contribution bar).
As a result of the abovementioned order, the settlement became final and the amount payable to Parmalat S.p.A. became due. It was collected on schedule on February 23, 2007.

Settlement with the Banca Popolare di Milano Group

On February 2, 2007, the disputes arising from the actions to void in bankruptcy that Parmalat filed against Banca Popolare di Milano and Cassa di Risparmio di Alessandria and the action for damages brought by the Company against Banca Akros, as well as the lawsuit filed by Banca Akros against its exclusion from Parmalat's sum of liabilities, were settled out of court with two contracts structured as follows:
A) First Contract
BPM, acting also on behalf of Cassa di Risparmio di Alessandria, agreed to pay to Parmalat a total of 25 million euros to settle the actions to void in bankruptcy filed by Parmalat. The amount of the settlement was determined based on the fact that the actions to void in bankruptcy covered 34 million euros, which were never paid. BPM and Cassa di Risparmio di Alessandria waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amounts and will not file any further motions seeking inclusion among the sum of liabilities of Parmalat and other companies of the Parmalat Group.
B) Second Contract
Banca Akros agreed to withdraw the lawsuit it filed against its exclusion from Parmalat's sum of liabilities, it being understood that only the portion attributable to Banca Akros is being settled.

Settlement with The Nutrition Consortium Ltd.

A dispute between Ault Foods Ltd. (now Parmalat Dairy and Bakery Inc.) and The Nutrition Consortium Ltd. (TNC) that was pending before the Superior Court of Quebec, Canada, was settled out of court on February 6, 2007. The dispute was related to damage claims put forth by TNC, which alleged that Ault Foods Ltd. had cancelled unilaterally and without justification an exclusive distribution contract that the parties executed in 1996. Under the settlement, TNC agreed to waive any and all claims against Parmalat Dairy and Bakery Inc. in connection with the abovementioned distribution contract and will receive in return from Parmalat Dairy and Bakery Inc. a payment of 6 million Canadian dollars and a contribution of 350,000 Canadian dollars to cover legal costs. A provision for this amount had already been recognized in the financial statements.

The Constitutional Court Upholds the Constitutionality of Actions to Void In Bankruptcy

With a decision dated March 21, 2007 and filed on April 5, 2007, the Constitutional Court reaffirmed the decision that the issues of constitutionality raised within the framework of actions pending before the Court of Parma, in which Banca Agricola Mantovana S.p.A. and Banca Popolare di Milano Soc. Coop. A r.l. are defendants, were patently devoid of merit.
Specifically, the Constitutional Court stated again that the issues raised with regard to the portion of Article 6, Section 1, of Law No. 39/2004 ("Marzano Law") that indicates that actions to void in bankruptcy may be filed even when a restructuring plan is being implemented were patently devoid of merit.
The Constitutional Court also ruled that the issues raised with regard to Article 6, Section 1, and the combined provisions of Article 6, Section 1, and Article 4-*bis*, Section 10, of the same law were patently devoid of merit.

The Acquisition of the OAO Belgorodskij Molochnij Kombinat and Parmalat Romania SA Subsidiaries Is Completed

On March 29, 2007, the agreements to purchase the shares of the OAO Belgorodskij Molochnij Kombinat and Parmalat Romania SA subsidiaries held by the European Bank for Reconstruction and Development.
As a result, the interests held by Parmalat S.p.A. in OAO Belgorodskij Molochnij Kombinat and in Parmalat Romania SA increased from 64.8% to 99.75% and 73.4% to 93.1%, respectively.
In addition, Parmalat S.p.A. purchased a further 34.9% interest in OAO Belgorodskij Molochnij Kombinat, a Russian subsidiary, at a price of 5,999,000.92 euros.
Parmalat S.p.A. also paid 2,091,999.08 euros for an additional 19.7% interest in Parmalat Romania SA, a Romanian subsidiary.

Switzerland Recognizes the Italian Court Decision Approving Parmalat's Composition with Creditors

On April 24, 2007, the Enforcements and Bankruptcy Chamber of the Court of Appeals of Lugano (Ticino Canton, Switzerland), having determined that all statutory requirements had been met, officially recognized Decision No. 22/05 by which the Court of Parma approved the Parmalat composition with creditors, which is thus enforceable throughout Switzerland.
This decision grants Parmalat's motions and dismisses the objections raised by Bank Hapoalim, which objected to the abovementioned recognition. Banca Hapoalim AG has appealed this decision, causing its enforcement to be suspended. A decision on this appeal is pending.

Settlement Agreement Between Parmalat and Banca delle Marche

On April 28, 2007, the dispute arising from the action to void in bankruptcy that Parmalat filed against Banca delle Marche S.p.A. was settled out of court.
Banca delle Marche S.p.A. agreed to pay to Parmalat S.p.A. a total of 22,000,000 euros to settle the abovementioned action to void in bankruptcy and waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amount. With this settlement, Parmalat S.p.A. and Banca delle Marche S.p.A. resolved all disputes related to the abovementioned action to void in bankruptcy.

The Boschi Luigi & Figli S.p.A. Subsidiary Sells its Investments in Portuguese Companies

On May 14, 2007, Boschi Luigi & Figli S.p.A., a Parmalat subsidiary, executed the agreements it signed on May 10, 2007, selling two Portuguese subsidiaries: Italagro (Industria da Trasformacao de Productos Alimentare sa) and FIT (Fomento da Industria do Tomate Sgps sa). Concurrently with the sale, Boschi Luigi e Figli S.p.A. collected the first installment of the sales price, amounting to 4,936,850.00 euros.
In 2006, Italagro and FIT had revenues of about 19 million euros and 15 million euros, respectively. Both companies are involved in the production, processing and packaging of tomato-based products.

Sale of the Business Operations of Boschi Luigi & Figli S.p.A.

On May 21, 2007, Boschi Luigi & Figli S.p.A., a Parmalat subsidiary, signed a contract selling its business operations. Boschi produces, processes and packages tomato-based products, fruit juices and tea-based beverages.
In 2006, Boschi had revenues of about 104 million euros.
Boschi's business operations were purchased by a newly established company owned by CIO 8 (Consorzio Interregionale Ortofrutticolo) and Consorzio Casalasco.
The stipulated price was 30,180,000.00 euros. At the signing of the agreement, Boschi collected a binding deposit of 1,509,000.00 euros.
The approval of the Italian antitrust authorities was the only condition required for the contract's effectiveness and subsequent implementation.
In July, after receiving the abovementioned approval, Boschi collected the balance of the stipulated price. The collection of the purchase price will make it possible to proceed with the full implementation of the Boschi composition with creditors.

Sale of the Pomì, Pomito and Pais Brands

On May 21, 2007, as part of the disposal of the business operations of Boschi Luigi & Figli S.p.A., Parmalat signed a contract selling the Pomì, Pomito and Pais brands to a newly established company owned by CIO 8 (Consorzio Interregionale Ortofrutticolo) and Consorzio Casalasco. The stipulated price was 2,320,000.00 euros. At the signing of the agreement, Parmalat collected a deposit of 116,000.00 euros.

The sale of the brands was carried out concurrently with the sale of the business operations of Boschi Luigi & Figli S.p.A. and both transactions are inseparably linked. Upon the transfer of the brands' ownership, Parmalat collected the balance of the purchase price.

Settlement Agreement Between Parmalat and Banca Monte di Parma

On June 18, 2007, Parmalat S.p.A. and Banca Monte Parma settled out of court the dispute arising from the actions to void in bankruptcy pending against Banca Monte Parma S.p.A.
Banca Monte Parma S.p.A. agreed to pay to Parmalat S.p.A. 35 million euros to settle the abovementioned actions to void in bankruptcy and waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amount.
With this settlement, Parmalat Spa and Banca Monte Parma S.p.A. resolved all disputes related to the abovementioned actions to void in bankruptcy.

Settlement Agreement Between Parmalat and Merrill Lynch

On June 18, 2007, Parmalat Spa and Merrill Lynch settled all claims arising form the state of insolvency. Merrill Lynch agreed to pay to Parmalat a total of 29,093,000 euros.

Settlement Agreement Between Parmalat and ING Bank

On June 18, 2007, Parmalat and ING Bank settled out of court the dispute arising from the action to void in bankruptcy that Parmalat filed against ING Bank.
ING Bank agreed to pay to Parmalat S.p.A. 8,000,000.00 euros to settle the abovementioned action to void in bankruptcy and waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amount.
With this settlement, Parmalat and ING Bank resolved all disputes related to the abovementioned action to void in bankruptcy.

Protection Under Section 304 of the U.S. Bankruptcy Law

On June 21, 2007, the U.S. Federal Court granted Parmalat motion to make permanent the order of protection granted pursuant to Section 304 of the U.S. Bankruptcy Law, rejecting the objections of Bank of America and other parties. Subsequently, ABN AMRO appealed this decision. A decision on this appeal is pending.

Parmalat S.p.A. Agrees to Sell All of Its Spanish Operations to Lacteos Siglo XXI S.L.(Nueva Rumasa Group)

On July 4, 2007, Parmalat completed the sale of all of its Spanish operations to Lacteos Siglo XXI (Nueva Rumasa Group).
The companies sold in this transaction are Parmalat España and Compania Agricola y Forestal (and their subsidiaries), both of which are owned by Parmalat S.p.A.
The Spanish operations, which reported consolidated revenues of 185 million euros in 2006, operate in the milk, flavored milk, ice cream, yogurt and dessert segments of the food market.
The stipulated sales price of 188 million euros was paid in cash at closing.

Decision by the Court of Appeals on the Contribution Motion filed by Grant Thornton Against Parmalat in Amministrazione Straordinaria

On July 23, 2007, the U.S. Court of Appeals for the Second Circuit upheld the decision of the District Court that authorized Grant Thornton International and Grant Thornton LLP ("Grant Thornton") to seek damages from Parmalat S.p.A. in A.S. in connection with the actions filed against Grant Thornton by plaintiffs in the Parmalat Securities Litigation. The court specified that the Italian courts will have jurisdiction on the enforcement of any decision.

Settlement Agreement between Parmalat and Graubuendner Kantonalbank ("GKB")

On September 27, 2007, the action for restitution and damage compensation filed by Parmalat S.p.A. against Graubuendner Kantonalbank (Switzerland) was settled out of court in consideration of the payment of 20,750,000 euros by GKB.
This settlement agreement applies to challenges raised by Parmalat with regard to payments made before December 2003 by the Parmalat Group within the context of financial transactions executed by Parmalat, now in extraordinary administration, and various parties in Italy and abroad through the conduit of a former

GKB employee and to damage claims arising from GKB's alleged involvement in financial transactions to which Bank of America was also a party.
Parmalat has agreed to desist from the action it filed before the Court of Parma and from any other action against GKB but reserves the right to continue pursuing legal and any other actions against any other party who is not covered by the abovementioned settlement agreement.

Settlement Agreement between Parmalat and Calyon (formerly Credit Agricole Indosuez, S.A.)

On September 27, 2007, the action to void in bankruptcy filed by Parmalat S.p.A. against Calyon (formerly Credit Agricole Indosuez, S.A.) was settled out of court in consideration of a payment of about 2.63 million euros by Calyon, which also waived the right to include a claim for the abovementioned amount among the bankruptcy liabilities.

Settlement Agreement between Parmalat and Banca IFIS S.p.A.

On October 5, 2007, Parmalat S.p.A. reached a settlement with Banca IFIS S.p.A. settling all of the claims that arose from transactions executed prior to Parmalat S.p.A. becoming eligible for extraordinary administration. Pursuant to this settlement and upon Parmalat desisting from its action to void in bankruptcy and all other claims, including claims not yet acted upon, Banca IFIS agreed to pay 2 million euros and waive the right to include a claim for the abovementioned amount among the bankruptcy liabilities.

Lawsuit Against Citibank in the United States

On May 23, 2007, the Supreme Court of New Jersey barred Citigroup from filing any further appeals against the court decision denying its motion to find that the Court of New Jersey lacked jurisdiction.
On October 2, 2007, the Bergen County Court, in New Jersey, again rejected a motion filed by Citibank asking the dismissal of the action filed by Parmalat S.p.A. against Citibank and ordered oral arguments to begin on May 5, 2008.
Subsequently, Citibank filed a motion with the Superior Court of New Jersey, Appellate Division, asking that it be allowed to file an appeal on jurisdictional grounds. This motion was denied with a decision handed down on November 29, 2007.
A decision is pending on an additional motion filed by Citibank before the Supreme Court of New Jersey, requesting authorization to appeal the lower court's decision because of lack of jurisdiction.

Parmalat Securities Litigation – Order of the Federal Court of New York – Oral Arguments Heard by the U.S. Court of Appeals in New York

By an order issued on June 28-29, 2007, the Federal Court of New York confirmed that Parmalat S.p.A. (Assumptor) was a legitimate respondent in the putative class action lawsuit pending before the abovementioned court. The court had already issued similar decisions in the past, as Parmalat S.p.A. had announced on July 28, 2006.
According to the U.S. court, Parmalat S.p.A. (Assumptor) had replaced as its successor Parmalat in A.S. and, as such, had assumed not only all of the rights of its predecessor, but also "all" of its obligations. This position is in conflict with the terms of the composition with creditors approved by the Court of Parma and with the decisions of other Italian courts.
However, the U.S. court indicated that any class claims, if upheld, would be subject to the claim reduction applicable to the composition with creditors and that the enforcement of any composition with creditors decision would be left to the Italian courts.
Parmalat S.p.A. emphasizes that the abovementioned "class" has not been authorized in accordance with U.S. rules of procedure.
Parmalat S.p.A. filed an appeal with the U.S. Court of Appeals, Second Circuit, challenging the order issued by the Federal Court of New York on June 28-29, 2007. The Court heard oral arguments on November 29, 2007 and a decision is pending.

Decree Declaring Eurofood IFSC LTD Eligible for Extraordinary Administration – The Council of State's Decision Is Challenged

On January 26, 2007, the Council of State upheld the appeal filed by Bank of America NA and Eurofood IFSC Limited (represented by Pearse Farrell) against a Ministry Decree declaring Eurofood IFSC Limited eligible for extraordinary administration proceedings.
On December 21, 2007, Parmalat S.p.A. under extraordinary administration and Eurofood S.p.A. under extraordinary administration challenged the Council of State's decision on jurisdictional grounds.

Parmalat Reaches a Settlement with the Intesa Sanpaolo Group, Cariparma and Biverbanca

On December 22, 2007, Parmalat S.p.A. and Intesa Sanpaolo S.p.A. reached an agreement settling all of the claims that arose from transactions executed prior to the declaration of insolvency of the Parmalat Group (December 2003). Pursuant to this settlement and upon Parmalat S.p.A. desisting from all pending actions to void in bankruptcy and actions for damages and any other actions that it may be entitled to file in the future against the Intesa Sanpaolo Group, the Intesa Sanpaolo Group agreed to pay Parmalat S.p.A. a lump sum of 310 million euros.

Concurrently, Parmalat S.p.A. entered into an agreement with Cassa di Risparmio di Parma e Piacenza S.p.A. ("Cariparma") settling all of the claims that arose from transactions executed by the Parmalat Group and Cariparma prior to December 2003. Pursuant to this agreement, Parmalat S.p.A. desisted from all pending actions to void in bankruptcy and actions for damages and any other actions that it may be entitled to file in the future in consideration of a payment of 83 million euros. In another agreement reached within the context of these negotiations to settle the actions to void in bankruptcy that were pending against Biverbanca S.p.A., Parmalat S.p.A. agreed to desist from all pending actions in consideration of a payment of 3 million euros.

Similar settlement agreements were executed by Intesa Sanpaolo and Cariparma, on the one hand, and the Extraordinary Administration Commissioner for the Parmatour Group, Parma Associazione Calcio and other companies of the "old" Parmalat Group that are still under extraordinary administration, on the other. Pursuant to these agreements and upon the Extraordinary Commissioner agreeing to desist from all pending actions and actions that could be filed in the future:

- The Intesa Sanpaolo Group will pay 12.5 million euros to the Parmatour Group under extraordinary administration, 2.5 million euros to Parma Associazione Calcio under extraordinary administration and a total of 2 million euros to the other companies under extraordinary administration;

- Cariparma will pay 2.5 million euros to the Parmatour Group under extraordinary administration, 2.5 million euros to Parma Associazione Calcio under extraordinary administration and a total of 2 million euros to the other companies under extraordinary administration.

Events Occurring After December 31, 2007

Ruling by the Bologna Court of Appeals on the Lower Court's Decision Approving Parmalat's Composition with Creditors

By a ruling handed down on January 16, 2008, the Bologna Court of Appeals rejected the appeal filed by a group of bondholders against the lower court's decision approving Parmalat's composition with creditors.

Settlement Between Parmalat and the Monte dei Paschi di Siena Group

On February 21, 2008, Parmalat S.p.A. and Banca Monte dei Paschi di Siena S.p.A. reached an agreement settling any and all transactions and claims that arose prior to the declaration of insolvency of the Parmalat Group (December 2003). Pursuant to this settlement and upon Parmalat S.p.A. desisting from all pending actions to void in bankruptcy and actions for damages and any other actions that it may be entitled to file in the future against the Monte dei Paschi di Siena Group, the Monte dei Paschi di Siena Group agreed to pay a total amount of 79.5 million euros to Parmalat.

Settlement agreements were also reached between the Monte dei Paschi di Siena Group and the Commissioner for the Extraordinary Administration of the Parmatour Group, of Parma Associazione Calcio and of the other companies of the former Parmalat Group that are still under extraordinary administration. Pursuant to these agreements, the Extraordinary Commissioner will desist from all pending actions and any other actions that he may be entitled to file in the future and the Monte dei Paschi di Siena Group will pay 9.5 million euros to the Parmatour Group under Extraordinary Administration, 500,000 euros to Parma Associazione Calcio under Extraordinary Administration and 500,000 euros to the companies in extraordinary administration.

Administrative Proceedings against the Ministry of Farming, Food and Forestry Policies with reference to grants approved pursuant to Legislative Decree No. 173/1998

In February 2008 Parmalat S.p.A. filed a complaint with the Regional Administrative Court of Emilia Romagna- Parma section, against the decree no. 351/2007 through which the Ministry of Farming, Food and Forestry Policies ruled to reduce the subsidy that arises from grants approved pursuant to art. 13 comma 1 Legislative Decree No. 173/1998 to Parmalat S.p.A. from 50.34% to 40% of the granteed amount (with a consequent negative impact on the grant equal to 4,750,254.73 €). Throguh the complaint, Parmalat S.p.A. requested the immediate suspension of the decree and consequent declaration that the decree is partially null and void as it contested the legitimacy, contradictorial nature, lack of motivation, proceedings deficiency and excess of authority of the mentioned decree.

On February 5th, 2008, the discussion hearing with reference to the suspension motion was held in front of the Regional Administrative Court . In such hearing, Parmalat S.p.A. requested moreover the joinder of the suspension and merit proceedings and obtained the authorisation to present a justified withdrawal motion.

Business Outlook

In the early months of 2008, the more mature markets in which the Group operates have been experiencing significant competitive pressure, which is having an impact both on sales volumes and prices.

Companies of the Group are well reacting thanks to the launch of new products helped by marketing initiatives and also by a rationalization process both on industrial and operational costs.

At the same time, starting with the current year, the process of simplifying the Group's structure will enable the Group's Parent Company to receive a flow of profits generated by the industrial subsidiaries more than 40 million euros.

These developments, coupled with the proceeds generated by settlements of pending actions, should enable the Company to reserve adequate resources for its shareholders, while pursuing a growth strategy focused on strengthening its presence in the more mature markets and expand in the emerging markets.

The Board of Directors, moreover, has acknowledged of the 2008 forecast data which, coherently with the above, shows a projected growth rate ranging between 3% and 5% (net sales revenues). EBITDA are expected to grow at a rate of 7% to 10%.

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

Dear Shareholders:

We recommend that you:

(i) Approve the statutory financial statements at December 31, 2007, which show a net profit of 554,666,380 euros, and the Report on Operations for the same year;

(ii) Add to the statutory reserve 5% of the net profit which amounts to 27,733,319 euros;

(iii) Appropriate:

a) to the distribution of dividends the 50% of the net residual profit, which rounded up to 0,159 euro for each of the 1,661,207,690 common shares issued on February 29, 2008, amounts to 264,132,023 euros

b) pursuant to the terms of the Composition with Creditors, add 21,668,493 euros to the reserve for creditors who are challenging the rejection of their claims or hold conditional claims and who may be found subsequently to be entitled to receive shares;

c) set aside the remaining 241,132,454 euros in a reserve that will be used to satisfy the rights of any late-filing creditors and creditors with contested claims, if and when their claims are officially verified. In any case the utilization of the net profit will be possible until the maximum amount of the share capital (1,930 million euros) already deliberated is reached; therefore for an amount not higher that 30,581,980 million euros.

The dividend of 0.159 euros per share, which corresponds to Coupon No. 2, will be payable on April 24, 2008, Stock Exchange coupon presentation date of April 24, 2008.

Collecchio, March 6th, 2008

For the Board of Directors

The Chairman	The Chief Executive Officer
(Prof. Raffaele Picella)	(Enrico Bondi)

Parmalat S.p.A.

Financial Statements at December 31, 2007

Balance Sheet

Note ref.	*(in euros)*		12/31/07		12/31/06
	NON-CURRENT ASSETS		**1,454,808,996**		**1,605,321,426**
(1)	Goodwill		233,794,145		233,794,145
(2)	Trademarks with an indefinite useful life		180,600,000		180,600,000
(3)	***Other intangibles***		54,481,786		69,158,165
(4)	Property, plant and equipment		154,084,461		137,992,047
(5)	Investments in associates		618,670,543		686,989,503
(6)	Other non-current financial assets		192,007,272		277,532,280
	amount of intra-Group loans receivables	*190,680,335*		*276,142,884*	
(7)	Deferred-tax assets		21,170,789		19,255,286
	CURRENT ASSETS		**1,688,646,178**		**916,582,148**
(8)	Inventories		41,462,067		36,081,647
(9)	Trade receivables		250,700,781		225,660,938
	amount of intra-Group trade receivables	*32,901,990*		*36,075,095*	
(10)	Other current assets		156,602,642		307,973,826
	amount of intra-Group receivables	*3,543,156*		*9,421,027*	
(11)	Readily available financial assets		588,933,529		206,048,721
(12)	Cash and cash equivalents		650,947,159		140,817,016
(13)	**Available-for-sale assets**		**0**		**7,481,702**
	TOTAL ASSETS		**3,143,455,174**		**2,529,385,276**
	SHAREHOLDERS' EQUITY		**2,471,956,421**		**1,951,042,595**
(14)	Share capital		1,652,419,845		1,641,527,456
(15)	Reserve for creditor challenges and claims of late-filing creditors convertible exclusively into share capital		221,534,553		224,879,726
	Statutory reserve		4,227,367		0
(16)	Shares subscribed through the exercise of warrants		23,251		88,083
(17)	Other reserves		39,085,025		(11,726,153)
(18)	Retained earnings (Loss carryforward)		0		(29,337,671)
(19)	Profit (Loss) for the year		554,666,380		125,611,154
	NON-CURRENT LIABILITIES		**290,379,454**		**282,938,169**
(20)	Long-term borrowings		5,910,203		10,326,271
(21)	Deferred-tax liabilities		25,838,629		20,457,222
(22)	Post-employment employee benefits		31,918,377		40,600,247
(23)	Provisions for risks and charges		205,453,313		188,765,150
(24)	Provision for contested preferential and prededuction claims		21,258,932		22,789,279
	CURRENT LIABILITIES		**381,119,299**		**295,404,512**
(25)	Short-term borrowings		6,085,755		4,554,433
	amount of intra-Group loans payable	*2,306,413*		*2,332,806*	
(26)	Trade payables		218,825,870		203,972,270
	amount of intra-Group trade payables	*23,174,603*		*24,150,642*	
(27)	Other current liabilities		62,956,156		82,134,385
(28)	Income taxes payable		93,251,518		4,743,424
	Liabilities directly attributable to available-for-sale assets		**0**		**0**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,143,455,174**		**2,529,385,276**

Income Statement

Note ref.	(in euros)		2007		2006
	REVENUES		**894,677,076**		**872,660,142**
(29)	Net sales revenues		869,355,320		841,903,321
	amount from transactions with related parties	*59,318,471*		*66,042,753*	
(30)	Other revenues		25,321,756		30,756,821
	amount from transactions with related parties	*8,495,249*			
(31)	Cost of sales		(594,101,933)		(578,023,443)
	amount from transactions with related parties	*(83,511,506)*		*(98,323,395)*	
(32)	Distribution costs		(180,104,076)		(173,128,435)
	amount from transactions with related parties	*(15,482,892)*		*(14,143,124)*	
(33)	Administrative expenses		(74,610,392)		(81,861,603)
	amount from transactions with related parties	*(105,707)*			
(34)	Other (income) expense		617,407,607		180,185,154
(35)	Legal fees paid in actions to void and actions for damages		(56,247,636)		(55,012,785)
(36)	Allowance for losses of associates		(38,799,336)		(42,386,751)
	EBIT		**568,221,310**		**122,432,279**
(37)	Financial income		40,962,750		12,995,248
	amount from transactions with related parties	*2,816,745*		*2,846,249*	
(37)	Financial expense		(2,947,582)		(7,736,126)
(37)	Other income from (Expense for) equity investments		9,068,555		7,477,595
	amount from transactions with related parties	*7,596,899*		*7,316,952*	
	PROFIT BEFORE TAXES AND RESULT FROM DISCONTINUING OPERATIONS		**615,305,033**		**135,168,996**
(38)	Income taxes		(94,434,784)		(9,612,177)
	PROFIT FROM CONTINUING OPERATIONS		**520,870,249**		**125,556,819**
(39)	Profit (loss) from discontinuing operations		33,796,131		54,335
	PROFIT FOR THE YEAR		**554,666,380**		**125,611,154**

Cash Flow Statement

(in thousands of euros)	**2007**	**2006**
OPERATING ACTIVITIES		
Profit (Loss) from operating activities	520,870	125,557
Depreciation, amortization and writedowns of non-current assets	32,548	29,869
Additions to provisions	92,327	46,373
Income taxes	90,929	4,743
Non-cash (income) expense items	(16,398)	(5,135)
(Gains) Losses on divestitures	(355)	(1,211)
Cash costs incurred in connection with actions to void and actions for damages	56,248	55,013
Cash revenues from settlements	(640,468)	(44,500)
Non-cash revenues from settlements	(1,502)	(127,000)
Cash flow from operating activities before change in working capital	**134,199**	**83,709**
Changes in net working capital and provisions:		
Working capital	1,643	1,289
Payment of preferential and prededuction payables	0	(62,364)
Provisions for risks and charges	(11,397)	(631)
Total change in net working capital and provisions	**(9,754)**	**(61,706)**
CASH FLOWS FROM OPERATING ACTIVITIES	**124,445**	**22,003**
INVESTING ACTIVITIES		
Investments:		
- Intangibles	(3,778)	(2,124)
- Property, plant and equipment	(29,831)	(13,287)
- Non-current financial assets	(44,556)	13,161
- Held-for-sale assets	(585)	(31)
CASH FLOWS FROM INVESTING ACTIVITIES	**(78,750)**	**(2,281)**
PROCEEDS FROM SETTLEMENTS	**754,524**	**44,500**
LEGAL COSTS TO PURSUE ACTIONS FOR DAMAGES AND ACTIONS TO VOID	**(54,968)**	**(55,013)**
PROCEEDS FROM DIVESTITURES	**184,402**	**0**
FINANCING ACTIVITIES		
New loans (finance leases and other transactions)	2,634	3,148
Repayment of current and non-current installments of loans and finance leases	(5,519)	(6,129)
Investments in other current assets that mature later than three months after the date of purchase	(382,885)	(206,048)
Dividends paid	(41,235)	0
Exercise of warrants	7,547	1,755
Other changes in shareholders' equity	(65)	(109)
CASH FLOWS FROM FINANCING ACTIVITIES	**(419,523)**	**(207,383)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM JANUARY 1 TO DECEMBER 31	**510,130**	**(198,174)**
CASH AND CASH EQUIVALENTS AT JANUARY 1	**140,817**	**338,991**
Increase (decrease) in cash and cash equivalents from January 1 to December 31	**510,130**	**(198,174)**
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**650,947**	**140,817**

Income taxes paid during the year: 7,786,464 euros; Interest income earned during the year: 40,962,750 euros.

Changes in Shareholders’ Equity

The table below shows the changes that affected the Company’s shareholders’ equity accounts between January 1, 2006 and December 31, 2007:

(in thousands of euros)	**Share capital**	**Reserve convertible into share capital**[1]	**Other reserves**					**Loss carry-forward**	**Profit (Loss) for the year**	**Sharehold. equity**
			Statu-tory reserve	**Res. for dividends to challenges and condit. claims**	**Res. for late-filing and contested creditors**	**Shares subscribed through exercise of warrants**	**Sundry reserves**			
Balance at 1/1/06	**1,619,945**	**233,343**				**198**	**(11,726)**	**0**	**(29,338)**	**1,812,422**
Appropriation of the 2005 result								(29,338)	29,338	0
Share cap. incr. from waivers of prefer. status	7,629									7,629
Share capital incr. from convertible reserves	8,464	(8,464)								0
Share capital incr. from convertible provisions	3,734									3,734
Allocation of shares to subscribers of warrants in 2005	198					(198)		(198)		0
Exercise of warrants	1,557					88		88		1,645
Profit for 2006									125,611	125,611
Balance at 12/31/06	**1,641,527**	**224,879**				**88**	**(11,726)**	**(29,338)**	**125,611**	**1,951,041**
Appropriation of the 2006 result			4,227	3,944	35,141		11,726	29,338	(84,376)	0
Dividend distribution									(41,235)	(41,235)
Share capital incr. from convertible reserves	3,345	(3,345)								0
Allocation of shares to subscribers of warrants in 2006	88					(88)				0
Exercise of warrants	7,459					23				7,482
Profit for 2007									554,666	554,666
Balance at 12/31/07	**1,652,419**	**221,534**	**4,227**	**3,944**	**35,141**	**23**	**0**	**0**	554,666	2,471,954
Note ref.	*(14)*	*(15)*	*(17)*	*(17)*	*(17)*	*(16)*	*(17)*	*(18)*	*(19)*	

[1] For creditors challenging exclusions and late-filing creditors.

Foreword

The registered office of Parmalat S.p.A. is located in Italy, at 26 via Oreste Grassi, in Collecchio (province of Parma). Its shares are traded on the Online Stock Market operated by Borsa Italiana. Parmalat S.p.A. and its subsidiaries are organized into a food industry group that pursues a multinational strategy. The Group operates in 17 countries worldwide divided into five geographic regions: Europe, North America, Central and South America, South Africa and Australia. The Group has an extensive and well structured product portfolio organized into three segments: *Milk* (UHT, fresh, condensed powdered and flavored milk; cream and béchamel), *Milk Derivative* (yogurt, fermented milk, desserts, cheese, butter and special mixes) and *Fruit Based Drinks* (fruit juices, nectars and tea).
The Group is a world leader in the UHT milk and conventional milk market segments and has attained a highly competitive position in the rapidly growing market for fruit-based beverages. The Group benefits from strong brand awareness. The products in its portfolio are sold under global brands (Parmalat and Santàl), international brands (Zymil, Fibresse, PhisiCAL, Jeunesse, Omega3, First Growth, Smart Growth and Ice Break/Rush) and a number of strong local brands.
Parmalat is a company with a strong innovative tradition: the Group has been able to develop leading-edge technologies in the driving sectors of the food market, particularly in UHT milk, ESL (extended shelf life) milk, functional milks, fresh fruit juice-based drinks, functional fruit drinks and cream-based white sauces.

The separate financial statements for the year ended December 31, 2007 are denominated in euros, which is the Company's reporting currency. They consist of 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.

PricewaterhouseCoopers S.p.A. audits the separate financial statements in accordance with an assignment it received for the 2005-2007 period by a resolution of the Shareholders' Meeting of March 15, 2005.

The Board of Directors authorized the publication of these financial statements on March 6, 2008.

Presentation Formats of the Financial Statements

In the balance sheet, assets and liabilities are classified in accordance with the "current/non-current" approach, and "Available-for-sale assets" and "Liabilities directly attributable to available-for-sale assets" are shown as two separate line items, as required by IFRS 5.

The income statement is presented in a format with items classified "by destination," which is deemed to be more representative than the presentation by type of expense and is consistent with international practice in the food industry. Moreover, as required by IFRS 5, the profit (loss) from continuing operations is shown separately from the profit (loss) from discontinuing operations.

In the income statement presented in the abovementioned format "by destination," the EBIT breakdown includes separate listings for operating items and for income and expense items that are the result of transactions that occur infrequently in the normal course of business, such as income from actions to void in bankruptcy and actions for damages, legal costs incurred to pursue these actions, restructuring costs and any other nonrecurring income and expense items. This approach is best suited for assessing the actual performance of the Company's operations.

The cash flow statement was prepared in accordance with the indirect method.

Lastly, on the balance sheet, income statement and cash flow statement, the amounts attributable to positions or transactions with related parties are shown separately from the totals for the corresponding line items, as required by Consob Resolution No. 15519 of July 27, 2006.

Principles for the Preparations of Separate Financial Statements

The separate financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") and adopted by the European Commission as they apply to the preparation the consolidated and separate financial statements of companies whose equity and/or debt securities are traded on a regulated market within the European Union.

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 the date of the meeting of the Board of Directors convened to approve the financial statements and incorporated in Regulations issued up to that date.

As a general rule, the separate financial statements are prepared in accordance with the historical cost principle, except in the case of those items that, as explained in the valuation criteria, are measured at fair value.

The adoption of recently published accounting principles and interpretations that went into effect on January 1, 2007 (IFRS 7, Revisions to IAS 1, IFRIC 7, IFRIC 8 and IFRIC 9) had no impact on the Company, except for the additional disclosures required by IFRS 7 with regard to financial instruments. As discussed later in this Report, the Company chose not to apply ahead of schedule certain accounting principles that have already been adopted by the European Union but which will not go into effect until after December 31, 2007.

Valuation Criteria

The main valuation criteria adopted in the preparation of the financial statements at December 31, 2007 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.

The value assigned to inventories includes direct costs for material and labor and (fixed and variable) indirect production costs. When appropriate, provisions are recognized to account for obsolete or slow-moving inventory. If the circumstances that justified the recognition of the abovementioned provisions cease to apply or if there are clear indications that the net realizable value of the items in question has increased, the provisions are reversed for the full amount or for a portion thereof, so that the new carrying value is equal to the purchase or production cost of the items in question or their realizable value on the date of the financial statements, whichever is lower.

Financial expense incurred in connection with the purchase or production of an asset that, because of its nature, requires a significant length of time before it can be readied for sale are not capitalized. Instead, they are charged in full to income.

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 from the date of purchase) 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 in accordance with the cost method and carried 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, pursuant to which substantially all of the risks and benefits inherent in ownership are transferred to the Company, are recognized as components of property, plant and equipment at their fair value or at the present value of the minimum payments due pursuant to the lease, whichever is lower. The corresponding liability toward the lessor, which is equal to the aggregate principal included in the lease payments that are outstanding, is recognized as a financial liability. 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 it is shorter than the asset's useful life.
Leases that require the lessor to retain substantially all of the risks and benefits inherent in ownership are classified as operating leases. The costs incurred for operating leases are recognized in earnings on a straight line over the life of the lease.

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 useful lives of 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.

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 writedown 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:

	Useful life
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

Financial expense incurred in connection with the purchase or production of an asset that, because of its nature, requires a significant length of time before it can be readied for sale are not capitalized. Instead, they are charged in full to income.

Intangibles

Intangible assets are identifiable, non-monetary assets without physical substance that are controllable and capable of generating future benefits.

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

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) and international trademarks (Chef and Kyr). These trademarks are deemed to have an indefinite useful life. Consequently, they are not amortized but are tested for impairment once a year.

Other trademarks that are not deemed to perform an unlimited strategic function for the Company are valued at cost and amortized over five years.

(iv) Software Costs
The costs incurred to develop and maintain software are charged to income in the year they are incurred. Costs that can be attributed directly to the development of unique software capable of generating future benefits over a period of more than one year are capitalized as an intangible asset. Direct costs, which must be identifiable and measurable, include labor costs for employees who worked on developing the software in question and an appropriate pro rata share of overhead, if applicable. Amortization is computed over the software's estimated useful life, which is deemed to be five years.

Financial Assets

Investments in Associates

Investments in subsidiaries, joint ventures and affiliated companies are valued at cost, adjusted for impairment losses.

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:

    - financial assets that are purchased mainly to resell them over the short term;

    - financial 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;

    - 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 measured 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 if the assets in question are instruments representative of equity capital. 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. Objective evidence that the value of the asset is impaired is deemed to exist when a debtor has significant financial difficulties, there is a possibility that the debtor will be declared bankrupt or become party to composition with creditors proceedings or there are unfavorable changes in payment history, such as an increasing number of payments in arrears. 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. They are booked based on the date of settlement and, when initially recognized, they are valued at their purchase cost, plus incidental transaction costs. Subsequently, held-to-maturity investments 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. If their fair value cannot be determined, these instruments are valued at cost, less any impairment losses. Writedowns for impairment losses cannot be reversed if the assets in question are instruments representative of equity capital. 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 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

Financial liabilities consist of loans payable, including obligations arising from the assignment of receivables, and other financial liabilities, including derivatives and obligations related to assets acquired under finance leases. Initially, financial liabilities other than derivatives are recognized at their fair value, net of transaction costs. Subsequently, financial liabilities that are held to maturity are valued at their amortized cost in accordance with the effective interest rate method. 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.
Financial liabilities are removed from the financial statements when the underlying obligations have been satisfied and all of the risks and charges inherent in the instrument in question have been transferred.

Derivatives

The Company handles derivatives only for interest rate and exchange rate risk coverage. Hence, the derivatives are assets/liabilities recognized at their fair value.
Derivatives are defined as hedging instruments when the relationship between the derivative itself and the underlying asset/liability is formally documented and the hedge, periodically verified, is highly effective. When the hedging instruments secure the risks related to changes in the fair value of the underlying assets/liabilities (fair value hedge: e.g. is a hedge of the exposure to a change in fair value of a recognized asset, or liability at a fixed rate), the derivatives are accounted for at their fair value and the changes in fair value of the hedged item and the hedging instrument are recorded in the profit and loss statement: consistently, the value of the hedged assets/liabilities ,is adjusted to reflect the changes in the fair value associated to the secured risk. When the derivatives secure the risks of changes in cash flows of assets/liabilities (cash flow hedge: e.g. hedging relationship in which the variability of the assets/liabilitied cash flow is offset by the cash flows of exchange rates), the changes in the fair value of the derivatives deemed effective are initially reported in the balance sheet as an equity item and subsequently recorded in the profit and loss statement consistently with the economic effects produced by the underlying asset/ liability. The changes in the fair value of derivatives that do not satisfy the prerequisite of securing risks are accounted for in the profit and loss statement.

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.

The notes to the financial statements contain a disclosure listing the Company's contingent liabilities, which include: (i) possible but not probable obligations that arise from past events, the existence of which will be confirmed only if one or more uncertain total events that are not totally under the Company's control occur or fail to occur; and (ii) existing obligations that arise from past events the amount of which cannot be determined reliably or the performance of which will probably not be onerous.

Post-employment Benefits

(i) Benefits Provided After the End of Employment

Defined-benefit pension plans 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. 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.

As a result of the reform of the regulations that govern supplemental retirement benefits introduced by Legislative Decree No. 252 of December 5, 2005, the severance benefits that vested up to December 31, 2006 will continue to be held by the employers. For the severance benefits vesting after January 1, 2007, employees will have to choose (not later than June 30, 2007 for employees hired up to December 31, 2006, or within six months from the date of hiring for employees hired subsequently) if they wish to invest them in supplemental retirement benefit funds or leave them with their employers, who will then transfer the vested severance benefits to a fund managed by the Italian social security administration (INPS).

For the severance benefits that vested up to December 31, 2006, the Company has continued to recognize its liability in accordance with the rules for defined-benefit plans. For the severance benefits that vest after January 1, 2007 and are transferable to supplemental retirement benefit funds or the INPS Treasury Fund, it has recognized its liability on the basis of the amounts owed for the period. In addition, it recognized its liability for the severance benefits that vest after January 1, 2007 that will be held by the Company, which were added to the severance benefits that had vested up to December 31, 2006, in the case of severance benefits that employees chose to invest in a supplemental retirement benefit fund, or will be invested in the collective pension scheme, if employees fail to make a choice after July 1, 2007.

Specifically, with regard to benefits vesting after December 31, 2006, the Company has carried out a new valuation of its liability using new actuarial assumptions. The difference from the amount recognized in the financial statements at December 31, 2006 was reflected in the income statement as a lump sum.

(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.

Levies other than income taxes, such as taxes on real estate and net worth, are treated as operating expenses.

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. The portion of 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, and is 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-tax assets and liabilities that arise from 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.

The Company's tax position and its recognition in the accounting records takes into account the impact of the inclusion of Parmalat Group companies domiciled in Italy into a national consolidated tax return.

The issues related to the filing of such a return are governed by Group Regulations that are based on the principles of neutrality and equal treatment and are designed to ensure that companies that agree to file a consolidated tax return are not penalized in way by such filing. At the consolidated level, the liability toward the tax administration is determined based on the tax liability or tax loss of each company included in the consolidated return and takes into account any taxes withheld from their income and any estimated tax payments they may have made.

Available-for-sale Non-current Assets

These assets include non-current assets or groups of assets attributable to 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.
The profit or loss attributable to available-for-sale non-current assets is shown separately in the income statement net of the applicable tax effect when the assets in questions are part of discontinued operations. For comparative purposes, the prior year's corresponding amounts are reclassified and shown separately in the income statement net of the applicable tax effect.

Revenue Recognition

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

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.

Use of Estimates

When preparing the statutory financial statements Directors apply accounting principles and methods that, in some cases, are based on difficult and subjective valuations and estimates that are based on historical data and assumptions that, in each individual case, are deemed to be reasonable and realistic in light of the relevant circumstances. The use of these estimates and assumptions has an impact on the amounts reported in the financial statement schedules, which include a balance sheet, an income statement and a cash flow statement, and in additional disclosures. The ultimate amounts of those components of the financial statements for which the abovementioned estimates and assumptions were used could differ from those shown on the financial statements, due to the uncertainty that characterizes all assumptions and the conditions upon which the estimates were based. Estimates and assumptions are revised on a regular basis and the impact of any resulting change is recognized in the period when a revision of estimates occurred, if the revision affects only the current period, and is also applied to future periods, when the revision has an impact both on the current period and on future periods.

The accounting principles that require the most use of subjective judgment by Directors in developing estimates and with respect to which a change in the underlying assumptions used could have a material impact on the financial statements are those concerning goodwill; writedowns of property, plant and equipment; depreciation and amortization of non-current assets; deferred taxes; provisions for risks; the allowance for doubtful accounts; pension plans and post-employment benefits; and the reserves for creditor challenges and claims of late-filing creditors.

New Accounting Principles and Interpretations Adopted by the EU that Are Not Yet in Effect

In 2007, the European Commission adopted and published the following new accounting principles and revisions and interpretations of existing accounting principles published by the International Accounting Standards Board ("IASB") and by the International Financial Reporting Interpretations Committee ("IFRIC").

IFRS 8 – Operating Segments. This principle will be applicable as of January 1, 2009 in lieu of IAS 14. Under the new accounting principle, companies are required to base the segment information that they disclose on the same data that management uses to make operating decisions. Consequently, operating segments must be identified based on a company's internal reporting system, which is regularly reviewed by management to allocate resources to the various segments and assess performance.

The following interpretations applicable to situations and issues that do not occur within the Company were also published in 2007:

IFRIC 11 – Group and Treasury Share Transactions (applicable as of January 1, 2008);

IFRIC 12 – Service Concession Arrangements (applicable as of January 1, 2008).

Transactions Between Group Companies and with Related Parties

Transactions between Parmalat S.p.A. and other Group companies and between Parmalat S.p.A. and related parties are neither atypical or unusual and were carried out by the Company in the normal course of business. At December 31, 2007, the Company had positions outstanding with the companies listed below. Receivables are shown net of the corresponding allowances for doubtful accounts.

		12/31/07					
Company	**Country**	**Trade receiv-ables**	**Long-term loans receivable**	**Short-term loans receivable**	**Trade payables**	**Loans payable**	**Other liabilities**
Parmalat Austria GmbH	Austria		143.9				
SATA S.r.l. (formerly SATA S.r.l. in bankruptcy)	Italy		32.8				
Latte Sole S.p.A.	Italy	3.1	3.1		(1.7)		
Parmalat Portugal Prod. Alim. Ltda	Portugal	3.0	4.5		(0.4)		
Curcastle Corporation NV	N. Antilles		2.2	3.3			
Boschi Luigi e Figli S.p.A.	Italy	0.2	0.7				
Parmalat Dairy & Bakery Inc.	Canada	3.1	1.3				
Newlat S.p.A.	Italy	6.9			(4.8)		
Centrale del latte Roma S.p.A.	Italy	7.9			(12.8)		
Parmalat Distribuzione Alim. S.r.l.	Italy	2.5		0.2	(2.8)		
OOO Parmalat MK	Russia	1.3	2.0				
Parmalat Romania SA	Romania	1.2					
Parmalat South Africa (PTY) Ltd	South Africa	1.4					
Carnini S.p.A.	Italy	0.9			(0.1)		
Other companies		1.4	0.2		(0.6)	(2.3)	
Total		**32.9**	**190.7**	**3.5**	**(23.2)**	**(2.3)**	

* Net of the allowance for doubtful accounts.

At the end of 2006, the Company had the following positions, also net of the corresponding allowances for doubtful accounts, outstanding with other Group companies or related parties:

		12/31/06					
Company	**Country**	**Trade receiv-ables**	**Long-term loans receivable**	**Short-term loans receivable**	**Trade payables**	**Loans payable**	**Other liabilities**
Parmalat Austria GmbH	Austria		143.9				
Parmalat Holding Limited	Canada		49.5				
SATA S.r.l. in bankruptcy	Italy		39.6				
Dalmata S.r.l.	Italy		18.7				
Latte Sole S.p.A.	Italy		6.6		(2.4)		
Parmalat Portugal Prod. Alim. Ltda	Portugal	4.8	4.3		(0.4)		
Curcastle Corporation NV	N. Antilles		4.3	3.3			
Impianti Sportivi Parma S.r.l.	Italy		2.9				
Parmalat del Ecuador SA	Ecuador		1.8				
Boschi Luigi e Figli S.p.A.	Italy	1.0	1.8		(1.8)		
Parmalat Pacific Holding Ltd	Australia	0.4	1.3				
Parmalat Dairy & Bakery Inc.	Canada	1.6	1.3				
Newlat S.p.A.	Italy	7.4		3.0	(4.5)		
Centrale del latte Roma S.p.A.	Italy	6.1			(10.8)		
Latte Sole S.p.A.	Italy	3.5					
Parmalat Distribuzione Alim. S.r.l.	Italy	2.8		3.0	(3.1)		
OOO Parmalat MK	Russia	2.5					
Parmalat España SA	Spain	1.6					
Parmalat Romania SA	Romania	1.4					
Parmalat South Africa (PTY) Ltd	South Africa	1.0					
Parmalat Holding Limited	Canada	0.6					
Carnini S.p.A.	Italy	0.4					
Other companies		1.0	0.1	0.1	(1.1)	(2.3)	
Total		**36.1**	**276.1**	**9.4**	**(24.1)**	**(2.3)**	

The table below provides a breakdown of expenses and revenues, classified by type, and of writedowns of receivables recognized in 2007:

		2007			
Company	**Country**	**Sales and other revenues**	**Revenues from discontinuing operations**	**Financial income (incl. dividends)**	**Cost of materials and services**
Boschi Luigi & Figli S.p.A.	Italy	4.3			14.0
Centrale del Latte di Roma S.p.A.	Italy	14.7		6.0	38.1
Latte Sole S.p.A.	Italy	1.7		0.1	1.4
Newlat S.p.A.	Italy	22.2		0.1	27.3
Parmalat Distribuzione Alimenti S.r.l.	Italy	16.4		0.2	15.7
OOO Parmalat MK	Russia	1.4			
Parmalat Dairy & Bakery Inc.	Canada	1.6			
Parmalat Holdings Limited	Canada			1.5	
Parmalat Australia Limited	Australia	1.4			
Carnini S.p.A.	Italy	2.4			0.3
Procesadora de Leches	Colombia			1.5	
Dalmata S.r.l.	Italy			0.5	
Parmalat Portugal Produtos Alimentares Ltda	Portugal	0.2		0.2	
Citrus International Corporation SA	Cuba	0.1		0.1	2.0
Other companies		1.4		0.2	0.3
Total		**67.8**	**0.0**	**10.4**	**99.1**

These transactions were executed on market terms, i.e., on the terms that would have been applied by independent parties, and were carried out in the interest of Parmalat S.p.A.

A breakdown of intra-Group expenses and revenues for 2006 is provided below:

(in millions of euros)		2006			
Company	**Country**	**Sales and other revenues**	**Revenues from discontinuing operations**	**Financial income (incl. dividends)**	**Cost of materials and services**
Boschi Luigi & Figli S.p.A. in A.S.	Italy	15.3			27.5
Centrale del Latte di Roma S.p.A.	Italy	18.6		7.3	43.1
Latte Sole S.p.A.	Italy	1.4		0.3	1.7
Newlat S.p.A.	Italy	4.9			6.4
Parmalat Distribuzione Alimenti S.r.l.	Italy	18.2			14.9
OOO Parmalat MK	Russia	1.1			
Parmalat España SA	Spain	2.0			
Parmalat Dairy & Bakery Inc.	Canada	0.8			
Parmalat Holdings Limited	Canada			1.4	
Parmalat Australia Limited	Australia	1.2			
Deutsche Parmalat GmbH in AS	Germany		2.3		6.2
Parmalat Molkerei GmbH in AS	Germany				8.8
Dalmata S.r.l.	Italy			0.7	
Parmalat Portugal Produtos Alimentares Ltda	Portugal			0.2	
Impianti Sportivi Parma S.r.l.	Italy			0.1	
Citrus International Corporation SA	Cuba				3.4
Other companies		2.5		0.1	0.5
Total		**66.0**	**2.3**	**10.1**	**112.5**

Percentage of Total Amounts Attributable to Transactions with Related Parties

(in millions of euros)	**Assets**	**Liabilities**	**Cash and cash equivalent**	**Cost of sales**	**Distribution costs**	**Administrative expenses**	**Net financial income**
Total	3.143,5	671,5	1.231,3	594,1	180,1	74,6	47,1
Amount with related parties	227,1	23,2	(2,3)	83,5	15,2	0,4	10,3
Percentage of the total	*7,2%*	*3,5%*	*n.s.*	*14,1%*	*8,4%*	*0,5%*	*21,9%*

Notes to the Balance Sheet – Assets

Non-current Assets

(1) Goodwill

Goodwill totaled 233.8 million euros, the same as at December 31, 2006.

The Company tests the recoverability of goodwill at least once a year and more frequently when there are indications that its value may have been impaired.
In order to perform an impairment test, goodwill was allocated to the applicable cash generating unit.
As was the case in the past, the impairment test was performed by an independent advisor.
The recoverable value of goodwill was tested against its value in use, which is the present value of the expected cash flows from operations, estimated based on the Company's strategic plan for the next three years. For the years not covered by the strategic plan, the process involved estimating a terminal value, which was computed as the cash flow from operations appropriately standardized to maintain standard operating business conditions, assuming a growth rate ranging between 0.5% and 1%.
Cash flow projections were based on normal conditions of business activity and, consequently, do not include cash flows attributable to extraordinary events.
The discount rate used was consistent with current valuations of the cost of money and took into account the specific risks attributable to the cash generating unit. The rate, net of taxes, is of 7.5%.
The process of obtaining information about the potential net realizable value of the assets allocated to the cash generating unit also involved the use of stock market multiples to determine the values of publicly traded companies in the same industry, which were used as reference with regard to value in use.

No indicators that would require an assessment of impairment losses were detected in 2007.

(2) Trademarks with an Indefinite Useful Life

The balance in this account (180.6 million euros) is the same as at the end of 2006.

The table below provides a breakdown of trademarks with an indefinite useful life:

(in millions of euros)	**12/31/07**	**12/31/06**
Parmalat	121.9	121.9
Santal	32.6	32.6
Chef	16.2	16.2
Kyr	2.6	2.6
Elena	7.3	7.3
Total trademarks with an indefinite useful life	**180.6**	**180.6**

The Company tests the recoverability of trademarks with an indefinite useful life at least once a year and more frequently when there are indications that its value may have been impaired.
As was the case in the past, the impairment test was performed by an independent advisor.
The recoverable value of trademarks with an indefinite useful life was tested against their value in use by means of the relief from royalty method.
The relief from royalty method was chosen as a valuation method because it is consistent with the widely accepted belief that the value of trademarks is closely related to the contribution that they provide to a company's operating results. Moreover, recent studies by major market research companies have shown that a product's brand is one of the main factors that motivate purchases of groceries.

The relief from royalty method consists of discounting to present value the royalty payments that the owner of a trademark avoids because of the ownership of the right to use that trademark. As a rule, royalties are computed as a percentage of net revenues before the impact of taxes.
The process followed to determine the net royalty flows involved using, for each trademark, the net revenue projections estimated in the Company's strategic plan for the next three years.
For the years not covered by the strategic plan, the process involved estimating a terminal value, which was computed as the royalty flow appropriately standardized to maintain standard operating business conditions, assuming a growth rate ranging between 1% and 2%.
The royalty rate that was applied to net revenues was determined based on studies and surveys carried out in this field by research institutions and professionals, as well as on internal analyses of licensing agreements executed in the food industry. Moreover, since each individual trademark has its own distinctive characteristics relative to the product/market combination, the qualitative (competitive position, name recognition, customer loyalty and quality) and quantitative (profitability percentage) characteristics of the trademarks were also taken into account. Based on these elements, each trademark was assigned a royalty rate ranging between 2.5% and 3%.
The discount rate used was consistent with current valuations of the cost of money and took into account the specific risks attributable to each cash generating unit. The rate, net of taxes, is of 7.5%.

No indicators that would require an assessment of impairment losses were detected in 2007.

(3) Other Intangibles

Other intangibles of 54.5 million euros include the following:

	12/31/07	12/31/06
Other trademarks and sundry intangibles *(see breakdown below)*	48.4	65.0
Licenses and software	6.1	4.1
Total other intangibles	**54.5**	**69.1**

This item includes licenses for corporate software and trademarks with a finite useful life (which can be amortized) that are being used in Parmalat's restructured commercial operations. These trademarks are recognized at their fair value on the date of acquisition (October 1, 2005) and are amortized over five years.

Other Trademarks and Sundry Intangibles

	12/31/07	12/31/06
Berna	22.6	30.1
Lactis	7.4	9.9
Monza	3.8	5.3
Solac	3.2	4.4
Optimus	3.1	4.2
Stella	1.8	2.6
Jeunesse	1.8	2.4
Torvis	1.3	1.8
Pascolat	1.1	1.5
Dolomiti	0.7	0.9
Other trademarks and sundry intangibles	1.6	1.9
Total other trademarks and sundry intangibles	**48.4**	**65.0**

Changes in Other Intangibles

	Other trademarks	*Licenses and software*	*Total*
Gross carrying amount at 12/31/05	**35.6**	**3.1**	**38.7**
Additions		2.1	2.1
Asset reclassifications	48.1		48.1
Gross carrying amount at 12/31/06	**83.7**	**5.2**	**88.9**
Additions	0.1	3.8	3.9
Gross carrying amount at 12/31/07	**83.8**	**9.0**	**92.8**
Accumulated amortization at 12/31/05	*(3.9)*	*(0.1)*	*(4.0)*
Amortization for the period	*(16.7)*	*(1.0)*	*(17.7)*
Reclassifications of accumulated amortization	*1.9*		*1.9*
Accumulated amortization at 12/31/06	*(18.7)*	*(1.1)*	*(19.8)*
Amortization for the period	*(16.7)*	*(1.8)*	*(18.5)*
Reclassifications of accumulated amortization			
Accumulated amortization at 12/31/07	*(35.4)*	*(2.9)*	*(38.3)*
Net carrying amount at 12/31/07	**48.4**	**6.1**	**54.5**

(4) Property, Plant and Equipment

Property, plant and equipment totaled 154.1 million euros, broken down as follows:

	12/31/07	12/31/06
Land	23.8	24.4
Buildings	66.3	68.5
Plant and machinery	45.6	38.8
Industrial equipment	1.6	1.2
Other assets	6.0	5.0
Construction in progress	10.8	0.0
Total property, plant and equipment	**154.1**	**137.9**

Some of the properties (Land and Buildings) are encumbered by a voluntary mortgage of up to 33.6 million euros granted to a financial institution to secure a medium-term financing facility of 11.1 million euros it provided to the Company, which matures on December 31, 2010. As of June 30, 2007, 6.7 million euros were owed on this facility.

A breakdown of property, plant and equipment acquired under finance leases totaling 4.5 million euros is as follows:

- 1.2 million euros for buildings;
- 0.2 million euros for plant and machinery;
- 3.1 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 12/31/05 (restated)	**26.6**	**74.2**	**27.9**	**1.2**	**7.2**	**1.5**	**138.6**
Additions		1.6	17.6	0.4	2.1		21.7
Disposals – realizable value	(2.1)	(3.9)	(1.2)	(0.3)	(1.1)		(8.6)
Plus/(minus)		0.3	0.3	0.3	0.3		1.2
Asset reclassifications		0.1	1.4			(1.5)	0.0
Gross carrying amount at 12/31/06	**24.5**	**72.3**	**46.0**	**1.6**	**8.5**	**0.0**	**152.9**
Additions		2.1	15.2	0.8	3.8	10.8	32.7
Disposals – realizable value	(0.7)	(1.6)	(0.2)	0.0	(0.4)		(2.9)
Plus/(minus)	0.0	0.1	0.2		0.0		0.3
Asset reclassifications							0.0
Gross carrying amount at 12/31/07	**23.8**	**72.9**	**61.2**	**2.4**	**11.9**	**10.8**	**183.0**
Accumulated depreciation at 12/31/05	**0.0**	**(0.9)**	**(1.2)**	**(0.1)**	**(0.7)**	**0.0**	**(2.9)**
Depreciation for the period		*(3.0)*	*(6.0)*	*(0.3)*	*(2.9)*		*(12.2)*
Change in depreciation due to divestitures		*0.1*					*0.1*
Reclassifications of depreciation							*0.0*
Accumulated depreciation at 12/31/06	**0.0**	**(3.8)**	**(7.2)**	**(0.4)**	**(3.6)**	**0.0**	**(15.0)**
Depreciation for the period		*(2.9)*	*(8.4)*	*(0.4)*	*(2.4)*		*(14.1)*
Change in depreciation due to divestitures		*0.1*	*0.0*		*0.1*		*0.2*
Reclassifications of depreciation							*0.0*
Accumulated depreciation at 12/31/07	**0.0**	**(6.6)**	**(15.6)**	**(0.8)**	**(5.9)**	**0.0**	**(28.9)**
Net carrying amount at 12/31/07	**23.8**	**66.3**	**45.6**	**1.6**	**6.0**	**10.8**	**154.1**

Additions to buildings (2.1 million euros) included projects designed to preserve Company-owned buildings and the construction of new facilities at factories in Piana di Monte Verna (0.6 million euros) and Zevio (0.4 million euros).

Additions to plant and machinery concerned mainly packaging lines for vegetable juices in Collecchio (4.7 million euros) and pasteurization lines in Piana di Monte Verna (4.5 million euros) and Torviscosa (1.5 million euros).

Additions to other assets consisted for the most part of new refrigerated vehicles used to deliver fresh dairy products to retailers, which were acquired under finance leases (2.1 million euros).

Construction in progress refers primarily to the purchase of a structure that will house the Company's new headquarters (4.9 million euros) and to the construction work and equipment needed to complete this project (5.6 million euros).

The depreciation of Property, plant and equipment was computed in accordance with regular annual rates based on their useful lives, which are the same as the rates used the previous year.

(5) Investments in Associates

A breakdown of this item, which amounted to 618.7 million euros, is as follows:

	12/31/07	12/31/06
Subsidiaries	615.5	683.8
Affiliated companies	0.0	0.0
Other companies	3.2	3.2
Total investments in associates	**618.7**	**687.0**

Changes in Investments in Associates

	Subsidiaries	*Affiliated companies*	*Other companies*	*Total*
Carrying amount at 12/31/05 restated	**717.2**	**0.0**	**3.2**	**720.4**
Additions/Purchases	13.2			13.2
Reductions/Divestitures	(4.2)			(4.2)
Writedowns	(42.4)			(42.4)
Carrying amount at 12/31/06	**683.8**	**0.0**	**3.2**	**687.0**
Additions/Purchases	120.5			120.5
Reductions/Divestitures	(150.0)			(150.0)
Writedowns	(38.8)			(38.8)
Carrying amount at 12/31/07	**615.5**	**0.0**	**3.2**	**618.7**

The main components of additions to/purchases of subsidiaries (120.5 million euros) are reviewed below:

- Capital increase by the Parmalat Holding Ltd. Canadian subsidiary, which issued 104,000 shares, par value 1,000 Canadian dollars each, for a total amount equal to 75.6 million euros. The capital increase was fully subscribed by Parmalat Spa, which retained 100% ownership of this company.

- Purchase of 34.9% of the share capital of Oao Belgorodskij Molochnij Kombinat (6.0 million euros) and of a 19.7% interest in Parmalat Romania SA (2.1 million euros) from the European Bank for Reconstruction and Development. Following these acquisitions, the Company's interest in these two subsidiaries increased from 64.8% to 99.75% and from 73.4% to 93.1%, respectively.

- Purchase of 3.76% of the share capital of the Boschi Luigi & Figli S.p.A. subsidiary at a cost of 0.5 million euros. With this purchase, the Company increased its controlling interest in this subsidiary from 94.4% to 98.2%).

- Capitalization of Newlat Spa (10 million euros), Latte Sole S.p.A. (6.6 million euros), Dalmata Srl (3.3 million euros), Arilca SA (1.6 million euros) and Sata S.r.l. in liquidation (6.8 million euros), carried out by forgiving receivables of equal amounts owed by these subsidiaries, and recapitalization of Parmalat Distribuzione Alimenti S.r.l. (7.6 million euros).

The decrease of 150 million euros in investments in subsidiaries is due to the sale of the interests held in Parmalat España SA and Compañia Agricola y Forestal SA to Lacteos Siglo XXI s.l. (Nueva Rumasa Group), which was executed on May 16, 2007 and approved by the Spanish antitrust authorities on June 22, 2007.

Writedowns of 38.8 million euros were booked as a result of the annual impairment test of investments in subsidiaries and reflects the losses suffered by the investments in: Newlat (19.4 million euros), Latte Sole (8.7 million euros), Parmalat Distribuzione Alimenti (4.3 million euros), Sata Srl (3.1 million euros), subsidiaries in Ecuador (1.5 million euros), Pisorno Agricola (0.2 million euros) and the recognition in the income statement of non-refundable financing (converted into an equity investment) provided to Arilca SA (1.6 million euros).

A breakdown of the investee companies included under “Investments in associates” at December 31, 2007 is as follows:

Investments in subsidiaries	Country	% interest held	Total value
Parmalat Canada Inc. (formerly Parmalat Holding Ltd)	Canada	100.0	203.9
Parmalat Pacific Holding Pty	Australia	38.3	119.0
Centrale del Latte di Roma S.p.A.	Italy	75.0	104.1
Parmalat Portugal Produtos Alimentares Ltda	Portugal	100.0	41.6
Procesadora de Leches SA	Colombia	94.8	27.9
Latte Sole S.p.A.	Italy	100.0	20.8
OAO Belgorodskij	Russia	99.7	20.1
Parmalat Colombia Ltda	Colombia	91.0	15.8
Boschi Luigi e Figli S.p.A.	Italy	98.2	10.0
Carnini S.p.A.	Italy	100.0	10.0
OOO Parmalat Mk	Russia	100.0	6.3
Parmalat Africa Ltd	Mauritius	4.3	6.3
Parmalat Romania SA	Romania	93.1	6.3
Dalmata S.r.l.	Italy	100.0	5.9
OOO Urallat	Russia	100.0	4.9
Sata S.r.l.	Italy	100.0	3.7
Parmalat Distribuzione Alimenti S.r.l.	Italy	100.0	3.3
Citrus International Corp.	Cuba	55.0	2.7
Parmalat del Ecuador SA	Ecuador	100.0	1.7
Ecuadorian Food Company	British Virgin Islands	51.0	0.5
OOO Farm	Russia	100.0	0.3
Pisorno Agricola S.r.l.	Italy	1.0	0.2
Parmalat International SA in liquidation	Switzerland	100.0	0.2
Parmalat Austria Gmbh and 23 other companies			0.0
Total subsidiaries			615.5
Investments in affiliated companies		**% interest held**	**Total value**
Food Receivables Corporation S.r.l. in liquidation	Italy	49%	0.0
Parmafactor S.p.A. in liquidation	Italy	30%	0.0
Total affiliated companies			0.0

Investments in other companies		% interest held	Total value
Bonatti S.p.A.	Italy	10.3%	3.1
Sundry companies			0.1
Total other companies			3.2
GRAND TOTAL			**618.7**

A complete list of the equity investments held by the Company is annexed to this Report.

The Company prepares consolidated financial statements, which are being provided together with these statutory financial statements and provide information about the performance of the Group as a whole.

(6) Other Non-current Financial Assets

Other non-current financial assets totaled 192.0 million euros. A breakdown is as follows:

	12/31/07	12/31/06
Loans receivable from subsidiaries	190.7	276.1
Loans receivable from others	1.3	1.4
Total other non-current financial assets	**192.0**	**277.5**

The table below and the comments that follow provide an overview of the changes that occurred in 2007.

Changes in Other Non-current Financial Assets

	Loans receivable from subsidiaries	*Loans receivable from others*	*Total*
Net carrying amount at 12/31/06	**276.1**	**1.4**	**277.5**
New loans/Adjustments	8.9		8.9
Repayments	(82.5)		(82.5)
Waivers/Conversions	(16.6)		(16.6)
Loan amount adjustments for foreign exchange differences	6.2	(0.1)	6.1
Addition to the provision for writedowns	(2.9)		(2.9)
Reversal of the provision for writedowns	1.5		1.5
Net carrying amount at 12/31/07	190.7	1.3	**192.0**

The main components of New loans/Adjustments of 8.9 million euros are new loans totaling 6.3 million euros (3 million euros to Latte Sole, 2 million euros to Parmalat MK, 0.8 million euros to Parmalat Paraguay and 0.5 million euros to Dalmata S.r.l.) and the capitalization of 2.5 million euros in accrued interest owed by subsidiaries.

Repayments, which totaled 82.5 million euros, include the following loans:

-72.2 million euros owed by the Parmalat Holding Ltd. Canadian subsidiary, which carried out a share capital increase amounting to 104 million Canadian dollars that was subscribed in full by Parmalat S.p.A. Subsequently, Parmalat Holding Ltd. repaid the full amount of the loan it owed to Parmalat S.p.A.

- 3 million euros owed by the Impianti Sportivi subsidiary.

- 1.9 million euros owed by the Parmalat del Ecuador subsidiary.

- 1.4 million euros owed by Parmalat Pacific Holding subsidiary in Australia.

- 1.1 million euros representing the repayment of the first two installments of an unsecured receivable owed by Boschi Luigi & Figli S.p.A. under Extraordinary Administration.

The amount shown for Waivers/Conversions refers to the recapitalizations of Latte Sole S.p.A. (6.6 million euros), Sata S.r.l. (6.8 million euros) and Dalmata S.r.l. (3.2 million euros).

Virtually the entire amount of the net foreign exchange gains of 6.1 million euros refers to a receivable denominated in Canadian dollars owed by the Parmalat Holding Limited subsidiary.

The Addition to the provision for writedowns (2.9 million euros) reflects writedowns of receivables owed by Curcastle (2.1 million euros) and Parmalat Paraguay (0.8 million euros).

The Reversal of the provision for writedowns (1.5 million euros) reflects the reversal in earnings of the amounts attributable to F.lli Strini (0.8 million euros), Parmalat Food Holding (0.6 million euros) and Gelateria Pty Ltd. (0.1 million euros) following the collection of receivables that earlier had been written down.

(7) Deferred-tax Assets

Deferred-tax assets amounted to 21.2 million euros, compared with 19.3 million euros at the end of 2006. A breakdown is provided below:

Deferred-tax assets	Tax rate	Temporary differences at 12/31/07	Balance at 12/31/06	Tax amount set aside	Utilizations	Impact of the tax rate reduction	Balance at 12/31/07
Provision for ITX risks	31.40%	0.0	0.1		(0.1)	0.0	0.0
Provision for restructuring	27.50%	5.4	3.1		(1.3)	(0.3)	1.5
Provision for cos. under EA	27.50%	1.0	0.4	1.4	(1.5)		0.2
Provision for prize contests	31.40%	1.3	0.9	0.5	(0.9)	(0.1)	0.4
Maintenance expenses	31.40%	18.3	6.5	1.9	(3.6)	(0.8)	4.1
Prov. for invent. writedowns	31.40%	6.5	0.3	2.2		(0.4)	2.0
Tax-deductible amortization of trademarks	31.40%	18.9	2.6	4.4	0.0	(1.1)	5.9
Other items	27.50%	19.6	4.1	5.0	(2.7)	(1.0)	6.6
Sundry items	31.40%	5.1	1.3	1.4	(0.8)	(0.3)	1.9
TOTAL		**76.1**	**19.3**	**16.8**	**(10.9)**	**(4.0)**	**22.9**

Most of the increases refer to costs incurred in 2006, the recoverability of which for tax purposes will take place when the financial impact of the underlying transaction actually occurs or, as is the case for Maintenance expenses, with the timing allowed under the applicable law.

At this point, the Company believes that it will generate sufficient taxable income in the future to recover the deferred-tax assets it carries on its balance sheet.

Current Assets

(8) Inventories

A breakdown of Inventories, which totaled 41.4 million euros, is as follows:

	12/31/07	12/31/06
Raw materials, auxiliaries and supplies	23.3	22.9
Work in progress and semifinished goods	0.0	0.0
Finished goods	19.4	15.4
Provision for inventory writedowns	(1.3)	(2.2)
Total inventories	**41.4**	**36.1**

Changes in Inventories

	Raw materials, auxiliaries and supplies	*Work in progress and semifinished goods*	*Finished goods and merchandise*	*Total*
Carrying amount at 12/31/06	**22.9**	**0.0**	**15.4**	**38.3**
Increases/(Decreases)	0.4	0.0	4.0	4.4
Gross carrying amount at 12/31/07	23.3	0.0	19.4	42.7
Carrying amount of the provision for inventory writedowns at 12/31/06	(1.8)		(0.4)	(2.2)
(Additions to)/Utilizations of provision	0.8		0.1	0.9
Carrying amount of provision for inventory writedowns at 12/31/07	(1.0)	0.0	(0.3)	(1.3)
Net carrying amount at 12/31/07	**22.3**	**0.0**	**19.1**	**41.4**

The change in inventories reflects primarily raw milk price increases.

(9) Trade Receivables

Trade receivables amounted to 250.7 million euros. A breakdown is provided below:

	12/31/07	Increases/ (Decreases) of receivables	(Increases)/ Decreases of allowance	12/31/06
Gross trade receivables – Customers	354.4	27.5		326.9
Gross trade receivables – Subsidiaries	33.1	(8.1)		41.2
Allowance for doubtful accounts – customers	(136.6)		0.7	(137.3)
Allowance for doubtful accounts – subsidiaries	(0.2)		4.9	(5.1)
Total trade receivables	**250.7**	**19.4**	**5.6**	**225.7**

The rise in net trade receivables is mainly the result of significantly higher sales in the fourth quarter of 2007 and reflects a slight increase in the collection cycle (about two more turnover days).

(10) Other Current Assets

Other current assets amounted to 156.6 million euros. A breakdown is as follows:

	12/31/07	12/31/06
Loans receivable from subsidiaries	3.6	9.4
Miscellaneous receivables	152.1	296.9
Accrued income and prepaid expenses	0.9	1.7
Total other current assets	**156.6**	**308.0**

A breakdown of Miscellaneous receivables is as follows:

	12/31/07	12/31/06
Amount receivable for settlements of actions to void in bankruptcy and actions for damages	1.4	127.0
Amount receivable from the tax authorities for VAT	58.5	79.3
Accrued interest on VAT refunds receivable	1.1	1.4
Estimated tax payments and income taxes withheld	71.5	67.2
Amount receivable from the Ministry of Farm Policies	8.9	15.5
Advances to suppliers and sales agents	1.4	0.8
Sundry receivables	9.3	5.7
Total miscellaneous receivables	**152.1**	**296.9**

At the end of 2006, the amount receivable for settlements of actions to void in bankruptcy and actions for damages includes 112.0 million euros owed by Banca Nazionale del Lavoro S.p.A. (collected in January 2007) and 15 million euros owed by Banca Popolare Italiana S.c.a.r.l. (collected in May 2007). The amount shown at December 31, 2007 refers to the amount owed by Deloitte & Touche (US$2.0 million, not yet collected).

A portion of the amount receivable from the tax authorities for VAT (5.6 million euros) has been earmarked to offset an equal liability toward the Italian social security administration (INPS).

The balance shown for Miscellaneous receivables is net of an allowance for doubtful accounts amounting to 8.3 million euros, which has been set aside to cover potential collection risks. The net balance shown above is deemed to be fully collectible. By decree n. 351/2007 the Ministry of Farming, Food and Forestry Policies ruled to reduce the subsidy that arises from grants approved pursuant to art. 13 comma 1 Legislative Decree No. 173/1998 to Parmalat S.p.A. from 50.34% to 40%; the Company filed a complaint with the Regional Administrative Court against the mentioned decree.

(11) Readily Available Financial Assets

The balance of 588.9 million euros includes the following:

	12/31/07	12/31/06
Treasury bills	63.8	159.2
Reverse repurchase agreements	0.0	45.0
Bank time deposits	524.1	0.0
Accrued interest	1.0	1.8
Total readily available financial assets	**588.9**	**206.0**

The items listed above represent short-term investments of liquid assets that do not qualify as cash equivalents, as defined in Paragraph 7 of IAS 7, because the overall term of the securities involved was longer than three months at the time of purchase. The change compared with December 31, 2006 (+382.9 million euros) reflects the bigger available cash in 2007, also generated by transactions with banks and other lenders.

The table below provides a breakdown by type of the Company's short-term investments of liquid assets and shows the duration and rate of return of these investments.

	Amount		Date of purchase	Maturity	Annual rate
Treasury bills	**63.8**	63.8	8/15/07	1/31/08	4.13%
Bank time deposits	**524.1**	22.1	8/10/07	2/10/08	4.42%
		30.0	8/30/07	2/29/08	4.76%
		71.0	9/3/07	2/4/08	4.72%
		51.0	9/17/07	1/17/08	4.73%
		70.0	11/19/07	4/21/08	4.63%
		170.0	12/24/07	3/25/08	4.83%
		110.0	12/24/07	5/26/08	4.78%

(12) Cash and Cash Equivalents

Cash and cash equivalents totaled 650.9 million euros, broken down as follows:

	12/31/07	Increases (Decreases)	12/31/06
Cash in banks	650.5	510.1	140.4
Cash and securities on hand	0.4	0.0	0.4
Total cash and cash equivalents	**650.9**	**510.1**	**140.8**

This item includes amounts deposited by the Company in bank accounts and cash on hand. The balance reflects the daily flow of collections and payments and the investment flows. The increase of cash in banks reflects the collection late in December of the proceeds from the settlement with Intesa – Sanpaolo – Cariparma (396.0 million euros).

The change in financial position is shown in the Cash Flow Statement, which should be consulted for additional information.

(13) Available-for-sale Assets

This account had a zero balance at December 31, 2007 compared with 2006. The changes are shown in the table below:

	12/31/07	Change in available-for-sale assets	12/31/06
Pomì Division			
Raw materials	0.0	(0.2)	0.2
Finished goods	0.0	(7.3)	7.3
Total available-for-sale assets	**0.0**	**(7.5)**	**7.5**

The zero balance is due to the sale of the "tomato" business operations at the end of June 2007.

As a result of this transaction, which was executed by the Boschi Luigi e Figli S.p.A. subsidiary, Parmalat S.p.A. sold its remaining inventory of tomato products. The sales amount owed is included in Trade receivables from outsiders.

Notes to the Balance Sheet — Shareholders' Equity

Summary of the Shareholders' Equity Accounts

	12/31/07	12/31/06
- Share capital	1,652.4	1,641.5
- Reserve for conversion exclusively into share capital of creditor challenges and claims of late-filing creditors	221.5	224.9
- Shares subscribed through the exercise of warrants	0.0	0.1
- Statutory reserve	4.2	0.0
- Other reserves	39.1	(11.7)
- Loss carryforward	0.0	(29.3)
- Profit (Loss) for the year	554.7	125.6
Total shareholders' equity	**2,471.9**	**1,951.1**

The financial statements include a Statement of Changes in Shareholders' Equity.

(14) Share Capital

The table below shows how the number of shares outstanding changed in 2007:

Number of shares	
Shares outstanding at 1/1/07 – par value 1 euro each	**1,641,527,456**
Shares issued for claims of late-filing creditors and/or upon the settlement of challenges (using reserves established for this purpose) – par value 1 euro each	3,345,173
Shares issued upon the conversion of warrants – par value 1 euro each	7,547,216
Shares outstanding at 12/31/07 – par value 1 euro each	**1,652,419,845**

Maximum Share Capital Amount

In accordance with the resolutions approved on March 1, 2005, September 19, 2005 and April 28, 2007, the Company's share capital may reach a maximum of 2,025 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	95.0
Total capital increase	**2,025.0**

As explained above, the Company's share capital amounted to 1,652.4 million euros at December 31, 2007. As of the writing of these Notes, it had increased by 8.8 million euros to a total of 1,661.2 million euros. The Company, having carried out a detailed analysis of the challenges filed by creditors excluded from the sum of liabilities and of the claims of late-filing creditors, believes that the equity reserves it has established in connection with these claims are adequate. Any additional claims of late-filing creditors that may arise in the future and are verified by a final court decision can be satisfied using the retained earnings.

(15) Reserve for Creditor Challenges and Claims of Late-filing Creditors Convertible into Share Capital

At December 31, 2007, this reserve convertible into share capital amounted to 221.5 million euros. Utilizations for the period totaled 3.3 million euros, causing the share capital to increase by the same amount.

The utilization of this reserve will cause the share capital of Parmalat S.p.A. to increase by an amount equal to the additional verified claims. 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) Shares Subscribed Through the Exercise of Warrants

This reserve refers to the warrants exercised in December 2007 (the corresponding 23,251 shares were issued in January 2008).

At December 31, 2007, there were 76,812,418 warrants outstanding, which are exercisable until December 31, 2015.

(17) Other Reserves

This item, which at December 31, 2006 had a negative balance of 12 million euros, reflects the costs incurred to list the securities of Parmalat S.p.A., which totaled 12.7 million euros, and a loss brought forward of 0.3 million euros, net of an allowance for the coverage of losses amounting to 1.0 million euros.

The Ordinary Shareholders' Meeting of April 28, 2007 approved motions to: (i) replenish the loss reported by Parmalat S.p.A. in 2005, which amounted to 29,337,671 euros, by using in full the loss coverage reserve of 1,020,343 euros and a portion of the net profit earned in 2006 to cover the balance of 28,317,328 euros; (ii) replenish the negative balance in the reserve for share listing costs, which amounted to 12,746,496 euros, by using a portion of the net profit earned in 2006; (iii) to set aside in a statutory reserve 5% of the balance of the net profit earned in 2006 that remained after the utilizations approved as per Items (i) and (ii), equal to 4,227,367 euros; (iv) to appropriate the balance of the net profit earned in 2006 that remained after the utilizations approved as per Items (i) and (ii) and the allocation to the statutory reserve referred to in Item (iii), which amounted to 80,319,963 euros, as follows: (a) as a dividend of 0.025 euros on each of the 1,649,171,671 common shares outstanding at April 17, 2007, for a total of 41,229,292 euros; (b) to a reserve for claims of creditors who challenged the exclusion of their claims from the sum of liabilities and creditors with conditional claims (as required under the terms of the Composition with Creditors) who may be entitled to receive Company shares, for a total of 3,949,565 euros; (c) the balance of 35,141,106 euros to a reserve that will also be used to satisfy any additional claims of late-filing creditors or creditors with contested claims that are verified by a final court decision.

The balance shown for Other reserves (39.1 million euros is allocated as follows: (a) 4 million euros for creditors who challenged the exclusion of their claims from the sum of liabilities and creditors with conditional claims who may be entitled to receive Company shares; and (b) 35.1 million euros for a reserve that will also be used to satisfy any additional claims of late-filing creditors or creditors with contested claims, if and when they are verified by a final court decision.

(18) Retained Earnings (Loss Carryforward)

At December 31, 2007, this item had a zero balance (negative balance of 29.3 million euros at December 31, 2006), reflecting the implementation of the motions approved by the Shareholders' Meeting on April 28, 2007.

(19) Profit (Loss) for the Year

The profit earned by the Company in 2007 amounted to 554.7 million euros.

Notes to the Balance Sheet — Liabilities

Non-current Liabilities

(20) Long-term Borrowings

A breakdown of Long-term borrowings, which amounted to 5.9 million euros, is as follows:

	12/31/07	12/31/06
IRFIS – Mediocredito Regionale della Sicilia – amount due after one year	4.4	6.7
Obligations under finance leases	1.5	3.6
Total long-term borrowings	**5.9**	**10.3**

The indebtedness owed to IRFIS – Mediocredito Regionale della Sicilia is secured by a voluntary mortgage on Company buildings in Collecchio. The loan is to be repaid in equal semiannual installments of 1.1 million euros due at the end of June and the end of December.

Obligations under finance leases, recognized in accordance with IAS accounting principles, represent the remaining indebtedness due after one year owed under outstanding finance leases. The decrease reflects the lease payments made in 2007.

(21) Deferred-tax Liabilities

Deferred-tax liabilities amounted to 25.8 million euros, up from 20.4 million euros at the end of 2006. The table below provides a breakdown of this item and shows the changes that occurred in 2007:

Deferred-tax liabilities	Tax rate	Temporary differences at 12/31/07	Balance at 12/31/06	Additional liabilities recognized	Utiliza-tions	Impact of decrease in tax rates	Balance at 12/31/07
Amortization of goodwill for tax purposes	31.40%	39.0	9.7	4.8	0.0	(2.3)	12.2
Amortization of trademarks for tax purposes	31.40%	38.1	10.4	3.8	0.0	(2.2)	12.0
Capitalization of leases	31.40%	0.9	0.3		0.0	0.0	0.3
Measurement of employee severance benefits in accordance with IAS 19	27.50%	4.9	0.0	1.6	0.0	(0.3)	1.3
TOTAL		**82.9**	**20.4**	**10.2**	**0.0**	**(4.8)**	**25.8**

Deferred taxes recognized in 2007 were computed on the portion of amortization booked exclusively for tax purposes, since it applies to assets with an indefinite useful life that, as such, cannot be amortized for reporting purposes.

(22) Post-employment Benefits

Changes to the Regulations That Govern the Provision for Employee Severance Benefits

As a result of the reform of the regulations that govern supplemental retirement benefits introduced by Legislative Decree No. 252 of December 5, 2005, the severance benefits that vested up to December 31, 2006 will continue to be held by the employers. For the severance benefits vesting after January 1, 2007, employees will have to choose (not later than June 30, 2007 for employees hired by December 31, 2006, or within six months from the date of hiring for employees hired subsequently) if they wish to invest them in supplemental retirement benefit funds or leave them with their employers, who will then transfer the vested severance benefits to a fund managed by the Italian social security administration (INPS).

For the severance benefits that vested up to December 31, 2006, the Company has continued to recognize its liability in accordance with the rules for defined-benefit plans. For the severance benefits that vest after January 1, 2007 and are transferable to supplemental retirement benefit funds or the INPS Treasury Fund, it has recognized its liability on the basis of the amounts owed for the period. In addition, it recognized its liability for the severance benefits that vest after January 1, 2007 that will be held by the Company, which were added to the severance benefits that had vested up to December 31, 2006, in the case of severance benefits that employees chose to invest in a supplemental retirement benefit fund, or will be invested in the collective pension scheme, if employees fail to make a choice after July 1, 2007.

Specifically, with regard to benefits vesting after December 31, 2006, the Company has carried out a new valuation of its liability using new actuarial assumptions. The difference from the amount recognized in the financial statements at December 31, 2006 was reflected in the income statement as a lump sum.

The addition to the Provision for employee severance benefits includes 1.6 million euros classified as borrowing costs in accordance with IAS 19.

Reconciliation of Plan Assets and Liabilities to the Amounts Recognized on the Balance Sheet

Defined-benefit plans (at 12/31/06)	40.6
Cost related to current employment	0.4
Financial expense	1.6
Contributions to the plan	0.1
Impact of any reductions or eliminations of plan assets	(2.8)
Actuarial (gains) losses	(2.6)
Benefits paid and/or transferred	(5.4)
Defined-benefit plans (at 12/31/07)	**31.9**

(23) Provisions for Risks and Charges

Provisions for risks and charges totaled 205.4 million euros. They include the items listed below:

	12/31/07	Utilizations/ Payments	Reversals in earnings	Additions	12/31/06
Provisions for taxes	27.7			10.2	17.5
Allowance for risks on investee companies	14.8		(11.4)	10.0	16.2
Provision for adjust. to equity invest. in Venezuela	134.4				134.4
Allowance for staff downsizing	11.0	(5.4)	(0.3)	1.4	15.3
Allowance for INPS installment plan	0.4		(0.2)		0.6
Provision for prize contests	0.0		(0.3)		0.3
Provision for costs of ITX dispute	0.5				0.5
Provision for disputes with former Group cos.	3.9			0.8	3.1
Provisions for supplemental sales agents benefits	12.7	(1.1)		13.0	0.8
Total provisions for risks and charges	**205.4**	**(6.5)**	**(12.2)**	**35.4**	**188.7**

Net of utilizations, these provisions increased by 16.7 million euros in 2007. The largest additions included the following: 10 million euros to cover the risk of a writedown of the investment in Newlat in anticipation of its sale; 1.4 million euros for additional costs projected for staff downsizing programs; 7.0 million euros for the planned restructuring of production facilities and 4.2 million euros to licensees' restructuring, which were added to Other provisions; and, lastly, 0.8 million euros for the contribution required to cover the supplemental sales agent benefits that vested during the period. The largest decreases include the reversal in earnings of a provision to cover risks related to the Parmalat Hungaria subsidiary (11.4 million euros) upon the dissolution of this company and utilizations of the allowance for staff downsizing (5.3 million euros).

The provision for taxes refers to risks attributable to companies formerly under extraordinary administration that were parties to the Composition with Creditors and concerns periods that predate the time when they became eligible for extraordinary administration. The increase in provisions equal to 10.2 million euros are meant to cover risks of assessments on financial operations occurred during the period from 1998 to 2003 between Parmalat S.p.A. (now in extraordinary administration) and Bank of America, that have recently emerged during the current law suit in the United States.

With regard to the provision for adjustments to equity investments in Venezuela, the Venezuelan companies have indebtedness that totals US$170 million in principal amount. As a result of these liabilities, they have a negative equity, which is reflected in this provision. These liabilities, which were incurred prior to the crisis of the Parmalat Finanziaria Group, are being contested before the applicable U.S. courts of venue.

(24) Provision for Preferential and Prededuction Claims

	12/31/07	Increases	Decreases	12/31/06
Provision for preferential and prededuction claims	**21.3**		(1.5)	22.8

The decrease of 1.5 million euros reflects the verification of the claims of some creditors (late-filing or with contested claims) as having preferential or prededuction status vis-à-vis the various companies under extraordinary administration, the amounts of which were determined in final decisions by the applicable courts of venue.

Current Liabilities

(25) Short-term Borrowings

Short-term borrowings totaled 6.1 million euros. A breakdown is as follows:

	12/31/07	12/31/06
IRFIS – Mediocredito Regionale della Sicilia – amount due within one year	2.2	2.2
Obligations under leases – amount due within one year	1.6	0.0
Indebtedness owed to subsidiaries	2.3	2.4
Total short-term borrowings	**6.1**	**4.6**

The terms and guarantees of the indebtedness owed to IRFIS (portion due within one year) have been described in the Note to Long-term borrowings. Obligations under leases represent the portion due within one year form the balance sheet date under finance leases at the end of 2007. The corresponding amounts were determined in accordance with international accounting principles.

(26) Trade Payables

A breakdown of trade payables, which totaled 218.8 million euros, is as follows:

	12/31/07	Increases	Decreases	12/31/06
Advances	0.0			0.0
Trade payables – Suppliers	194.3	16.8		177.5
Liability for prize contests	1.3	1.3	(2.3)	2.3
Trade payables – Subsidiaries	23.2		(0.9)	24.1
Total trade payables	**218.8**	**18.1**	**(3.2)**	**203.9**

Trade payables increased due to the higher price paid for raw milk and of the amounts owed in connection with new headquarters in Collecchio.

(27) Other Current Liabilities

Other current liabilities of 63.0 million euros include the following:

	12/31/07	12/31/06
Amounts owed to the tax authorities	19.6	16.7
Contributions to pension and social security institutions	8.1	7.5
Accounts payable to employees	24.9	22.4
Liabilities for payment commitments	0.0	15.0
Accounts payable to others	2.6	1.5
Accrued expenses and deferred income	7.8	19.0
Total other current liabilities	**63.0**	**82.1**

The main components of the amounts owed to the tax authorities are income taxes withheld from employees, professionals, agents and other associates 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.

A portion of the amount receivable from the tax authorities for VAT (5.6 million euros) is still earmarked to offset an equal liability toward the Italian Social Security Administration (INPS).

Accrued expenses and deferred income refer mainly to deferred income that arises from grants approved pursuant to Legislative Decree No. 173/1998. To this regard, refer to the note to "Other current assets".

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

Liabilities for payment commitments refer to a payment of 15.0 million euros that the Company agreed to make on behalf of its SATA S.r.l. subsidiary. The payment was made in May 2007.

(28) Income Taxes Payable

Income taxes payable of 93.2 million euros (4.7 million euros at December 31, 2006) reflect the Company's liability for local taxes (IRAP) and corporate income taxes (IRES), which totaled 2.9 million euros and 87.8 million euros, respectively. Starting with 2007, the Company is availing itself of the option of filing a Group income tax return (so-called National Consolidated Tax Return) for itself and its principal Italian subsidiaries. Based on this type of return and in accordance with the Intra-Group Regulations for Inclusion in the National Consolidated Tax Return, the amount includes a profit of 3.3 million euros.

Guarantees and Commitments

	12/31/07			12/31/06		
	Sureties	**Collateral**	**Total**	**Sureties**	**Collateral**	**Total**
Guarantees provided by outsiders on behalf of the Company	317.4	6.7	**324.1**	246.5	8.9	**255.4**
Total guarantees	**317.4**	**6.7**	**324.1**	**246.5**	**8.9**	**255.4**

The Guarantees provided by outsiders on behalf of the Company (317.4 million euros) refer mainly to guarantees provided by banks and/or insurance companies to government agencies in connection with VAT refunds and with prize contests.

The collateral was provided to secure the outstanding balance of a loan from IRFIS – Mediocredito della Sicilia, which is due on December 31, 2010.

With reference to a settlement with a Financial Institution, the counterpart, in case of recourse against the same, will be held harmless from the possible liabilities resulting from the recourse. The mentioned condition will have no impact on Parmalat S.p.A's financial statements.

Legal Disputes and Contingent Liabilities at December 31, 2007

Foreword

The Company and the Group are defendants in civil and administrative proceedings that, based on the information currently available and in view of the provisions that have already been set aside, are not expected to have a negative impact on the consolidated financial statements.

The Company is also a plaintiff in a number of actions for damages, liability actions (both civil and criminal) and actions to void in bankruptcy that could have a positive financial impact of significant magnitude on its income statement and balance sheet.

Approval of the Proposal of Composition with Creditors and Challenges to the Court's Decision

On October 1, 2005, the Court of Parma approved the Proposal of Composition with Creditors. The approval decision was later challenged before the Bologna Court of Appeals. On January 16, 2008, the Court of Appeals rejected the appeal. If this decision becomes final, the extraordinary administration proceedings that involve the 16 companies included in the Composition with Creditors would come to an end.

* * *

The main proceedings involving the Parmalat Group are reviewed below.

Criminal Proceedings Filed by the Public Prosecutors of Milan and Parma

The Public Prosecutors of Milan and Parma are still conducting investigations to determine whether several parties are criminally liable. To the best of our knowledge, investigations concerning bank officers and other parties are still ongoing.

The status of the proceedings in Milan is as follows:

At the preliminary hearing against former Directors, former Statutory Auditors, former employees, former independent auditors, third parties and certain companies, who are being charged with stock manipulation (Article 2637), obstruction of the supervisory authority in the performance of their function (Article 2638) and audit fraud (Article 2624), which Parmalat Finanziaria S.p.A. has joined as a plaintiff seeking damages only versus individuals, the Preliminary Hearings Judge handed down a decision sentencing the defendants who had agreed to plea bargaining, and, on June 27, 2005, indicted the remaining defendants and set the date for the start of the proceedings. These proceedings are currently ongoing before the First Criminal Section of the Court of Milan.

On June 13, 2007, in another proceeding that Parmalat Finanziaria S.p.A. in A.S. has joined as a plaintiff seeking damages only versus individuals, certain bank officers and banks were indicted for stock manipulation. Among the banks, UBS Limited, Citibank N.A., Deutsche Bank Spa and Deutsche Bank AG London, Morgan Stanley Bank International Limited Milan Branch and Morgan Stanley & Co. International Ltd, and Nextra Investment Management SGR Spa were indicted for violations of Legislative Decree No. 231/01. Oral arguments began on January 22, 2008 before the Second Criminal Section of the Court of Milan. The hearings were later adjourned to March 7, 2008.

In another proceeding that Parmalat Finanziaria S.p.A. has joined as a plaintiff, by an order issued on July 6, 2007, Bank of America was indicted for violations of Legislative Decree No. 231/01. Oral arguments began on January 23, 2008 before the Second Criminal Section of the Court of Milan. The hearings were later adjourned to March 7, 2008 and it is likely that this trial will then be combined with the trial involving the other credit institutions.

Lastly, the Office of the Public Prosecutor of Milan is allegedly pursuing another line of inquiry against certain banks and their representatives, but the Parmalat Group, in its capacity as plaintiff, has not received any formal notice with regard to it.

The status of the proceedings in Parma is as follows:

The preliminary hearings involving 64 defendants who are charged with crimes related mainly to fraudulent bankruptcy started on June 5, 2006. All of the companies of the Parmalat Group that were identified as injured parties in the indictment have joined these proceedings as plaintiffs for damages. The status of the defendants who had agreed to plea bargaining was settled by the Preliminary Hearings Judge with a decision handed down on April 19, 2007. On July 25, 2007, upon the completion of the preliminary hearing, the court handed down decisions concerning the defendants who filed for plea bargaining at a later date. Specifically, (i) decisions sentencing the defendants who had agreed to plea bargaining were handed down for Antonio Bevilacqua, Franco Gorreri, Eric Dailey, Piero Alberto Mistrangelo, Massimo Nuti, Andrea Petrucci, Angelo Ugolotti, Andrea Ventura and Paola Visconti; (ii) after expedited proceedings, the court handed down a decision convicting Giampaolo Zini, Maurizio Bianchi and Luciano Del Soldato, with the latter two being ordered jointly to pay a provisional compensatory amount of 500,000.00 euros to the companies of the Parmalat Group pending a determination of the final damages by the civil court judge; (iii) Benito Bronzetti, Luis Cayola, Alberto De Dionigi, Giuseppe Gennari, Ettore Gotti Tedeschi, Luigi Guatri, Stefano Podestà, Marco Verde and Carlo Zini were found not guilty and some of the charges against some of the other defendants were dismissed. All of the other defendants were ordered to stand trial before the Court of Parma, with the first hearing scheduled for March 14, 2008.

In addition, on October 27, 2006, new preliminary hearings got under way before the Preliminary Hearings Judge in which officers and/or employees of Capitalia (formerly Banca di Roma) were charged with fraudulent bankruptcy. All of the companies of the Parmalat Group under extraordinary administration that were identified as injured parties in the indictment have joined these proceedings as plaintiffs seeking damages. In these proceedings, Capitalia S.p.A., formerly Banca di Roma S.p.A., is also being held civilly liable for the actions of its employees. Capitalia S.p.A. has joined the proceedings as a party civilly liable for actions of its employees. On July 25, final decisions were handed down in connection with these proceedings: (i) decisions sentencing the defendants who had agreed to plea bargaining were handed down for Antonio Bevilacqua, Lorenzo Bortolotti, Enrico Ferrari, Antonio Maestoso, Piero Alberto Mistrangelo, Arturo Nevi, Stefano Petazzini, Davide Salmasi, Piergiorgio Signorelli, Angelo Ugonotti and Paola Visconti; (ii) after expedited proceedings, the court handed down a decision convicting Giampaolo Zini, Luca Baraldi, Alfredo Poldi and Allay Patarino, with the latter two being ordered jointly to pay a provisional compensatory amount of 250,000.00 euros to the companies of the Parmalat Group pending a determination of the final damages by the civil court judge; (iii) Daniela Ambanelli was found not guilty; (iv) Massimo Frettoli was found not guilty and some other charges were dismissed. All of the other defendants were ordered to stand trial before the Court of Parma, with the first hearing scheduled for March 14, 2008.

While the beginning of the oral arguments phase was still pending, Capitalia S.p.A., which was held civilly liable at the preliminary hearing, was merged by absorption into Unicredito Italiano S.p.A. Consequently, the court was asked to hold Unicredito Italiano S.p.A. civilly liable. The court was also asked to hold Banca di Roma S.p.A. jointly civilly liable in view of its acquisition by way of conveyance of certain business operations of the former Banca di Roma S.p.A.

Preliminary-hearing proceedings involving a third case were held on January 9, 2007 charging former Directors, former Statutory Auditors and certain third parties with fraudulent bankruptcy in connection with companies engaged in the tourism business. In these proceedings: (i) the companies of the Parmalat Group in A.S. identified as injured parties in the indictment joined these proceedings as plaintiffs seeking damages; (ii) Capitalia S.p.A. is also being held civilly liable for the actions of Sebastiano Brucato who was an employee of BIPOP Carire at the time the crime was committed; (iii) the position of all the defendants who have agreed to plea bargaining separated from that of the other defendants (the court handed down a decision on April 19). With regard to this case, at a preliminary hearing held on July 25, all of the defendants were indicted for the crimes of which they were being accused and the first hearing of their trial was set for March 14, 2008.

While the beginning of the oral arguments phase was still pending, Capitalia S.p.A., which was held civilly liable at the preliminary hearing in its capacity as the legal entity that resulted from the merger of BIPOP Carire into Fineco S.p.A. and of the latter into Capitalia S.p.A., was merged by absorption into Unicredito Italiano S.p.A. Consequently, the court was asked to hold Unicredito Italiano S.p.A. civilly liable.

Lastly, a preliminary hearing concerning the collapse of Eurolat was held on June 15, 2007. In these proceedings, certain former Eurolat Directors and third parties are being charged with fraudulent bankruptcy and simple bankruptcy. The parties formally joined the proceedings at a hearing held on June 15. The Preliminary Hearings Judge has agreed to decide on Eurolat's petition to join the proceedings as plaintiff seeking damages and adjourned the proceedings to October 11, 2007. Subsequently, civil plaintiffs were allowed to join the proceedings and the Court summoned Unicredito Italiano S.p.A. to appear, holding it civilly liable. Unicredito Italiano S.p.A. responded by formally joining the proceedings. The trial is still pending, following completion of the oral arguments phase, during which the Public Prosecutor insisted that indictments be issued. A decision is expected by March 27, 2008, when the judge is also expected to rule on the plea bargaining motions filed by Calisto Tanzi, Giovanni Tanzi and Domenico Barili.

Pursuant to an indictment issued in July 2007, preliminary hearings also began on December 11, 2007 in which officers and/or employees of USB Limited are being charged with bankruptcy and usury. The companies of the Parmalat Group under extraordinary administration that are listed in the indictment as injured parties joined the proceedings as plaintiffs seeking damages and asked that the defendants be held civilly liable. The hearings are still ongoing.

Pursuant to another indictment issued in July 2007, preliminary hearings began on December 11, 2007 in which officers and/or employees of Deutsche Bank are being charged with bankruptcy and usury. The companies of the Parmalat Group under extraordinary administration that are listed in the indictment as injured parties joined the proceeding as plaintiffs seeking damages and asked that the defendants be held civilly liable. The hearings are still ongoing.

Concurrently, preliminary hearings are being held in which officers and/or employees of Morgan Stanley appear as defendants. The companies of the Parmalat Group under extraordinary administration have not joined these proceedings as plaintiffs seeking damages since a settlement with Morgan Stanley has already been reached.

A decree ordering that Donatella Alinovi, wife of Fausto Tonna, be tried before the Court of Parma for money laundering was issued on January 11, 2008. Parmalat S.p.A. under extraordinary administration joined the proceeding as a plaintiff seeking damages. Oral arguments have been scheduled for September 26, 2008.

Also with regard to the proceedings held before the Court of Parma, several notices of the completion of investigations into matters involving certain bank officers and banks have already been issued, but no dates have been set for the preliminary hearings.

More specifically, it appears that officers and/or employees of Citigroup have also been indicted, but no date has been set for the preliminary hearings.

Lastly, criminal proceedings for money laundering against Francesca Tanzi, Maria Pilar Vettori and Carlo Alberto Steinhauslin are pending before the Judge for Preliminary Investigations at the Court of Florence. Preliminary hearings were scheduled for January 23, 2008, but were postponed due to a strike by criminal lawyers on that day. At the next hearing, Parmalat S.p.A. under extraordinary administration will join the proceeding as an injured party.

Civil Lawsuits in the United States of America

Parmalat filed three lawsuits in the United States against certain banks and independent auditors.

Parmalat vs Bank of America et al.

In October 2004, Parmalat filed an action for damages in North Carolina against Bank of America Corporation and its affiliates (“Bank of America” or the “Bank”). Subsequently, upon a motion filed by Bank of America, the lawsuit was moved to the United States District Court for the Southern District of New York for handling of discovery phase issues, since the preliminary phases of actions filed by other plaintiffs against Bank of America, the independent auditors and other defendants were already being coordinated by the United States District Court for the Southern District of New York. Once the discovery phase is completed and a decision has been handed down on the motions for summary judgment, the lawsuit will be sent back to North Carolina for court hearings.

In August 2005, the New York Federal Court Judge granted parts of the motion to dismiss filed by Bank of America but confirmed that Parmalat could continue to pursue the discovery phase with regard to the allegations that the Bank had violated its fiduciary obligations and engaged in a conspiracy in violation of civil law. However, he denied Parmalat’s complaints alleging fraud, misleading representations, unlawful enrichment and federal and state violations of the U.S. Racketeer Influenced and Corrupt Organizations Act (RICO). The judge later allowed Parmalat to file an amended complaint concerning RICO charges. In January 2006, the judge allowed virtually all of Parmalat’s complaints, stating that the RICO complaint could be pursued based on allegations of misleading representations and fraudulent omissions by Bank of America put forth by Parmalat.

In March 2006, the judge allowed the defendant Bank to countersue Parmalat In A.S., under the condition that if the Bank was awarded, in its countersuit, an amount greater than the amount of any damages awarded to Parmalat, the Bank would pursue the collection of said amount within the framework of the

proceeding currently pending before the Court of Parma. The countersuit is based on actions that took place prior to the Parmalat Group being declared insolvent. On May 22, 2007, the Judge granted Parmalat's petition to bring additional charges against the Bank consisting of the alleged violation by the Bank of a separate fiduciary obligation toward Parmalat.
The discovery phase has been completed and motions for summary judgment are being filed.

Parmalat vs Grant Thornton Int'l et al.

In August 2004, Parmalat filed an action before a state court in Illinois seeking damages from the U.S. branches of Grant Thornton and Deloitte & Touche, their Italian affiliates and their respective international parent companies (the "Independent Auditors"). The Independent Auditors succeeded in having the lawsuit transferred to a federal court in Illinois and obtained that the lawsuit be transferred to the United States District Court for the Southern District of New York for handling of discovery phase issues, since other actions filed against Bank of America, the Independent Auditors and various other defendants are already pending in that venue. Once the discovery phase is completed and a decision has been handed down on the motions for summary judgment, the lawsuit will be sent back to Illinois for court hearings.
In July 2004, the New York judge granted in part the requests contained in a motion filed by the Independent Auditors (including the request to exclude the U.S. branches of Deloitte & Touche and Grant Thornton).
Subsequently, following the filing of additional briefs by the parties, the judge changed in part his earlier decision, denying the motion to exclude the U.S. branch of Grant Thornton but confirming the exclusion of the U.S. branch of Deloitte & Touche.
In April 2006, the Independent Auditors asked the court to authorize them to countersue Parmalat in A.S. for actions that took place prior to the Parmalat Group being declared insolvent.
On January 12, 2007, the action for damages filed by Parmalat against Deloitte & Touche S.p.A and Dianthus S.p.A. and their countersuits against Parmalat in the same proceedings were settled out of court. On February 20, 2007, the New York Court issued an order allowing the contribution bar, making the settlement final. As a result, the amount payable to Parmalat S.p.A. became due and was collected on schedule on February 23, 2007.
On February 5, 2007, the judge allowed Grant Thornton to countersue Parmalat in A.S., under the condition that if the Independent Auditor was awarded, in its countersuit, an amount greater than the amount of any damages awarded to Parmalat, the Independent Auditor would pursue the collection of said amount by requesting enforcement before the appropriate Italian court of venue. On July 23, 2007, the Court of Appeals upheld the District Court's decision specifying the enforcement of any decision would be within the jurisdiction of the Italian courts.
The discovery phase has been completed and motions for summary judgment are being filed.

Parmalat vs Citigroup, Inc. et al.

On July 29, 2004, Parmalat filed a lawsuit before a New Jersey State Court seeking damages from Citigroup, Inc.; Citibank, N.A.; Vialattea LLC; Buconero LLC; and Eureka Securitisation Plc ("Citigroup"). The complaint alleges fraud, misleading representations, conspiracy to violate fiduciary obligations, unlawful enrichment, and conspiracy to carry out fraudulent money transfers and violations of RICO statutes in New Jersey. Subsequently, after Citigroup obtained initially that the lawsuit be transferred to a federal court in New Jersey, it was sent back to the state court.
On December 20, 2004, all of the defendants asked the court to dismiss Parmalat's complaint, with Eureka Securitization filing a separate motion asking that the complaint be dismissed for lack of jurisdiction. On February 28, 2005, the court denied both motions.
On March 17, 2005, Citigroup filed a response brief countersuing Parmalat in connection with unlawful acts by Parmalat that it alleged occurred prior to the Parmalat Group being declared insolvent. On April 21, 2005, Parmalat asked that the countersuit be dismissed since it duplicated complaints already filed by Citigroup before the Court of Parma against the company under extraordinary administration. On May 31, 2005, the court denied Parmalat's motion. However, Parmalat asked that the payment of any amount awarded to Citigroup take place within the framework of the proceedings that are pending before the Court of Parma, as allowed under the protection provided by Section 304 of the U.S. Bankruptcy Law.
Citigroup has also moved, at different phases in the proceedings and in different venues, to have the court before which the lawsuit is pending found to lack international jurisdiction, alleging "improper venue." With respect to this issue, there have been several decisions by the relevant courts that have consistently denied Citicorp's motions. A further motion to appeal on the grounds of lack of jurisdiction is currently pending before the Supreme Court of New Jersey.

The phase of the discovery process that involves the rendering of expert opinions should be completed early in April 2008. The filing of motions for summary judgment will follow. Oral arguments are expected to start in May 2008.

Parmalat Securities Litigation

Pursuant to an order issued on July 28, 2006, Parmalat S.p.A. (Assumptor) was included among the respondents in the Parmalat Securities Litigation currently pending before the Federal District of New York. Other respondents in these proceedings include Deloitte & Touche (and James Copeland personally), Grant Thornton, Citigroup (including Buconero, Vialattea and Eureka Securitization), Bank of America, Credit Suisse, Banca Nazionale del Lavoro, Banca Intesa, Morgan Stanley, the Pavia Ansaldo and Zini law firms and numerous individuals. Parmalat S.p.A. has filed a motion asking that the abovementioned order be set aside. By the same order of July 28, 2006, the plaintiffs were allowed to file a third amended complaint. The abovementioned order does not address the merit of the new allegations put forth by the plaintiffs (relevance of new facts alleged by the plaintiffs or whether these new complaints qualify as being under the jurisdiction of the Federal District of New York).

By a preliminary order filed in the proceedings on June 28-29, 2007, the Federal Court of New York confirmed that Parmalat S.p.A. was a legitimate respondent in the putative class action lawsuit pending before the abovementioned court. According to the U.S. court, Parmalat S.p.A. had replaced as its successor Parmalat in A.S. and, as such, had assumed not only all of the rights of its predecessor, but also all of its obligations. However, the U.S. court indicated that any class claims, if upheld, would be subject to the claim reduction applicable to the composition with creditors and that the enforcement of any composition with creditors decision would be left to the Italian courts. Parmalat S.p.A. challenged this order pointing out that, among other issues, the position taken by the federal judge is in conflict with the terms of the composition with creditors approved by the Court of Parma. Oral arguments were heard on November 29, 2007. A decision by the Court of Appeals is pending.

Civil Proceedings Filed Against the Group

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

By decisions filed on September 25, 2007, the Court of Milan denied motions filed by some insurance companies asking that insurance policies taken out by the previous management of the Parmalat Group that provided protection from the risks inherent in the exercise of the offices of Director, Statutory Auditor and General Manager be declared null and void.

Eurofood IFSC Limited

Extraordinary administration proceedings involving Eurofood IFSC Limited, an Irish company, got under way before the Court of Parma, in Italy, in February 2004. Previously, Bank of America had succeeded in its efforts to obtain that Eurofood IFSC Limited be liquidated in Ireland. This created a conflict between the Italian and Irish courts. The European Court of Justice ruled on this issue finding that the liquidation proceedings filed before the Irish courts were substantively admissible (aspects of this issue that involve administrative proceedings are discussed later in this Report). In addition, two separate lawsuits have been filed before the Court of Parma by the liquidator of Eurofood IFSC Limited and Bank of America against the Extraordinary Commissioner of the abovementioned company. In both lawsuits, the plaintiffs are challenging Eurofood's declaration of insolvency, which was handed down by the Court of Parma. In the first lawsuit, the lower court rejected the plaintiff's demands in February 2006. The liquidator of Eurofood IFSC Limited appealed the lower court's decision before the Bologna Court of Appeals, which has not yet handed down a decision. In the second lawsuit, the parties provided rebuttals and conclusions at a hearing held on October 23, 2007 before the Court of Parma. A decision at the initial level of the judicial system is pending.

Official Liquidation Parmalat Capital Finance Ltd. (Cayman Islands)

On November 9, 2006, on the occasion of the first meeting of the creditors, the liquidators of PCF Ltd. rejected all of the claims filed by the companies under extraordinary administration, allowing them only for the purpose of voting at meetings of the creditors' committee. The same treatment was reserved for claims filed by other Group companies that are not included in the composition with creditors. These companies are Parmalat Holdings Ltd, Curcastle and Parmalat Africa.

Court of Appeal of the Cayman Islands, Challenge to the Court Decision to Liquidate Parmalat Capital Finance Ltd. (PCFL) and Appoint the Official Liquidators

The Court of Appeals has published the full text of the decision by which it rejected the appeal filed by some companies of the Parmalat Group, upholding the decision by which the lower court ordered the liquidation of PCF Ltd. and appointed the liquidators. Parmalat has appealed this decision before the Privy Council in Great Britain, which is the last available appeal venue. The appeal was discussed at a hearing held on January 30, 2008. A decision by the Privy Council is pending.

Giovanni Bonici vs Industria Lactea Venezolana

In February 2005, Giovanni Bonici, the former President of Industria Lactea Venezolana C.A., served a summons on the abovementioned company challenging his dismissal, of which he was informed in 2004. The plaintiff is asking that his dismissal be declared invalid and that Industria Lactea Venezolana C.A. be ordered to pay damages for various reasons totaling US$20 million (equal to about 14.7 million euros). The next hearing is scheduled for April 10, 2008.

Wishaw Trading SA

Five civil actions have been filed against Wishaw Trading SA, an offshore company based in Montevideo, Uruguay. All actions are related to the defendant's failure to repay its promissory notes which were guaranteed by Parmalat S.p.A. Four cases are pending before a New York court and a fifth case is pending before the Motevideo Court of Appeals.

In the fifth lawsuit, Rabobank, acting in its capacity as the guarantor of the promissory notes, filed a lawsuit against Wishaw Trading S.A. and Parmalat S.p.A. in A.S. seeking to attach assets or receivables held by the Group in Uruguay for an amount of about US$5 million. With a decision handed down in May 2006, the Court of Montevideo rejected the challenge filed by Parmalat S.p.A., which has appealed this decision. On June 21, 2007, the Montevideo Court of Appeals found in favor of Parmalat S.p.A., which regained full access to the attached assets.

With regard to the company's tax status, the Uruguayan tax authorities were granted a preventive attachment of the assets of Wishaw Trading S.A. and of the personal assets of its Directors for unpaid taxes owed by the company for 2002 and 2003 and penalties. In addition, there is a tax risk that Wishaw Trading S.A. may lose its status as an offshore holding company and, consequently, cease to enjoy an advantageous tax status available to companies of this type. Alternatively, there is a concrete risk that the tax authorities could challenge the criteria used to determine the taxable assets of Wishaw Trading S.A. for the years from 1999 to 2003. The resulting risk is estimated at about 20 million euros.

Lastly, as explained in the "Scope of Consolidation" section of this Report, Wishaw Trading S.A. is out of Group control and therefore not included in the Group's consolidation.

Civil Proceedings Filed by the Group and Settlements

Bank Hapoalim (Switzerland) – Order of Attachment Against Parmalat International SA

On March 13, 2006, Bank Hapoalim AG notified Parmalat International SA in liquidation, a company incorporated under Swiss law, an order of attachment issued by the Lower Court Judge of the District of Lugano. The order of attachment covered the receivables owed to Parmalat S.p.A. by Parmalat International SA in liquidation and any assets belonging to Parmalat S.p.A. that are held by Parmalat International SA in liquidation.

Parmalat S.p.A. is challenging the order of attachment. On April 24, 2007, the Enforcements and Bankruptcy Chamber of the Court of Appeals of Lugano found in favor of Parmalat, upholding the court decision that approved the Parmalat composition with creditors, which is thus enforceable throughout Switzerland. Bank Hapoalim AG has appealed this decision.

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

Early in 2004, Parmalat filed a complaint before the Court of Parma asking for an order of protective attachment against the former Directors and Statutory Auditors of Parmalat Finanziaria S.p.A. and Parmalat S.p.A. 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 the complainants, Parmalat Finanziaria S.p.A. in A.S. and Parmalat S.p.A. in A.S., two protective attachment orders against the abovementioned parties totaling 11.9 billion euros.

In a subsequent action for protective remedies, which was filed within the statutory deadline, Parmalat Finanziaria S.p.A. in A.S. and Parmalat S.p.A. in A.S. served two summonses on the individuals who were the target of the orders of attachment, thereby filing merit proceedings before the Civil Court of Parma. The purpose of these proceedings, which were later consolidated, 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 up to 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 similar positions, 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 consolidated with the other two.

At the hearing held on December 6, 2006 before the Court of Parma, the Court, after hearing oral arguments, handed down a decision dismissing the civil liability lawsuits filed by Parmalat Finanziaria S.p.A. in A.S. and Parmalat S.p.A. (subsequently consolidated) since both companies had joined the corresponding criminal proceeding as plaintiffs seeking damages. At the same time, the Court, rejected a challenge filed by some of the defendants who were asking the Court to rule that the attachments were void due to the dismissal of the two civil lawsuits due to the two companies joining the corresponding criminal proceeding as plaintiffs seeking damages, but ordered the suspension, pursuant to Article 295 of the Code of Criminal Procedure, of the two consolidated proceedings (in which, at this point, Parmalat S.p.A. is the sole plaintiff), pending a resolution of the criminal proceedings. Acting within the statutory deadlines, Parmalat S.p.A. filed civil lawsuits against those defendants in the criminal proceedings that agreed to a plea bargaining arrangement. The next hearing has been set for June 4, 2008.

As for the third liability lawsuit, the defensive briefs have been exchanged and oral arguments were heard on October 3, 2007. The Court then adjourned the proceedings, scheduling the next hearing for June 4, 2008.

Protection Under Section 304 of the U.S. Bankruptcy Code

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 seeking an order of protection against creditors seeking to file composition-with-creditors proceedings before a U.S. court.

On June 21, 2007, the U.S. Federal Court granted Parmalat motion to make permanent the order of protection granted pursuant to Section 304 of the U.S. Bankruptcy Law, rejecting the objections of Bank of America and other parties. Subsequently, ABN AMRO appealed this decision and this appeal is currently pending.

Actions for Damages

The initiatives taken to identify the possible liability of other parties, in addition to the individuals and companies sued in the actions described on earlier occasions, included the filing of 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 defendants who are presumed to have contributed to or aggravated the financial collapse of the plaintiff companies. 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 magnitude of impairment loss suffered by the plaintiff companies, as well as the part that the plaintiffs played in causing and/or aggravating the impairment loss. The amount of the impairment loss incurred as of December 31, 2003 was estimated at more than 13 billion euros.

The following additional clarifications also appear to be in order:

As a rule, the defendants have been deemed to be jointly liable, in different manners and with different conditions in the various instances.

It is also important to note that, while the purpose of actions for damages is to effectively restore a plaintiff's assets through the payment of monetary compensation, the payments received as a result of actions for damages reduce the amount of the overall damage suffered by the companies under extraordinary administration based on the principles of joint liability.

Lastly, it is important to keep in mind that by virtue of the court approval of the composition with creditors, the actions for damages filed by the companies under extraordinary administration that were included in the composition with creditors and the right to pursue additional actions have been transferred to Parmalat S.p.A.

Actions for Damages Filed by the Company That Are Currently Pending

Plaintiffs	Defendants	Court where filed	Principal claim (millions of euros)
Parmalat S.p.A. in A.S.; Parmalat Finanziaria S.p.A. in A.S.; Parmalat Finance Corporation BV in A.S.; Parmalat Capital Netherlands BV in A.S.; Parmalat Netherland BV in A.S.; Parmalat Soparfi SA in A.S.	UBS Limited; Deutsche Bank AG; Deutsche Bank AG London	Parma	The amount determined in the course of the proceedings, but not less than 2,199. (*) (**)
Parmalat S.p.A. in A.S.; Parmalat Finance Corporation BV in A.S.	Credit Suisse First Boston International; Credit Suisse First Boston (Europe) Ltd	Parma	7,113 or any other amount determined in the course of the proceedings. (***)
Parmalat S.p.A. in A.S.; Parmalat Finanziaria S.p.A. in A.S.; Parmalat Finance Corporation BV in A.S.; Parmalat Soparfi SA in A.S.; Parmalat Netherlands BV in A.S.; Parmalat Capital Netherlands BV in A.S.;	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	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 A.S.; Parmalat Finanziaria S.p.A. in A.S.; Parmalat Finance Corporation BV in A.S.; Parmalat Soparfi SA in A.S.; Parmalat Netherlands BV in A.S.; Parmalat Capital Netherlands BV in A.S.	Unicredit Banca Mobiliare S.p.A. – UBM S.p.A.; Banca Caboto S.p.A.;	Parma	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 A.S.	Banca di Roma S.p.A	Parma	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 A.S.	The McGraw-Hill Companies (Standard & Poor's Market Services Srl); The McGraw-Hill Companies (Standard & Poor's Rating Services) SA	Milan	4,074 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	Principal claim (millions of euros)
Parmalat S.p.A. in A.S.	Credit Suisse First Boston International, Deutsche Bank AG, J.P. Morgan Chase Bank NA, UBS AG	Parma	2,006.3 or any other amount determined in the course of the proceedings. (****)

Notes:
(*) Subordinated claim: 1,210.9 million euros.
(**) Supplemental claim: 420 million euros UBS; 350 million euros Deutsche Bank.
(***) Subordinated claim: 248 (plus two additional items) or any other amount awarded by the court.
(****) The Investigative Judge set for November 26, 2008 the hearing for rebuttals to final arguments limited to the preliminary merit issues of whether the Extraordinary Commissioner has standing to sue.

Actions to Void in Bankruptcy
A total of 76 actions to void in bankruptcy have been filed with the Court of Parma. Thirty-two of these actions have been settled. The remaining lawsuit are valued at about 3,175 million euros.

Moreover, within the framework of actions filed by creditors who are contesting the computation of the sum of liabilities, it became necessary 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. 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.

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 that, (i) according to the provisions of the Proposal of Composition with Creditors, any gain that may be generated by these actions will obviously inure to Parmalat S.p.A., and that, therefore, such gain will benefit indiscriminately and indirectly all of the creditors who have become shareholders of Parmalat S.p.A., and that, (ii) by virtue of the court decision approving the Composition with Creditors, all of the actions to void filed by the companies under extraordinary administration have been transferred to Parmalat S.p.A.

It is also important to note that 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). The amounts paid in connection with actions to void increase the liabilities of those companies by a corresponding amount(as per Article 71 of the Finance Law prior to revisions, now Article 70, Section Two, of the Finance Law). Except for special case, 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.

Parmalat – Constitutional Court
With a decision dated April 4, 2006 and subsequent orders dated December 7, 2006, December 28, 2006 and March 21, 2007, the Constitutional Court ruled that the issues of constitutionality raised within the framework of the actions (actions to void in bankruptcy) pending before the Court of Parma, in which several Italian and foreign banks are defendants, were patently devoid of merit.
Specifically, the Constitutional Court ruled that issues raised with regard to Section 1 of Article 6 of Law No. 39/2004 ("Marzano Law") that indicates that actions to void in bankruptcy may be filed even when a restructuring plan is being implemented and those raised with regard to Article 6, Section 1-*ter*, and the combined provisions of Article 6, Section 1, and Article 4-*bis*, Section 10, of the same law were patently devoid of merit.

Boschi Luigi & Figli S.p.A. Liability Action

Parmalat S.p.A. in A.S. is the majority shareholder of 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 AS, 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 AS 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.

Due the death of Paolo Boschi, one of the defendants, the lawsuit was interrupted at a hearing held on February 8, 2006. The lawsuit has since resumed and at the hearing held on December 12, 2007, the Court of Parma adjourned the proceedings to March 12, 2008.

Other Actions

Plaintiffs	Defendants	Court where filed	Principal claim
Parmalat S.p.A	Parmalat Capital Finance Limited	Parma	An order of protective attachment of the Parmalat shares for up to 22,000,000 euros to secure a receivable of US$25,905,425.00 formerly owed to Parmalat Soparfi SA by Parmalat Capital Finance Limited (an order of attachment was issued with the defendant being absent on 3/30/06 and confirmed with an order dated 7/5/06; a merit action has been filed and a summons has been served).
Parmalat S.p.A.; Parmalat S.p.A. in extraordinary administration; Parmalat Finanziaria S.p.A. in extraordinary administration	Hermes Focus Fund Asset Management Europe Ltd	Parma	Claim for damages, for worsening of the financial distress, up to 758.2 euro millions with reference to Parmalat Finanziaria S.p.A. in extraordinary administration and up to 4,299.0 euro million (*)

Note:
(*) in the process of being completed

Settlements

Some of the most significant settlements achieved in 2007 are reviewed below.

Settlement with Deloitte & Touche S.p.A. and Dianthus S.p.A.

On January 12, 2007, the action for damages filed by Parmalat against Deloitte & Touche S.p.A and Dianthus S.p.A. and their countersuits against Parmalat in the same proceedings were settled out of court. Under the terms of the settlement, Deloitte and Dianthus will pay Parmalat S.p.A. consideration amounting to US$149 million. As part of the settlement the parties agreed to withdraw all pending actions and claims.
On February 20, 2007, the New York Court issued an order granting a motion by which Deloitte & Touche S.p.A. and Dianthus S.p.A., and by Deloitte & Touche LLP, Deloitte & Touche USA LLP, Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Auditores Independentes asked the Court to issue an order regulating the relationships among jointly liable debtors (contribution bar).
As a result of the abovementioned order, the settlement became final and the amount payable to Parmalat S.p.A. became due. It was collected on schedule on February 23, 2007.

Settlement with the Banca Popolare di Milano Group

On February 2, 2007, the disputes arising from the actions to void in bankruptcy that Parmalat filed against Banca Popolare di Milano and Cassa di Risparmio di Alessandria and the action for damages brought by the Company against Banca Akros, as well as the lawsuit filed by Banca Akros against its exclusion from Parmalat's sum of liabilities, were settled out of court with two contracts structured as follows:

A) First Contract

BPM, acting also on behalf of Cassa di Risparmio di Alessandria, agreed to pay to Parmalat a total of 25 million euros to settle the actions to void in bankruptcy filed by Parmalat. The amount of the settlement was determined based on the fact that the actions to void in bankruptcy covered 34 million euros, which were never paid. BPM and Cassa di Risparmio di Alessandria waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amounts and will not file any further motions seeking inclusion among the sum of liabilities of Parmalat and other companies of the Parmalat Group.

B) Second Contract

Banca Akros agreed to withdraw the lawsuit it filed against its exclusion from Parmalat's sum of liabilities, it being understood that only the portion attributable to Banca Akros is being settled.

Settlement Agreement Between Parmalat and Banca delle Marche

On April 28, 2007, the dispute arising from the action to void in bankruptcy that Parmalat filed against Banca delle Marche S.p.A. was settled out of court.

Banca delle Marche S.p.A. agreed to pay to Parmalat S.p.A. a total of 22,000,000 euros to settle the abovementioned action to void in bankruptcy and waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amount. With this settlement, Parmalat S.p.A. and Banca delle Marche S.p.A. resolved all disputes related to the abovementioned action to void in bankruptcy.

Settlement Agreement Between Parmalat and Banca Monte di Parma

On June 18, 2007, Parmalat S.p.A. and Banca Monte Parma settled out of court the dispute arising from the action to void in bankruptcy pending against Banca Monte Parma S.p.A .

Banca Monte Parma S.p.A. agreed to pay to Parmalat S.p.A. 35 million euros to settle the abovementioned action to void in bankruptcy and waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amount.

With this settlement, Parmalat Spa and Banca Monte Parma S.p.A. resolved all disputes related to the abovementioned action to void in bankruptcy.

Settlement Agreement Between Parmalat and Merrill Lynch

On June 18, 2007, Parmalat Spa and Merrill Lynch settled all claims arising form the state of insolvency. Merrill Lynch agreed to pay to Parmalat a total of 29,093,000 euros.

Settlement Agreement Between Parmalat and ING Bank

On June 18, 2007, Parmalat and ING Bank settled out of court the dispute arising from the action to void in bankruptcy that Parmalat filed against ING Bank.

ING Bank agreed to pay to Parmalat S.p.A. 8,000,000.00 euros to settle the abovementioned action to void in bankruptcy and waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amount.

With this settlement, Parmalat and ING Bank resolved all disputes related to the abovementioned action to void in bankruptcy.

Settlement Agreement between Parmalat and Graubuendner Kantonalbank ("GKB")

On September 27, 2007, the action for restitution and damage compensation filed by Parmalat S.p.A. against Graubuendner Kantonalbank (Switzerland) was settled out of court in consideration of the payment of 20,750,000 euros by GKB.

This settlement agreement applies to challenges raised by Parmalat with regard to payments made before December 2003 by the Parmalat Group within the context of financial transactions executed by Parmalat, now in extraordinary administration, and various parties in Italy and abroad through the conduit of a former GKB employee and to damage claims arising from GKB's alleged involvement in financial transactions to which Bank of America was also a party.

Parmalat has agreed to desist from the action it filed before the Court of Parma and from any other action against GKB but reserves the right to continue pursuing legal and any other actions against any other party who is not covered by the abovementioned settlement agreement.

Settlement Agreement between Parmalat and Calyon (formerly Credit Agricole Indosuez, S.A.)

On September 27, 2007, the action to void in bankruptcy filed by Parmalat S.p.A. against Calyon (formerly Credit Agricole Indosuez, S.A.) was settled out of court in consideration of a payment of about 2.63 million euros by Calyon, which also waived the right to include a claim for the abovementioned amount among the bankruptcy liabilities.

Settlement Agreement between Parmalat and Banca IFIS S.p.A.

On October 5, 2007, Parmalat S.p.A. reached a settlement with Banca IFIS S.p.A. settling all of the claims that arose from transactions executed prior to Parmalat S.p.A. becoming eligible for extraordinary administration. Pursuant to this settlement and upon Parmalat desisting from its action to void in bankruptcy and all other claims, including claims not yet acted upon, Banca IFIS agreed to pay 2 million euros and waive the right to include a claim for the abovementioned amount among the bankruptcy liabilities.

Parmalat Reaches a Settlement with the Intesa Sanpaolo Group, Cariparma and Biverbanca

On December 22, 2007, Parmalat S.p.A. and Intesa Sanpaolo S.p.A. reached an agreement settling all of the claims that arose from transactions executed prior to the declaration of insolvency of the Parmalat Group (December 2003). Pursuant to this settlement and upon Parmalat S.p.A. desisting from all pending actions to void in bankruptcy and actions for damages and any other actions that it may be entitled to file in the future against the Intesa Sanpaolo Group, the Intesa Sanpaolo Group agreed to pay Parmalat S.p.A. a lump sum of 310 million euros.
Concurrently, Parmalat S.p.A. entered into an agreement with Cassa di Risparmio di Parma e Piacenza S.p.A. ("Cariparma") settling all of the claims that arose from transactions executed by the Parmalat Group and Cariparma prior to December 2003. Pursuant to this agreement, Parmalat S.p.A. desisted from all pending actions to void in bankruptcy and actions for damages and any other actions that it may be entitled to file in the future in consideration of a payment of 83 million euros. In another agreement reached within the context of these negotiations to settle the actions to void in bankruptcy that were pending against Biverbanca S.p.A., Parmalat S.p.A. agreed to desist from all pending actions in consideration of a payment of 3 million euros.
Similar settlement agreements were executed by Intesa Sanpaolo and Cariparma, on the one hand, and the Extraordinary Administration Commissioner for the Parmatour Group, Parma Associazione Calcio and other companies of the “old” Parmalat Group that are still under extraordinary administration, on the other. Pursuant to these agreements and upon the Extraordinary Commissioner agreeing to desist from all pending actions and actions that could be filed in the future:

- The Intesa Sanpaolo Group will pay 12.5 million euros to the Parmatour Group under extraordinary administration, 2.5 million euros to Parma Associazione Calcio under extraordinary administration and a total of 2 million euros to the other companies under extraordinary administration;

- Cariparma will pay 2.5 million euros to the Parmatour Group under extraordinary administration, 2.5 million euros to Parma Associazione Calcio under extraordinary administration and a total of 2 million euros to the other companies under extraordinary administration.

Administrative Proceedings Filed Against the Group

The developments that occurred in 2007 in the administrative proceedings involving the Group are reviewed below.

Bank of America NA and Eurofood IFSC Limited Appeals

In two separate motions notified on October 14 and 15, 2005, respectively, Bank of America NA and Eurofood IFSC Limited in liquidation (represented by its official Irish liquidator) filed appeals before the Council of State asking for a review of a decision handed down by the Regional Administrative Court of Latium on July 16, 2004 (No. 6998/05) in which the lower court judge had joined and rejected the complaints that the two appellants had filed asking that the ministerial decrees declaring Eurofood and Parmalat S.p.A. eligible for extraordinary administration and appointing an Extraordinary Commissioner be declared null and void.
By Decision No. 269, which was published on January 26, 2007, the Council of State upheld the appeal filed by Bank of America NA and Eurofood IFSC Limited thereby voiding a Ministry Decree declaring Eurofood

IFSC Limited eligible for extraordinary administration proceedings and asking the Ministry *"to totally revise the decree subject of the challenge."*
On December 21, 2007, Parmalat S.p.A. under extraordinary administration and Eurofood S.p.A. under extraordinary administration challenged the Council of State's decision on jurisdictional grounds.

Complaint Filed by Eurofood IFSC Limited e Bank of America NA Challenging the Ministry Decree of March 30, 2007

On November 12, 2007, Eurofood IFSC Limited filed a complaint before the Administrative Regional Court of Latium challenging the Decree dated March 30, 2007 by which the Minister of Economic Development reaffirmed the appointment of Enrico Bondi as extraordinary commissioner of the Parmalat Group companies eligible for extraordinary administration, which include Eurofood IFSC Limited. The plaintiff asked that, as a protective measure, the effectiveness of the decree be suspended.
By a complaint filed on January 11, 2008, Bank of America NA challenged the same decree before the Administrative Regional Court of Latium.
At a hearing held in chambers on January 31, 2008 to hear motions asking for protective action, both actions were adjourned and a merit hearing is scheduled for May 29, 2008.

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 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 Regional Administrative Court of Latium ordered the Ministry of Economic Development to produce the relevant documents and scheduled a merit hearing for May 3, 2007. The proceedings are currently pending and the complainants have filed motions asking to be allowed to submit additional supporting arguments.

Centrale del Latte di Roma S.p.A.

With decision No. 2883, handed down on April 20, 2006, the Regional Administrative Court of Latium upheld the complaint filed by Ariete Fattoria Latte Sano S.p.A. ("Ariete Fattoria") and found that the refusal by the City of Rome to respond 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 was unlawful. Parmalat is a respondent in these proceedings.

On January 26, 2007, in response to a challenge to the lower court's decision by the losing parties, the Council of State issued Decision No. 278/07 with which it voided the abovementioned decision by the Regional Administrative Court of Latium for procedural defects and returned the record of the proceedings to the lower court.

With a decision dated June 4, 2007 and published on July 31, 2007, the Regional Administrative Court of Latium upheld the complaint filed by Ariete Fattoria and ordered the City of Rome to pay damages. Subsequently, Parmalat S.p.A. challenged the decisions of the Regional Administrative Court of Latium before the Council of State. A hearing has been set for November 11, 2008.

Decisions and Investigative Proceedings by the Italian Antitrust Agency

Antitrust Proceedings Involving Newlat S.p.A.

With a resolution issued on December 21, 2006, the Italian antitrust agency granted the request put forth by Parmalat on December 15, 2006 and extended to October 30, 2007 the deadline by which Parmalat was required comply with the obligations set forth in an earlier resolution issued by the antitrust agency on June 30, 2005. With the earlier resolution, the antitrust agency compelled Parmalat to take. "actions needed to reestablish an effective competitive environment in the fresh milk production market in the regions of Campania and Latium and eliminate the distortions caused by the existing Parmalat/Eurolat concentration." Parmalat was required to sell by June 30, 2006 (the deadline was later extended to December 31, 2006) "the

Matese and Torre in Pietra brands, as they apply to the entire product line for which they are used, and the production facilities located in Frosinone and Paestum-Capaccio Scalo, which are currently inactive." The resolution issued on December 21, 2006 gave Parmalat the option of complying with the requirements of the antitrust agency by selling its entire interest in Newlat, which owns the abovementioned brands and facilities.
With a resolution issued on November 28, 2007, the Italian antitrust agency, given Parmalat's failure to sell Newlat by the stipulated deadline of October 30, 2007, announced that it would begin proceedings against Parmalat pursuant to Article 19, Section 1, of Law No. 287/90 for failure to comply with the requirements of its abovementioned earlier resolution of December 21, 2006. These proceedings should be completed in May 2008.

Antitrust Proceedings Against Parmalat South Africa (PSA) et al.

On December 7, 2006, the South African Competition Commission, following an investigation of the activities of PSA and other players in the South African dairy market (Clover, Ladismith, Woodlands, Lancewood, Nestlé and Milkwood), opened violation proceedings against the abovementioned parties and referred the case to the Competition Tribunal. With regard to PSA's position, the anticompetitive practices with which it is being charged, which, allegedly, were designed to control the price of milk and maintain it at an artificially high level, consisted of: i) exchanging information about milk prices with competitors; ii) entering into mutual agreements for the sale of surplus milk; and iii) signing exclusive sales agreements with producers. The trial before the Competition Tribunal started in January 2007. While a date has not yet been set, the Court is expected to schedule a hearing for oral arguments sometime between the end of 2008 and the early months of 2009.

Disputes Involving Challenges to the Composition of the Lists of Liabilities

Challenges and Oppositions

As of December 28, 2007, disputes stemming from challenges to the composition of the lists of liabilities of the companies included in the Composition with Creditors and late filings of claims involved 271 lawsuits filed before the Court of Parma and 30 lawsuits filed before the Appeal Court of Bologna. A significant portion of these disputes (over 100 lawsuits) involves issues related to Article 2362 of the Italian Civil Code for the period during which Parmalat Finanziaria S.p.A. was the sole shareholder of Parmalat S.p.A.
On the same date, a total of 398 lawsuits have been adjudicated (for 79 of those the terms for filing the appeal are still pending).

Notes to the Income Statement

(29) Net sales revenues

Net sales revenues amount to 869.4 million euros in 2007, compared to 841.9 million euros recorded in 2006, with an increase by 3.3%.

A breakdown of sales revenues is as follows:

	2007	2006
Gross sales and service revenues	1,595.2	1,198.7
Returns, discounts and trade promotions	(774.4)	(387.8)
Net sales to Group companies	48.6	31.0
Total	**869.4**	**841.9**

The adoption of a unified invocing policy for all distribution channels implied a different allocation of gross prices and discounts to clients.

A breakdown of revenues by type of product is as follows:

	2007	2006
Milk Division	643.0	618.2
Fruit Based Drinks Division	97.3	81.8
Milk Derivative Division	103.9	104.6
Other products	23.2	34.6
Services	2.0	2.7
Total	**869.4**	**841.9**

A breakdown of revenues by geographic region is as follows:

	2007	2006
Italy	844.7	817.3
Other EU countries	13.7	13.9
Other countries	11.0	10.7
Total	**869.4**	**841.9**

(30) Other revenues

A breakdown of other revenues is provided below:

	2007	2006
Tetra contribution	6.0	5.8
Rebilling and recovery of costs	7.8	8.1
Royalties	3.8	2.3
Rent	0.4	0.7
Sales of juice concentrate	0.0	1.6
Gains on asset disposals	0.6	1.2
Miscellaneous revenues	6.7	11.1
Total	**25.3**	**30.8**

Expenses

(31) Cost of Sales

Cost of sales of 594.1 million euros includes the following:

	2007	2006
Raw materials and finished goods used	486.1	468.5
Services and maintenance	25.2	27.9
Personnel	49.5	53.9
Depreciation and amortization	11.4	8.9
Energy, natural gas and water	18.8	18.7
Miscellaneous	3.1	0.1
Total cost of sales	**594.1**	**578.0**

The raw milk price performance during the fiscal year has strongly influenced the raw material and finished products' costs.

(32) Distribution Costs

Distribution costs amounted to 180.1 million euros, broken down as follows:

	2007	2006
Advertising and trade promotions	32.1	34.1
Sales commissions and royalties paid	52.0	43.3
Distribution freight	30.6	28.7
Fees to licensees	24.2	27.0
Personnel	20.7	21.8
Depreciation, amortization and writedowns	12.2	9.2
Commercial services	5.4	7.4
Other costs	2.9	1.6
Total distribution costs	**180.1**	**173.1**

(33) Administrative Expenses

A breakdown of Administrative expenses, which totaled 74.6 million euros, is provided below:

	2007	2006
Personnel	29.0	28.1
Auditing and certification fees	1.3	1.5
Depreciation and amortization	13.4	12.7
Purchases of materials	18.0	20.7
Outside services	8.9	14.6
Fees paid to Directors	1.2	1.2
Fees paid to the Board of Statutory Auditors	0.1	0.1
Other expenses	2.7	3.0
Total administrative expenses	**74.6**	**81.9**

The decrease that occurred in 2007 is chiefly the result of savings in purchases of materials (-2.7 million euros) and outside services (-5.7 million euros) for the implementation of management enhancement projects (Law No. 231, etc.)

(34) Other (income)/expense

Net other income amounted to 617.4 million euros, broken down as follows:

	2007	2006
Proceeds from settlements and actions to void	(642.0)	(171.5)
Proceeds from ITX settlement	0.0	(10.4)
Miscellaneous (income)/expense	24.6	1.7
Total other (income)/expense	**(617.4)**	**(180.2)**

Proceeds from Settlements and Actions to Void

The proceeds from settlements and actions to void, described in detail in the paragraph dedicated to litigations, include the amounts (in million euro) agreed with:

- Intesa Sanpaolo 307.9
- Deloitte & Touche S.p.A. and Dianthus S.p.A. 101.4
- Cariparma 83.0
- Banca Monte Parma S.p.A. 35.0
- Merrill Lynch 29.1
- Banca Popolare di Milano Group 25.0
- Banca delle Marche S.p.A. 22.0
- Graubuendner Kantonalbank (Switzerland) 20.8
- ING Bank 8.0
- Biverbanca 3.0
- Calyon (formerly Credit Agricole Indosuez) 2.6
- Banca Ifis 2.0
- Parmafactor 1.2
- Banco Central Hispano 0.9
- Banco Bilbao Vizcaya 0.1

Other (income)/expense

The largest expense items include the following: a provision of 10 million euros to cover the risk of a writedown of the investment in Newlat in anticipation of its sale, 1.4 million euros for additional costs projected for staff downsizing programs, 7.0 million euros for the planned restructuring of production facilities, 4.2 million euros for the restructuring of the distribution network, and the one for a possible assessment related to financing operations occurred during 1998 to 2003 between Parmalat S.p.A. (now in extraordinary administration) and Bank of America that recently emerged in the current law suit in the US, 4.2 million euros for a loan made to Parmalat S.p.A. in AS that has been reclassified as non-refundable, and 1.1 million euros for the costs incurred to settle a dispute with the Esselunga supermarket chain. The largest income items include the following: the reversal in earnings of a provision to cover risks related to the Parmalat Hungaria subsidiary (11.4 million euros) upon the dissolution of this company on July 10, 2007, the repayment of an unsecured prededuction claim against Emmegi Agroindustriale (3.9 million euros) in accordance with the composition with creditors.

(35) Legal Fees Paid in Actions for Damages and Actions to Void in Bankruptcy

The balance in this account reflects the fees paid to law firms (56.2 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 entitled to pursue.

Even though there is no direct timing relationship, the fees paid should be view as related to the amounts collected as a result of the actions to void and the actions for damages filed by the Company.

(36) Charge for Losses of Associates

The charge for losses of associates (38.8 million euros) refers to the amount set aside to cover the impairment loss suffered by the following investments in associates: Newlat per 19.4 million euros, Latte Sole per 8.7 million euros, Parmalat Distribuzione Alimenti per 4.3 million euros, Sata Srl per 3.1 million euros, subsidiaries in Ecuador (1.5 million euros), Pisorno Agricola (0.2 million euros) and the recognition in the income statement of non-refundable financing (converted into an equity investment) provided to Arilca SA (1.6 million euros).

(37) Financial Income, Financial Expense and Other Income from (Expenses for) Equity Investments

The tables below provide breakdowns of the financial income and expense amounts attributable to 2007.

Financial income	**2007**	**2006**
Income from readily available financial assets	5.8	6.2
Interest and other income from subsidiaries	2.8	2.8
Interest earned on bank accounts	21.7	2.6
Gain on translation of receivables/payables in foreign currencies	6.1	1.3
Interest received from the tax authorities	3.7	0.0
Other financial income	0.9	0.1
Total financial income	**41.0**	**13.0**

Financial expense	**2007**	**2006**
Bank interest and fees paid	0.7	0.7
Interest paid on finance leases	0.3	0.3
Loss on translation of receivables/payable in foreign currencies	1.8	6.0
Interest on late payments of prededuction and preferential claims	0.0	0.5
Other financial expense	0.1	0.2
Total financial expense	**2.9**	**7.7**

Other income from (expenses for) equity investments	**2007**	**2006**
Dividends from subsidiaries	7.6	7.3
Dividends from other companies	0.0	0.2
Gains on the sale of equity investments	1.6	0.0
Losses on the sale of equity investments	(0.1)	0.0
Total income from (charges for) equity investments	**9.1**	**7.5**

Dividends from subsidiaries (7.6 million euros) include the amounts paid by Centrale del Latte di Roma (6.0 million euros), Procesadora de Leche (1.5 million euros) and Citrus International (0.1 million euros).

Gains on the sale of equity investments of 1.6 million euros include 1.2 million euros earned on the divestiture of Interlatte and 0.4 million euros generated by the disposal of the investment in Marsh & C. (an insurance company)

(38) 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 before taxes	**(a)**	649,101	649,101	
Difference in taxable income for IRPEG and IRAP purposes	**(b)**	-	(555,907)	
	I = (a+b)	649,101	93,194	
Applicable tax rate (%)	**(d)**	*33.00*	*4.25*	*37.25*
Theoretical tax liability	**(e) = (d) x I**	214,303	3,961	218,164
Tax effect of permanent differences due to writedowns	**(f)**	12,804		12,804
Tax effect of sundry permanent differences	**(g)**	(134,777)	(804)	(135,581)
Effect of filing the consolidated tax return	**(h)**	(3,333)		(3,333)
Effect of adjustments made when filing the income tax return	**(i)**	2,652	482	3,134
Effect of change of tax rate on deferred taxes	**(j)**	(607)	(147)	(754)
Actual income tax liability shown on the income statement at December 31, 2007	**(k) = (e) + (f) + (g) +(h) + (i)+ (j)**	90,942	3,492	94,434
Actual tax rate (%)		*14.0*	*3.7*	

(39) Profit (Loss) from Discontinuing Operations

Profit (Loss) from discontinuing operations	**2007**	**2006**
Pomì Line		
- Net revenues	9.8	12.0
- Cost of sales	(10.7)	(11.9)
- Income tax effect	0.3	
Profit (Loss) from the Pomì Line	**(0.6)**	**0.1**
- Gains from asset disposals	34.4	
Total profit from discontinuing operations	**33.8**	**0.1**

Gains from asset disposals of 34.4 million euros include the following: a gain of 34.8 million euros generated by the sale of the equity investments held in Parmalat España SA and Compañia Agricola y Forestal SA to Lacteos Siglo XXI s.l. (Nueva Rumasa Group) in accordance with an agreement executed on May 16, 2007 and approved by the Spanish antitrust authorities on June 22, 2007, net of consulting service costs attributable directly to this transaction (1.9 million euros) and applicable taxes (0.1 million euros); and a gain of 2.4 million euros earned on the sale of the Pomì and Pomito brands to Boschi S.p.A. as part of the process of divesting the tomato processing operations, net of applicable taxes (0.8 million euros).

Other Information

Material Nonrecurring Transactions

The Company has not executed any material nonrecurring transactions or atypical or unusual transactions.

Net Financial Position

In accordance with the requirements of the Consob Communication of July 28, 2006 and consistent with the CESR's Recommendation of February 10, 2005 *"Recommendations for a Uniform Implementation of the European Commission's Prospectus Regulation,"* a schedule showing the Company's net financial position at December 31, 2007 is provided below:

	12/31/07	**12/31/06**
A) Cash on hand	0.4	0.4
B) Cash equivalents and readily available financial assets:		
- Bank and postal accounts	650.5	102.2
- Treasury securities	63.8	161.0
- Accrued interest receivable	1.0	
- Reverse repurchase agreements	0.0	45.0
- Time deposits	524.1	38.2
C) Negotiable securities	0.0	0.0
D) Liquid assets (A+B+C)	**1,239.8**	**346.8**
E) Current loans receivable	3.5	9.5
F) Current bank debt	0.0	0.0
G) Current portion of non-current indebtedness	(3.8)	(2.2)
H) Other current borrowings	(2.3)	(2.4)
I) Current indebtedness (F+G+H)	**(6.1)**	**(4.6)**
J) Current net financial position (I-E-D)	**1,237.2**	**351.7**
K) Non-current bank debt	(4.4)	(6.6)
L) Debt securities outstanding		
M) Other non-current borrowings (finance leases)	(1.5)	(3.7)
N) Non-current indebtedness (K+L+M)	**(5.9)**	**(10.3)**
O) Current financial position (J+N)	**1,231.3**	**341.4**

Breakdown of Labor Costs by Type

A breakdown is as follows:

	2007	**2006**
Cost of sales	49.5	53.9
Distribution costs	20.7	21.8
Administrative expenses	29.0	28.1
Total labor costs	**99.2**	**103.8**

Number of Employees

The table below provides a breakdown by category of the Company's staff at December 31, 2007:

	At 12/31/07	Average for 2007	At 12/31/06
Executives	62	61.3	66
Middle managers and office staff	921	945.2	962
Production staff	934	954.1	955
Total number of employees	**1,917**	**1,960.6**	**1,983**

Depreciation and Amortization

A breakdown is as follows:

	2007		
Destination	**Amortization of intangibles**	**Depreciation of property, plant and equipment**	**Total**
Cost of sales	0.1	11.3	11.4
Distribution costs	5.9	1.8	7.7
Administrative expenses	12.4	1.0	13.4
Total	**18.4**	**14.1**	**32.5**

Fees Paid to the Independent Auditors

As required by Article 149 – *duodecies* of Consob Resolution No. 15915 of May 3, 2007, published on May 15, 2007 in Issue No. 111 of the *Official Gazette of the Italian Republic* (S.O. No. 115), the table below lists the fees attributable to 2007 that were paid for services provided to Parmalat S.p.A. by its independent auditors and by entities included in the network headed by these independent auditors.

(in millions of euros)	
Type of services	**2007**
A) Audits	1.3
B) Assignments involving the issuance of a certification	
C) Other services	
- Tax services	
- Due diligence	
- Other services: Services correlated with legal disputes definition	0.9
Total	**2.2**

The above mentioned fees include out-of-pocket expenses for 0.1 million euros.

Information required by IFRS 7

The information regarding the "Financial instruments" not included in the "Notes to the Financial Statements" are provided below.

Financial instruments by category (transactions between Group companies excluded)

(in millions of euros)	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Held to maturity	Available for sale	Total
12/31/07						
Other non-current financial assets	1.3	-	-	-	-	**1.3**
Trade receivables	217.8	-	-	-	-	**217.8**
Other current assets	153.1	-	-	-	-	**153.1**
Cash and cash equivalents	650.9	-	-	-	-	**650.9**
Current financial assets	-	-	-	588.9	-	**588.9**
Total financial assets	**1,023.1**	**0.0**	**0.0**	**588.9**	**-**	**1,612.0**

(in millions of euros)	Financial liabilities at amortised cost	Liabilities at fair value through the profit and loss	Derivatives used for hedging	Total
12/31/07				
Financial liabilities	9.7	-	-	**9.7**
Derivative financial liabilities	-	-	-	**-**
Trade payables	195.6	-	-	**195.6**
Total financial liabilities	**205.3**	**-**	**-**	**205.3**

(in millions of euros)	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Held to maturity	Available for sale	Total
12/31/06						
Other non-current financial assets	1.4	-	-	-	-	1.4
Trade receivables	189.6	-	-	-	-	189.6
Other current assets	298.6	-	-	-	-	298.6
Cash and cash equivalents	140.8	-	-	-	-	140.8
Current financial assets	-	-	-	206.0	-	206.0
Total financial assets	**630.4**	**0.0**	**0.0**	**206.0**	**-**	**836.4**

(in millions of euros)	**Financial liabilities at amortised cost**	**Liabilities at fair value through the profit and loss**	**Derivatives used for hedging**	**Total**
12/31/06				
Financial liabilities	12.5	-	-	**12.5**
Derivative financial liabilities	-	-	-	**-**
Trade payables	179.8			**179.8**
Total financial liabilities	**192.3**	**-**	**-**	**192.3**

The carrying value of the financial assets and liabilities substantially coincides with the *fair value*.

The financial assets denominated in foreign exchange are not significant considered that the Company liquidity and short-term investments mature up to 12 months.
The analysis related to the financial liabilities is provided in the schedule included in the "Notes to the Consolidated Financial Statements".

Credit quality of financial assets (Cash and current financial assets)

The credit quality of financial assets that are neither past due nor impaired is reported below:

	Rating	**12/31/07**	**12/31/06**
Cash and cash equivalents	A and above	488.3	111.2
	Not rated	162.6	29.6
Current financial assets	A and above	587.9	204.2
	Not rated	1.0	1.8
Total		**1,239.8**	**346.8**

Source: Moody's

Cash and cash equivalents not rated are substantially related to an italian financial institution that has recently settled an agreement with the Group.

Ageing analysis of trade receivables from third parties

The ageing analysis of the impaired trade receivables from third parties is as follows:

(in millions of euros)	**12/31/07**	**12/31/06**
Not yet past due	124.8	101.2
Up to 30 days	26.9	23.3
31 to 60 days	20.5	20.4
61 to 120 days	14.2	16.8
over 120 days	31.4	27.9
Total	**217.8**	**189.6**

Concentration by channel of trade receivables from third parties

Exposure to credit risk of trade receivables at the reporting date, detailed by channel, broken down as follows:

(in millions of euros)	**12/31/07**	**12/31/06**
Modern trade	136.4	121.2
Normal trade	29.5	26.9
Dealers	20.9	19.5
HORECA	12.9	10.4
Production on the behalf	5.1	2.8
Other	13.0	8.8
Total	**217.8**	**189.6**

Modern trade: sales made through the GDO structures;
Normal trade: sales made through the very moderate Points of Sales which are not part of an organization (example cash & carry);
HO.RE.CA.: sales through Hotels, Restaurants, Cafeterie and Catering;
Dealers: sales through commercial partners that buy and sell our products and hold an inventory;

The "Modern Trade" channel represents the 62.6% of the total Group credit exposure. However, considered that the counterparties belong to the GDO, any losses from non-performance by them are not expected.

Maturity of financial liabilities (transactions between Group companies excluded)

Expiry dates of the financial liabilities are as follows:

(in millions of euros)	**Carrying amount**	**Future cash flows**	**Up to 60 days**	**60 to 120 days**	**120 to 360 days**	**1 to 2 years**	**2 to 5 years**	**over 5 years**
Financial liabilities	9.7	9.7	0.3	0.3	3.2	3.1	2.8	-
Trade payables	195.6	195.6	171.3	15.8	8.7	-	-	-
Balance at 12/31/07	**202.5**	**202.5**	**171.6**	**16.1**	**11.9**	**3.1**	**2.8**	**-**

(in millions of euros)	**Carrying amount**	**Future cash flows**	**Up to 60 days**	**60 to 120 days**	**120 to 360 days**	**1 to 2 years**	**2 to 5 years**	**over 5 years**
Financial liabilities	12.5	12.5	0.3	0.3	3.1	3.5	2.6	2.7
Trade payables	179.8	179.8	159.1	13.5	7.2	-	-	-
Balance at 12/31/06	**1,187.4**	**1,270.8**	**159.4**	**13.8**	**10.3**	**3.5**	**2.6**	**2.7**

Data Security Planning Document

The Company completed within the deadline set forth in the applicable statute (Legislative Decree No. 196/2003) a planning document for the security of the data it processes. This document defines the tasks and responsibilities applicable to security issues and describes the criteria that were applied to assess risk, with the objective of ensuring the protection of:

a) sites and premises;
b) data integrity;
c) data transmission.

The annual update of the Planning Document, which was completed by March 31, 2007, included the following activities:

- Review of the list and of the personal data collection forms together with Data Processing Officers designated by the Company;
- Review of the technical forms that identify the assets associated with each data processing event by the Information Systems Department;
- Review of the privacy protection organization implemented by Parmalat S.p.A.;
- Review of the Risk Analysis activities;

Update of the safety measures adopted to protected the processed data based on the actions taken in 2006.

Equity Investments Held by Parmalat at December 31, 2007

Company	Share capital			Equity investment				
Name – Registered office	Type	Curr.	Amount	Voting shares/ interests held	No. of shares/ interests held	% of tot. No. of shares/ interests	Company's share-holders' equity	Group interest in sharehold. equity
EUROPE								
ITALIAN SUBSIDIARIES								
BOSCHI LUIGI & FIGLI SPA								
Collecchio	CORP	EUR	10,140,000	9,953,820	9,953,820	98.164	15,807,128	15,516,893
CARNINI SPA								
Villa Guardia (CO)	CORP	EUR	3,300,000	600	600	100.000	7,170,359	7,170,359
CENTRALE DEL LATTE DI ROMA SPA								
Rome	CORP	EUR	37,736,000	5,661,400	5,661,400	75.013	54,506,574	40,887,016
DALMATA SRL								
Collecchio	LLC	EUR	120,000	1	1	100.000	5,121,033	5,121,033
FRATELLI STRINI COSTR. MECC. SRL in A.S.								
Fontevivo	LLC	EUR	52,000	51,000	51,000	51.000	n.a.	
GIGLIO SRL in liquidation								
Reggio Emilia	LLC	EUR	10,000	10,000	10,000	100.000	n.a.	
LATTE SOLE SPA								
Collecchio	CORP	EUR	3,230,074	6,211,680	6,211,680	100.000	5,946,385	5,946,385
NEWLAT SPA								
Reggio Emilia	CORP	EUR	10,120,000	10,085,728	10,085,728	99.661	10,402,778	10,367,544
PARMALAT DISTRIBUZIONE ALIMENTI SRL								
Collecchio	LLC	EUR	1,000,000	1	1	100.000	3,336,548	3,336,548
PISORNO AGRICOLA SRL								
Collecchio	LLC	EUR	516,400	5,164	5,164	1.000	20,289,840	202,898
SATA SRL								
Collecchio	LLC	EUR	500,000	500,000	500,000	100.000	3,733,861	3,493,773
ITALIAN AFFILIATED COMPANIES								
FOOD RECEIVABLES CORPORATION SRL in liquidation								
Collecchio	LLC	EUR	41,339	20,256	20,256	49.000	n.a.	
PARMAFACTOR SPA in liquidation								
Milan	CORP	EUR	5,160,000	154,800	154,800	30.000	n.a.	
OTHER ITALIAN COMPANIES								
BONATTI SPA								
Parma	CORP	EUR	28,813,404	572,674	572,674	10.256	n.a.	
CE.PI.M SPA								
Parma	CORP	EUR	6,642,928	464,193	464,193	0.840	n.a.	
SO.GE.AP Spa								
Parma	CORP	EUR	3,631,561.64	1,975	1,975	0.725	n.a.	
TECNOALIMENTI SCPA								
Milan	CORP	EUR	780,000			4.330	n.a.	
COMPAGNIA FINANZIARIA REGGIANA SRL								
Reggio Emilia	LLC	EUR	600,000	10,329	10,329	1.722	n.a.	
AUSTRIA								
PARMALAT AUSTRIA GMBH								
Vienna	FOR	EUR	36,337	1	1	100.000	-15,600,135	-15,600,135
BELGIUM								
PARMALAT BELGIUM SA								
Brussels	FOR	EUR	1,000,000	40,000	40,000	100.000	10,550,218	110,550,218

Company			Share capital	Equity investment				
Name – Registered office	Type	Curr.	Amount	Voting shares/ interests held	No. of shares/ interests held	% of tot. No. of shares/ interests	Company's share-holders' equity	Group interest in sharehold. equity
FRANCE								
PARMALAT FRANCE SA in liquidation								
Bretteville-Caen	FOR	EUR	6,539,200	8,173,940	8,173,940	99.999	n.a.	
PORTUGAL								
PARMALAT PORTUGAL PROD. ALIMENT. LDA								
Sintra	FOR	EUR	11,651,450.04	11,646,450	11,646,450	99.957	-2,746,765	-2,745,584
ROMANIA								
LA SANTAMARA SRL								
Baia Mare	FOR	RON	6,667.50	535	535	84.252	28,591	24,088
PARMALAT ROMANIA SA								
Comuna Tunari	FOR	RON	26,089,760	2,427,765	2,427,765	93.054	12,636,820	11,759,104
RUSSIA								
OAO BELGORODSKIJ MOLOCNIJ KOMBINAT								
Belgorod	FOR	RUB	67,123,000	66,958,000	66,958,000	99.754	16,700,429	16,659,380
OOO DEKALAT								
Saint Petersburg	FOR	RUB	100,000	1	1	100.000	-480,208	-480,208
OOO FARM								
Nizhnij Novgorod	FOR	RUB	80,891,950	80,891,950	80,891,950	100.000	34,066	34,066
OOO PARMALAT EAST								
Moscow	FOR	RUB	42,147,000	2	2	100.000	-29,117,071	-29,117,071
OOO PARMALAT MK								
Moscow	FOR	RUB	124,000	1	1	100.000	5,633,855	5,633,855
OOO PARMALAT SNG								
Moscow	FOR	RUB	152,750	2	2	100.000	-7,042,468	-7,042,468
OOO URALLAT								
Berezovsky	FOR	RUB	129,618,210	1	1	100.000	3,860,688	3,860,688
SPAIN								
ARILCA SA								
Madrid	FOR	EUR	270,455	450	450	100.000	-1,287,416	-1,287,416
SWITZERLAND								
PARMALAT INTERNATIONAL SA in liquidation								
Lugano	FOR	CHF	150,000	145	150	100.000	n.a.	
NORTH AMERICA								
CANADA								
PARMALAT CANADA INC.				744,019 Class A	744,019	84.700		
Toronto	FOR	CAD	878,479,550	134,460 Class B	134,460	15,300	588,775,370	588,775,370
MEXICO								
PARMALAT DE MEXICO S.A. de C.V. ***								
Jalisco	FOR	MXN	390,261,812	390,261,812	390,261,812	100.000	-20,670,413	-20,670,206
CENTRAL AMERICA								
BRITISH VIRGIN ISLANDS								
ECUADORIAN FOODS COMPANY INC								
Tortola	FOR	USD	50,000	25,500	25,500	51.000	437,521	223,135
COSTA RICA								
PARMALECHE DE COSTARICA SA in liquidation								
San Ramon	FOR	CRC	10,000	10	10	100.000	n.a.	
NICARAGUA								
PARMALAT NICARAGUA SA								
Managua	FOR	NIO	2,000,000	57	57	2.850	-6,278	-179

Company			Share capital	Equity investment				
Name – Registered office	Type	Curr.	Amount	Voting shares/ interests held	No. of shares/ interests held	% of tot. No. of shares/ interests	Company's share-holders' equity	Group interest in sharehold. equity
SOUTH AMERICA								
BRAZIL								
PRM ADMIN E PART DO BRASIL LTDA in liquidation								
São Paulo	FOR	BRL	1,000,000	810,348	810,348	81.035	n.a.	
PPL PARTICIPACOES DO BRASIL LTDA								
São Paulo	FOR	BRL	1,271,257,235	1,177,921,807	1,177,921,807	92.658	n.a.	
CHILE								
PARMALAT CHILE SA								
Santiago	FOR	CLP	13,267,315,372	2,096,083	2,096,083	99.999	n.a.	
COLOMBIA								
PARMALAT COLOMBIA LTDA								
Santafè de Bogotá	FOR	COP	20,466,360,000	18,621,581	18,621,581	90.986	19,711,027	17,935,064
PROCESADORA DE LECHES SA (Proleche sa)								
Medellin	FOR	COP	173,062,136	131,212,931	131,212,931	94.773	30,711,265	29,105,987
ECUADOR								
PARMALAT DEL ECUADOR SA								
Quito	FOR	USD	345,344	8,633,599	8,633,599	100.000	-2,302,663	-2,302,663
PARAGUAY								
PARMALAT PARAGUAY SA								
Asuncion	FOR	PYG	9,730,000,000	9,63	9,632	98.993	-5,541,520	-5,485,551
URUGUAY								
AIRETCAL SA								
Montevideo	FOR	UYU	9,198,000	9,198,000	9,198,000	100.000	n.a.	
PARMALAT TRADING SOUTH AMERICA in liquidation								
Montevideo	FOR	UYU	400,000	400,000	400,000	100.000	n.a.	
WISHAW TRADING SA								
Montevideo	FOR	USD	30,000	50	50	16.667	n.a.	
VENEZUELA								
PARMALAT DE VENEZUELA CA								
Caracas	FOR	VEB	2,324,134,000	2,324,134	2,324,134	100.000	-53,901,269	-53,901,269
AFRICA								
MAURITIUS								
PARMALAT AFRICA LIMITED								
Port Louis	FOR	USD	55,982,304	2,421,931	2,421,931	4.326	54,908,547	2,377,540
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 in liquidation								
Shivajinagar	FOR	INR	309,626,500	21,624,311	21,624,311	69.840	n.a.	
OCEANIA								
AUSTRALIA								
PARMALAT PACIFIC HOLDING PTY LTD								
South Brisbane	FOR	AUD	522,932,237	200,313,371 pr.	200,313,371	0.000	13,285,573	50,897,353

Certification of the Statutory Financial Statements pursuant to Article 81-ter of Consob Regulation n. 11971 (which cites Articles 154-bis, paragraph 5 TUF), of May 14, 1999, as amended.

The undersigned Enrico Bondi, in his capacity as Chief Executive Officer and Luigi De Angelis in his capacity as Dirigente Preposto alla redazione dei documenti contabili (manager responsible for drawing up the financial reports) of Parmalat SpA, taking into account the provisions of Article154-bis, paragraphs 3 e 4, of Legislative Decree no.58 of 24 February 1998:

ATTEST

1. the adequacy in relation to the company's characteristics (also taking into account any changes during the financial period) and the effective application of the accounting and administrative procedures used for the formation of the statutory accounts during the period 2007. The valuation of the accuracy of the accounting and administrative procedures for the formation of the statutory accounts as at 31 December 2007 has been performed coherently with the model *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* which represents the reference scheme at international level that is generally accepted;

2. In addition, it is certified that the statutory accounts:

   a) Correspond to the books and accounting records;

   b) are drawn up in accordance with the *International Financial Reporting Standards* adopted by the European Union and with the provisions of Legislative Decree no.38/2005, and, as far as it is known, provide a true and fair representation of the assets and liabilities and financial situation of the issuer.

March 6, 2008

Signed by the CEO

Signed by the Dirigente Preposto
(Manager responsible for drawing up the financial reports)

Parmalat S.p.A. – Report of the Independent Auditors

Parmalat Group

Financial Statements at December 31, 2007

Consolidated Balance Sheet

Note ref.	*(in millions of euros)*		**12/31/07**		12/31/06
	NON-CURRENT ASSETS		**1,968.2**		**2,158.5**
(1)	Goodwill		539.9		543.8
(2)	Trademarks with an indefinite useful life		612.1		642.1
(3)	***Other intangibles***		81.7		104.6
(4)	Property, plant and equipment		678.2		728.1
(5)	Investments in associates		3.6		4.0
(6)	Other non-current financial assets		6.1		95.3
	amount from transactions with related parties			*42.8*	
(7)	Deferred-tax assets		46.6		40.6
	CURRENT ASSETS		**2,597.6**		**1,814.5**
(8)	Inventories		387.4		348.3
(9)	Trade receivables		522.4		530.0
	amount from transactions with related parties	*0.1*			
(10)	Other current assets		243.2		406.6
(11)	Cash and cash equivalents		852.9		321.8
(12)	Current financial assets		591.7		207.8
(13)	**Available-for-sale assets**		**5.1**		**24.2**
	TOTAL ASSETS		**4,570.9**		**3,997.2**
	SHAREHOLDERS' EQUITY		**2,685.3**		**2,051.7**
(14)	Share capital		1,652.4		1,641.5
(15)	Reserve for creditor challenges and claims of late-filing creditors convertible exclusively into share capital		221.5		224.9
	Other reserves:				
(16)	- *Reserve for currency translation differences*		(27.2)		(33.2)
(17)	- *Shares subscribed upon exercise of warrants*				0.1
(18)	- *Cash-flow hedge reserve*		0.2		0.3
(19)	- *Miscellaneous reserves*		139.3		(12.0)
(20)	Profit for the period		673.4		192.5
	Group interest in shareholders' equity		**2,659.6**		**2,014.1**
(21)	**Minority interest in shareholders' equity**		**25.7**		**37.6**
	NON-CURRENT LIABILITIES		**805.6**		**934.3**
(22)	Long-term borrowings		337.3		427.9
	amount from transactions with related parties	*1.1*		*0.1*	
(23)	Deferred-tax liabilities		189.1		235.2
(24)	Provisions for employee benefits		106.8		122.1
(25)	Provisions for risks and charges		149.2		124.3
(26)	Provision for contested preferential and prededuction claims		23.2		24.8
	CURRENT LIABILITIES		**1,079.6**		**1,011.2**
(22)	Short-term borrowings		251.5		271.7
	amount from transactions with related parties	*4.9*		*5.3*	
(27)	Trade payables		532.7		521.0
	amount from transactions with related parties			*0.5*	
(28)	Other current liabilities		154.6		186.0
(29)	Other payables with preferential or prededuction status				1.9
(30)	Income taxes payable		140.8		30.6
(13)	**Liabilities directly attributable to available-for-sale assets**		**0.4**		
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,570.9**		**3,997.2**

Consolidated Income Statement

Note ref.	*(in millions of euros)*		**2007**		**2006 restated (**)**		**2006 (*)**
(31)	**REVENUES**		**3,894.8**		**3,669.5**		**3,881.4**
	Net sales revenues		3,863.7		3,633.6		3,844.0
	amount from transactions with related parties						
	Other revenues		31.1		35.9		37.4
	amount from transactions with related parties						
(32)	Cost of sales		(2,993.9)		(2,807.5)		(2,949.5)
	amount from transactions with related parties			*15.1*		*15.1*	
(32)	Distribution costs		(411.0)		(366.2)		(382.9)
	amount from transactions with related parties	*0.1*		*1.3*		*1.3*	
(32)	Administrative expenses		(240.8)		(264.8)		(348.8)
	Other (income) expense:						
(33)	- Legal fees paid in actions to void and actions for damages		(56.2)		(55.0)		(55.0)
(34)	- Restructuring costs		(7.0)		(3.3)		(12.3)
(35)	- Miscellaneous income and expense		582.0		168.4		166.6
	EBIT		**767.9**		**341.1**		**299.5**
(36)	Financial income		65.5		27.4		30.6
	amount from transactions with related parties			*0.1*		*0.1*	
(36)	Financial expense		(56.4)		(93.4)		(100.9)
	Interest in the profit (loss) of companies valued by the equity method		(0.4)				
(37)	Other income from (Expense for) equity investments		3.3		0.5		0.5
	PROFIT BEFORE TAXES		**779.9**		**275.6**		**229.7**
(38)	Income taxes		**(145.6)**		**(53.1)**		**(34.2)**
	PROFIT FROM CONTINUING OPERATIONS		**634.3**		**222.5**		**195.5**
(39)	Profit (Loss) from discontinuing operations		40.1		(27.1)		(0.1)
	amount from transactions with related parties			*2.2*		*2.2*	
	PROFIT FOR THE YEAR		**674.4**		**195.4**		**195.4**
	Minority interest in (profit) loss		(1.0)		(2.9)		(2.9)
	Group interest in profit (loss)		673.4		192.5		192.5

Continuing Operations:

	2007	2006 restated (**)	2006 (*)
Basic earnings per share	**0.4084**	**0.1178**	**0.1178**
Diluted earnings per share	**0.3948**	**0.1140**	**0.1140**

(*) Approved at the Shareholders' Meeting of April 28, 2007.

(**) The differences compared with the financial statements approved by the Shareholders' Meeting of April 28, 2007 are explained in the section of this Report entitled "Reclassification Applied to the 2006 Consolidated Income Statements."

Consolidated Cash Flow Statement

(in millions of euros)	2007	2006
OPERATING ACTIVITIES		
Net profit from operating activities	634.3	195.5
Depreciation, amortization and writedowns of non-current assets	117.5	150.5
Additions to provisions	239.5	108.1
Interests payable and other financial expenses	42.2	69.8
Non-cash (income) expense items	(22.7)	(193.3)
(Gains) Losses on divestitures	(4.2)	(2.9)
Dividends received	(0.3)	(0.2)
Cash proceeds from settlements	(642.0)	(44.5)
Cash costs incurred in connection with actions to void and actions for damages	56.2	55.0
Cash flow from operating activities before change in working capital	**420.5**	**338.0**
Changes in net working capital and provisions:		
Operating working capital	(38.9)	(19.3)
Payment of controlled administration procedures liabilities	(11.6)	(74.6)
Charges incurred in connection with the extraordinary administration proceedings		(15.8)
Other assets/Other liabilities and provisions	(105.2)	(55.4)
Total change in net working capital and provisions	**(155.7)**	**(165.1)**
CASH FLOWS FROM OPERATING ACTIVITIES	**264.8**	**172.9**
INVESTING ACTIVITIES		
Investments:		
- *Intangibles*	(4.9)	(3.2)
- *Property, plant and equipment*	(119.5)	(99.5)
- *Non-current financial assets*	(0.5)	
- *Equity investments*	(1.0)	
Payments for minority investments' purchase	(15.8)	
CASH FLOWS FROM INVESTING ACTIVITIES	**(141.7)**	**(102.7)**
PROCEEDS FROM SETTLEMENTS	**754.5**	**44.5**
LEGAL COSTS TO PURSUE ACTIONS FOR DAMAGES AND ACTIONS TO VOID	**(55.0)**	**(55.0)**
PROCEEDS FROM DIVESTITURES AND SUNDRY ITEMS	**249.2**	**188.2**
DIVIDENDS RECEIVED	**0.3**	**0.2**
FINANCING ACTIVITIES		
New loans and finance leases	22.3	390.9
Repayment of installments of loans and finance leases (principal and interest)	(148.3)	(621.0)
Investments in other current assets that mature later than three months after the date of purchase	(382.1)	(205.7)
Dividends paid	(43.7)	(2.9)
Exercise of warrants	7.5	1.7
CASH FLOWS FROM FINANCING ACTIVITIES	**(544.3)**	**(437.0)**
Impact of changes in the scope of consolidation	**3.4**	**22.4**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM JANUARY 1 TO DECEMBER 31	**531.2**	**(166.5)**
CASH AND CASH EQUIVALENTS AT JANUARY 1	**321.8**	**502.7**
Increase (decrease) in cash and cash equivalents from January 1 to December 31	**531.2**	**(166.5)**
Net impact of the translation of cash and cash equivalents denominated in foreign currencies	**(0.1)**	**(14.4)**
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**852.9**	**321.8**

* Includes payments of 51.0 million euros for income taxes and collections of 6.9 million euros in accrued interest.

The cash flow statement for 2006 is being presented with the same format used in the current year.

Changes in Shareholders' Equity

(in millions of euros)			Other reserves										
	Share capital	Reserve convertible into share capital[1]	Statutory reserve	Res. for dividends to challenges and condit. claims	Res. for late-filing and contested creditors	Reserve for translation differences	Shares subscribed through exercise of warrants	Cash-flow hedge reserve	Sundry reserves	Profit (Loss) for the year	Group interest in sharehold. equity	Minority interest in sharehold. equity	Total sharehold. equity
Balance at January 1, 2006	**1,619.9**	**233.4**	**-**	**-**	**-**	**6.6**	**0.2**	**-**	**(11.7)**	**(0.3)**	**1,848.1**	**29.6**	**1,877.7**
Share capital incr. from convertible reserves	8.5	(8.5)									-	-	-
Share cap. incr. from waivers of prefer. status	7.6										7.6	-	7.6
Share capital incr. from convertible provisions	3.7										3.7	-	3.7
Allocation of shares to subscribers of warrants in 2005	0.2						(0.2)				-	-	-
Exercise of warrants	1.6						0.1				1.7	-	1.7
Appropriation of the 2005 result									(0.3)	0.3	-	-	-
Difference from the translation of financial statements in foreign currencies						(39.8)					(39.8)	(1.9)	(41.7)
Change in fair value of derivatives								0.3			0.3	-	0.3
Dividends											-	(2.9)	(2.9)
Sale of equity interest to outsiders											-	5.6	5.6
Addition to the scope of consolidation											-	4.3	4.3
Profit for the year										192.5	192.5	2.9	195.4
Balance at Dec. 31, 2006	**1,641.5**	**224.9**	**-**	**-**	**-**	**(33.2)**	**0.1**	**0.3**	**(12.0)**	**192.5**	**2,014.1**	**37.6**	**2,051.7**
Share capital incr. from convertible reserves	3.4	(3.4)									-	-	-
Allocation of shares to subscribers of warrants in 2006	0.1						(0.1)				-	-	-
Exercise of warrants	7.4										7.4	-	7.4
Appropriation of the 2006 result			4.2	3.9	35.1				108.1	(151.3)	-	-	-
Difference from the translation of financial statements in foreign currencies						6.0					6.0	(1.2)	4.8
Change in fair value of derivatives								(0.1)			(0.1)	-	(0.1)
Dividends										(41.2)	(41.2)	(2.5)	(43.7)
Purchase of minority interest											-	(9.5)	(9.5)
Co. removed from scope of consolidation											-	0.3	0.3
Profit for the year										673.4	673.4	1.0	674.4
Balance at Dec. 31, 2007	**1,652.4**	**221.5**	**4.2**	**3.9**	**35.1**	**(27.2)**	**-**	**0.2**	**96.1**	**673.4**	**2,659.6**	**25.7**	**2,685.3**

[1] For creditors challenging exclusions and late-filing creditors.

Notes to the Consolidated Financial Statements

Foreword

The registered office of Parmalat S.p.A. is located in Italy, at 26 via Oreste Grassi, in Collecchio (province of Parma). Its shares are traded on the Online Stock Market operated by Borsa Italiana. Parmalat S.p.A. and its subsidiaries are organized into a food industry group that pursues a multinational strategy. The Group operates in 17 countries worldwide divided into five geographic regions: Europe, North America, Central and South America, South Africa and Australia. The Group has an extensive and well structured product portfolio organized into three segments: *Milk* (UHT, fresh, condensed powdered and flavored milk; cream and béchamel), *Milk Derivative* (yogurt, fermented milk, desserts, cheese, butter and special mixes) and *Fruit Based Drinks* (fruit juices, nectars and tea).
The Group is a world leader in the UHT milk and conventional milk market segments and has attained a highly competitive position in the rapidly growing market for fruit-based beverages. The Group benefits from strong brand awareness. The products in its portfolio are sold under global brands (Parmalat and Santàl), international brands (Zymil, Fibresse, PhisiCAL, Jeunesse, Omega3, First Growth, Smart Growth and Ice Break/Rush) and a number of strong local brands.
Parmalat is a company with a strong innovative tradition: the Group has been able to develop leading-edge technologies in the driving sectors of the food market, particularly in UHT milk, ESL (extended shelf life) milk, functional milks, fresh fruit juice-based drinks, functional fruit drinks and cream-based white sauces.

The consolidated financial statements for the year ended December 31, 2007 are denominated in euros, which is the reporting currency of Parmalat S.p.A., the Group's Parent Company. They consist of 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.

PricewaterhouseCoopers S.p.A. audits the consolidated financial statements in accordance with an assignment it received for the 2005-2007 period by a resolution of the Shareholders' Meeting of March 15, 2005.

The Board of Directors authorized the publication of these financial statements on March 6, 2008.

Presentation Formats of the Financial Statements

In the consolidated balance sheet, assets and liabilities are classified in accordance with the "current/non-current" approach, and "Available-for-sale assets" and "Liabilities directly attributable to available-for-sale assets" are shown as two separate line items, as required by IFRS 5.

The consolidated income statement is presented in a format with items classified "by destination," which is deemed to be more representative than the presentation by type of expense and is consistent with international practice in the food industry. Moreover, as required by IFRS 5, the profit (loss) from continuing operations is shown separately from the profit (loss) from discontinuing operations.
In the income statement presented in the abovementioned format "by destination," the EBIT breakdown includes separate listings for operating items and for income and expense items that are the result of transactions that occur infrequently in the normal course of business, such as income from actions to void in bankruptcy and actions for damages, legal costs incurred to pursue these actions, restructuring costs and any other nonrecurring income and expense items. This approach is best suited for assessing the actual performance of the Group's operations.

The consolidated cash flow statement was prepared in accordance with the indirect method.

Lastly, on the balance sheet, income statement and cash flow statement, the amounts attributable to positions or transactions with related parties are shown separately from the totals for the corresponding line items, as required by Consob Resolution No. 15519 of July 27, 2006.

Principles for the Preparations of Consolidated Financial Statements

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") and adopted by the European Commission as they apply to the preparation the consolidated financial statements of companies whose equity and/or debt securities are traded on a regulated market within the European Union.

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 the date of the meeting of the Board of Directors convened to approve the financial statements and incorporated in Regulations issued up to that date.

As a general rule, the consolidated financial statements are prepared in accordance with the historical cost principle, except in the case of those items for which, as explained in the valuation criteria, the IFRSs require a measurement at fair value.

The adoption of recently published accounting principles and interpretations that went into effect on January 1, 2007 (IFRS 7, Revisions to IAS 1, IFRIC 7, IFRIC 8 and IFRIC 9) had no impact on the Group, except for the additional disclosures required by IFRS 7 with regard to financial instruments. The Group chose not to apply ahead of schedule certain accounting principles that have already been adopted by the European Union but which will not go into effect until after December 31, 2007.

Principles of Consolidation

The consolidated financial statements include the financial statements of all subsidiaries from the moment control is established until it ceases.

Control is exercised when the Group has the power to determine the financial and operating policies of the investee company, directly or indirectly, and receives the resulting benefits.

The financial statements used for consolidation purposes are the statutory financial statements of the individual companies or the consolidated financial statements of business sectors, as approved by the corporate governance bodies of the various companies, restated when necessary to make them consistent with the accounting principles adopted by the Group.

The financial statements of subsidiaries are consolidated line by line. According to this method, the consolidated financial statements include line by line the assets and liabilities and the revenues and expenses of the consolidated companies, allocating to minority shareholders the interest they hold in consolidated shareholders' equity and profit, when applicable. These items are shown separately on the balance sheet and on the income statement.

The carrying value of equity investments is offset against the corresponding pro rata interests in the shareholders' equities of the investee companies. On the date when control was acquired, the value of shareholders' equities of investee companies was determined by measuring individual assets and liabilities at their current value. Any difference between acquisition cost and current value is recognized as goodwill, if positive, or recognized in earnings, if negative.

Balances resulting from transactions between consolidated companies and unrealized gains or losses generated by transactions with outsiders are eliminated. Unrealized losses are not eliminated when they are indicative of an impairment loss.

The financial statements of companies included in the scope of consolidation that operate outside the euro zone were translated into euros by applying end-of-period exchange rates to assets and liabilities, historical exchange rates to the components of shareholders' equity and average exchange rate for the year to income statement items. As for the currency translation differences that result from the use of different exchange rates for assets and liabilities, shareholders' equity and the income statement, the portion attributable to the Group is posted to the shareholders' equity account entitled "Other reserves," while the portion attributable to minority shareholders is posted to the "Minority interest in shareholders' equity" account. The reserve for currency translation differences is reversed in earnings when an equity investment is sold or the invested capital is reimbursed. In the preparation of the cash flow statement, average exchange rates were used to convert the cash flows of foreign subsidiaries included in the scope of consolidation.

Goodwill and fair value adjustments generated by the acquisition of a foreign company are recognized in the corresponding currency and translated at year-end exchange rates.

If the minority interest in a loss incurred by a consolidated subsidiary is greater than the minority interest in the subsidiary's shareholders' equity, such excess and any other loss attributable to minority shareholders are attributed to the shareholders of the Group's Parent Company, except for any portion of the loss for which there may exist an obligation requiring minority shareholders to cover the loss with an additional investment, provided they are able to make such an investment. If, subsequently, the subsidiary generates earnings, the earnings will be attributable to the shareholders of the Group's Parent Company up to an amount equal to the losses attributable to the minority shareholders that they originally covered.

The existing literature on consolidated financial statements offers two theories concerning the treatment of the purchase of additional interests in existing subsidiaries:

- economic entity, which views a group as a whole and exchanges between shareholders as equity transactions and, consequently, requires that any difference between the purchase price and the book value of the acquired minority interests be recognized in consolidated equity;
- parent company, which views minority shareholders as outsiders and, consequently, requires that any difference between the purchase price and the book value of the acquired minority interests be recognized as goodwill.

Absent a principle or interpretation that specifically addresses this issue and taking into account the guidelines provided by *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*, the Group chose to apply the parent company theory.

Scope of Consolidation

The equity investments of the Parmalat Group 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, 2007 includes the financial statements of the Group's Parent Company and those of the 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 nor benefits 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:

- o Companies that have become eligible for extraordinary administration proceedings: Molkerei Gmbh in A.S. (Germany), Deutsche Parmalat Gmbh in A.S. (Germany), F.lli Strini Costruzioni Meccaniche S.r.l. in A.S. (Italy), Dairies Holding International BV in A.S.(Netherlands) and Olex sa in A.S. (Luxembourg). The extraordinary administration proceedings applicable to these companies are nearing completion, pursuant to law.
  - o The Brazilian company PPL Participações do Brasil Ltda (new name of Parmalat Participações do Brasil Ltda.), which is a party to local composition with creditors proceedings (*Recuperaçao Judicial*), and its subsidiaries. A program to restructure these companies has been submitted to their creditors for approval. The Brazilian companies are: Gelateria Parmalat Ltda, ITC – Comercio Internacional Do Brasil Ltda, Seib Sociedade Export e Import De Bens Ltda and PEAPAR Emprendimentos e Administraçao Ltda. (new name of Parmalat Emprendimentos e Administração Ltda).
  - o Other smaller companies and their subsidiaries 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. (formerly Eaux Vives Hurricana Inc.), Parmalat France SA (France) and Societè Fromagère D'Athis SA (France).

  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 liquidation in the best available manner. The only company in this category is Wishaw Trading Sa (Uruguay). 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 creditor challenges and claims of late-filing creditors 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:
  - o Airon Srl (Italy); [Sold on February 29, 2008]
  - o Giglio Srl (Italy);
  - o Parmalat International SA (Switzerland);
  - o PRM Administraçao e Participaçao do Brasil (Brazil);
  - o Parmalat Trading South America (Uruguay);
  - o Airetcal SA (Uruguay);

- Parmaleche de Costarica SA (Costa Rica);
- Lacteos San Miguel SA (El Salvador);
- Swojas Energy Foods Limited (India).

- 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:
  - Lacteos Americanos Lactam SA (Costa Rica);
  - Parmalat Chile SA (Chile);
  - Parmalat Asia Ewp Limited (Thailand);
  - Parmalat (Zhaodong) Dairy cor. Ltd (China);
  - Impianti Sportivi Srl (Italy); [merged into Dalmata Due Srl on January 14, 2008]
  - Satalux sa (Luxembourg);
  - Dalmata Due Srl (Italy).

The following entries were made in connection with the companies that are no longer consolidated line by line:

- The carrying value of the investments was written off, except for 0.3 million euros (0.2 million euros for Parmalat International SA and 0.1 million euros for Dalmata Due Srl);
- The receivables owed by these companies to other Group companies were written off except for 0.1 million euros due by Dalmata Due Srl;
- A provision for risks in connection with indebtedness guaranteed by Group companies was recognized;
- The receivables owed to the companies listed above by Group companies continued to be included in the indebtedness of Group companies.

Valuation Criteria

The main valuation criteria adopted in the preparation of the consolidated financial statements at December 31, 2007 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.

The value assigned to inventories includes direct costs for material and labor and (fixed and variable) indirect production costs. When appropriate, provisions are recognized to account for obsolete or slow-moving inventory. If the circumstances that justified the recognition of the abovementioned provisions cease to apply or if there are clear indications that the net realizable value of the items in question has increased, the provisions are reversed for the full amount or for a portion thereof, so that the new carrying value is equal to the purchase or production cost of the items in question or their realizable value on the date of the financial statements, whichever is lower.

Financial expense incurred in connection with the purchase or production of an asset that, because of its nature, requires a significant length of time before it can be readied for sale are not capitalized. Instead, they are charged in full to income.

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 from the date of purchase) 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 in accordance with the cost method and carried 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, pursuant to which substantially all of the risks and benefits inherent in ownership are transferred to the Group, are recognized as components of property, plant and equipment at their fair value or at the present value of the minimum payments due pursuant to the lease, whichever is lower. The corresponding liability toward the lessor, which is equal to the aggregate principal included in the lease payments that are outstanding, is recognized as a financial liability. 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 it is shorter than the asset's useful life.
Leases that require the lessor to retain substantially all of the risks and benefits inherent in ownership are classified as operating leases. The costs incurred for operating leases are recognized in earnings on a straight line over the life of the lease.

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 useful lives of 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.

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 writedown 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:

	Useful life
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

Financial expense incurred in connection with the purchase or production of an asset that, because of its nature, requires a significant length of time before it can be readied for sale are not capitalized. Instead, they are charged in full to income.

Intangibles

Intangible assets are identifiable, non-monetary assets without physical substance that are controllable and capable of generating future benefits.

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

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 consolidated 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 a local trademark (Beatrice, Lactantia, Black Diamond, Astro, Pauls, Bonnita, Centrale Latte Roma and other less well-known trademarks). These trademarks are deemed to have an indefinite useful life. Consequently, they are not amortized but are tested for impairment once a year.

Other trademarks that are not deemed to perform an unlimited strategic function for the Group are valued at cost and amortized over five years.

(iv) Software Costs
The costs incurred to develop and maintain software are charged to income in the year they are incurred. Costs that can be attributed directly to the development of unique software capable of generating future benefits over a period of more than one year are capitalized as an intangible asset. Direct costs, which must be identifiable and measurable, include labor costs for employees who worked on developing the software in question and an appropriate pro rata share of overhead, if applicable. Amortization is computed over the software's estimated useful life, which is deemed to be five years.

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:

    - financial assets that are purchased mainly to resell them over the short term;

    - financial 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;

    - 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 measured 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 if the assets in question are instruments representative of equity capital. 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. Objective evidence that the value of the asset is impaired is deemed to exist when a debtor has significant financial difficulties, there is a possibility that the debtor will be declared bankrupt or become party to composition with creditors proceedings or there are unfavorable changes in payment history, such as an increasing number of payments in arrears. 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.

They are booked based on the date of settlement and, when initially recognized, they are valued at their purchase cost, plus incidental transaction costs. Subsequently, held-to-maturity investments 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. If their fair value cannot be determined, these instruments are valued at cost, less any impairment losses. Writedowns for impairment losses cannot be reversed if the assets in question are instruments representative of equity capital. 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

Financial liabilities consist of loans payable, including obligations arising from the assignment of receivables, and other financial liabilities, including derivatives and obligations related to assets acquired under finance leases. Initially, financial liabilities other than derivatives are recognized at their fair value, net of transaction costs. Subsequently, financial liabilities that are held to maturity are valued at their amortized cost in accordance with the effective interest rate method. 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.
Financial liabilities are removed from the financial statements when the underlying obligations have been satisfied and all of the risks and charges inherent in the instrument in question have been transferred.

Derivatives

The Group handles derivatives only for interest rate and exchange rate risk coverage. Hence, the derivatives are assets/liabilities recognized at their fair value.
Derivatives are defined as hedging instruments when the relationship between the derivative itself and the underlying asset/liability is formally documented and the hedge, periodically verified, is highly effective. When the hedging instruments secure the risks related to changes in the fair value of the underlying assets/liabilities (fair value hedge: e.g. is a hedge of the exposure to a change in fair value of a recognized asset, or liability at a fixed rate), the derivatives are accounted for at their fair value and the changes in fair value of the hedged item and the hedging instrument are recorded in the profit and loss statement: consistently, the value of the hedged assets/liabilities ,is adjusted to reflect the changes in the fair value associated to the secured risk. When the derivatives secure the risks of changes in cash flows of assets/liabilities (cash flow hedge: e.g. hedging relationship in which the variability of the assets/liabilitied cash flow is offset by the cash flows of exchange rates), the changes in the fair value of the derivatives deemed effective are initially reported in the balance sheet as an equity item and subsequently recorded in the profit and loss statement consistently with the economic effects produced by the underlying asset/ liability. The changes in the fair value of derivatives that do not satisfy the prerequisite of securing risks are accounted for in the profit and loss statement.

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 Group 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.

The notes to the financial statements contain a disclosure listing the Group's contingent liabilities, which include: (i) possible but not probable obligations that arise from past events, the existence of which will be confirmed only if one or more uncertain total events that are not totally under the Group's control occur or fail to occur; and (ii) existing obligations that arise from past events the amount of which cannot be determined reliably or the performance of which will probably not be onerous.

Post-employment Benefits

(i) 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 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.

As a result of the reform of the regulations that govern supplemental retirement benefits introduced by Legislative Decree No. 252 of December 5, 2005, the severance benefits that vested up to December 31, 2006 will continue to be held by the employers. For the severance benefits vesting after January 1, 2007, employees will have to choose (not later than June 30, 2007 for employees hired up to December 31, 2006, or within six months from the date of hiring for employees hired subsequently) if they wish to invest them in supplemental retirement benefit funds or leave them with their employers, who will then transfer the vested severance benefits to a fund managed by the Italian social security administration (INPS).

For the severance benefits that vested up to December 31, 2006, the Group has continued to recognize its liability in accordance with the rules for defined-benefit plans. For the severance benefits that vest after January 1, 2007 and are transferable to supplemental retirement benefit funds or the INPS Treasury Fund, it has recognized its liability on the basis of the amounts owed for the period. In addition, it recognized its liability for the severance benefits that vest after January 1, 2007 that will be held by the Company, which were added to the severance benefits that had vested up to December 31, 2006, in the case of severance benefits that employees chose to invest in a supplemental retirement benefit fund, or will be invested in the collective pension scheme, if employees fail to make a choice after July 1, 2007.

Specifically, with regard to benefits vesting after December 31, 2006, the Group has carried out a new valuation of its liability using new actuarial assumptions. The difference from the amount recognized in the financial statements at December 31, 2006 was reflected in the income statement as a lump sum.

(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.

Levies other than income taxes, such as taxes on real estate and net worth, are treated as operating expenses.

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 of 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, and is 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-tax assets and liabilities that arise from 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 Non-current Assets

These assets include non-current assets or groups of assets attributable to 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.

The profit or loss attributable to available-for-sale non-current assets is shown separately in the income statement net of the applicable tax effect when the assets in questions are part of discontinued operations. For comparative purposes, the prior year's corresponding amounts are reclassified and shown separately in the income statement net of the applicable tax effect.

Revenue Recognition

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

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 revenues.

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.

Earnings per Share

Basic earnings per share are computed by dividing the group's interest in net profit or loss for the year by the weighted average of the number of shares outstanding during the year. When computing diluted earnings per share, the weighted average of the number of shares outstanding is adjusted to reflect the conversion of all potential shares that could have a dilutive effect.

Use of Estimates

When preparing the consolidated financial statements, Directors apply accounting principles and methods that, in some cases, are based on difficult and subjective valuations and estimates that are based on historical data and assumptions that, in each individual case, are deemed to be reasonable and realistic in light of the relevant circumstances. The use of these estimates and assumptions has an impact on the amounts reported in the financial statement schedules, which include a balance sheet, an income statement and a cash flow statement, and in additional disclosures. The ultimate amounts of those components of the financial statements for which the abovementioned estimates and assumptions were used could differ from

those shown on the financial statements, due to the uncertainty that characterizes all assumptions and the conditions upon which the estimates were based. Estimates and assumptions are revised on a regular basis and the impact of any resulting change is recognized in the period when a revision of estimates occurred, if the revision affects only the current period, and is also applied to future periods, when the revision has an impact both on the current period and on future periods.
The accounting principles that require the most use of subjective judgment by Directors in developing estimates and with respect to which a change in the underlying assumptions used could have a material impact on the financial statements are those concerning goodwill; writedowns of property, plant and equipment; depreciation and amortization of non-current assets; deferred taxes; provisions for risks; the allowance for doubtful accounts; pension plans and post-employment benefits; and the reserves for creditor challenges and claims of late-filing creditors.

New Accounting Principles and Interpretations Adopted by the EU that Are Not Yet in Effect
In 2007, the European Commission adopted and published the following new accounting principles and revisions and interpretations of existing accounting principles published by the International Accounting Standards Board ("IASB") and by the International Financial Reporting Interpretations Committee ("IFRIC").

IFRS 8 – Operating Segments. This principle will be applicable as of January 1, 2009 in lieu of IAS 14. Under the new accounting principle, companies are required to base the segment information that they disclose on the same data that management uses to make operating decisions. Consequently, operating segments must be identified based on a company's internal reporting system, which is regularly reviewed by management to allocate resources to the various segments and assess performance.

The following interpretations applicable to situations and issues that do not occur within the Group were also published in 2007:

IFRIC 11 – Group and Treasury Share Transactions (applicable as of January 1, 2008);

IFRIC 12 – Service Concession Arrangements (applicable as of January 1, 2008).

Reclassification Applied to the 2006 Consolidated Income Statement

As a result of the sale of all of the Group's Spanish operations to Lacteos Siglo XXI s.l. (Nueva Rumasa Group), which was executed on May 16, 2007 and approved by the Spanish antitrust authorities on June 22, 2007, the Spanish companies were deconsolidated as of the abovementioned date and the operating results they generated until the sales date are being presented as the result of discontinuing operations.

Moreover, as a result of the sale of the operating activities of the Boschi Luigi & Figli S.p.A. subsidiary and following the approval of the transaction by the Italian antitrust authorities on July 2, 2007, the operating results generated by the abovementioned activities until the date of sale are presented as part of the "Profit (Loss) from discontinuing operations."

Consequently, consistent with the requirements of IFRS 5 (*Non-current Assets Held for Sale and Discontinued Operations),* the 2006 data that are provided for comparison purposes have been restated reclassifying all income statement items attributable to the Spanish companies and to the operating activities of Boschi Luigi & Figli S.p.A. under "Profit (Loss) from discontinuing operations."

The table below shows the reclassifications applied to the income statement:

(in millions of euros)	**2006 restated**	**Reclassifications of discontinuing operations**	**2006 (*)**
REVENUES	**3,669.5**	**(211.9)**	**3,881.4**
Net sales revenues	3,633.6	(210.4)	3,844.0
Other revenues	35.9	(1.5)	37.4
Cost of sales	(2,807.5)	142.0	(2,949.5)
Distribution costs	(366.2)	16.7	(382.9)
Administrative expenses	(264.8)	84.0	(348.8)
Other (income)/expense:			
- Legal fees paid in actions for damages and actions to void in bankruptcy	(55.0)	-	(55.0)
- Restructuring costs	(3.3)	9.0	(12.3)
- Sundry expenses and income	168.4	1.8	166.6
EBIT	**341.1**	**41.6**	**299.5**
Financial income	27.4	(3.2)	30.6
Financial expense	(93.4)	7.5	(100.9)
Other income from (Expense for) equity investments	0.5	-	0.5
PROFIT BEFORE TAXES	**275.6**	**45.9**	**229.7**
Income taxes	(53.1)	(18.9)	(34.2)
PROFIT FROM CONTINUING OPERATIONS	**222.5**	**27.0**	**195.5**
Profit (Loss) from discontinuing operations	(27.1)	(27.0)	(0.1)
PROFIT FOR THE PERIOD	**195.4**	**0.0**	**195.4**
Minority interest in (profit)/loss	(2.9)		(2.9)
Group interest in profit/(loss)	192.5		192.5

(*) Approved by the Shareholders' Meeting on April 28, 2007.

Transactions Between Group Companies and with Related Parties

Transactions between Group companies and with 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 by type is provided below:

(in millions of euros)		12/31/07					
Company	**Country**	**Trade receiv-ables***	**Financial receiv-ables***	**Other receiv-ables***	**Trade payables**	**Financial payables**	**Other payables**
Dalmata Due Srl	Italy	0.1					
PPL Participacoes Ltda	Brazil					3.7	
Wishaw Trading sa	Uruguay					2.3	
Sundry items (less than €1 million)							
Total		**0.1**	**-**	**-**	**-**	**6.0**	**-**

* After allowance for doubtful accounts.

(in millions of euros)		12/31/06					
Company	**Country**	**Trade receiv-ables***	**Financial receiv-ables***	**Other receiv-ables***	**Trade payables**	**Financial payables**	**Other payables**
Impianti Sportivi Srl	Italy		2.9				
SATA Srl	Italy		39.6				
PPL Participacoes Ltda	Brazil					3.0	
Wishaw Trading sa	Uruguay					2.3	
Sundry items (less than €1 million)			0.3		0.5	0.1	
Total		**-**	**42.8**	**-**	**0.5**	**5.4**	**-**

* After allowance for doubtful accounts.

The table below provides a breakdown of revenues and expenses by type and shows the writedowns of receivables booked during the period:

(in millions of euros)		2007				
Company	**Country**	**Net sales revenues and other revenues**	**Profit (Loss) from discontinuing operations**	**Financial income**	**Cost of materials and services used**	**Writedowns of receivables**
Lacteos Americanos Lactam SA	Costa Rica					0.1
Sundry items						
Total		**-**	**-**	**-**	**-**	**0.1**

(in millions of euros)		2006				
Company	**Country**	**Net sales revenues and other revenues**	**Profit (Loss) from discontinuing operations**	**Financial income**	**Cost of materials and services used**	**Writedowns of receivables**
Boschi Luigi & Figli S.p.A. in A.S.	Italy	8.7			10.8	
Deutsche Parmalat Gmbh in A.S.	Germany		2.2		4.0	
Impianti Sportivi Srl	Italy			0.1		0.1
Parmalat Molkerei Gmbh in A.S.	Germany				6.0	
Sundry items					0.1	
Total		**8.7**	**2.2**	**0.1**	**20.9**	**0.1**

- Companies that are currently included in the investment portfolios of Parmalat Finanziaria S.p.A. in A.S. and Parmalat S.p.A. in A.S.

A breakdown of receivables and payables by type is provided below:

(in millions of euros)		12/31/07					
Company	**Country**	**Trade receiv-ables***	**Financial receiv-ables***	**Other receiv-ables***	**Trade payables**	**Financial payables**	**Other payables**
Eliair Srl in A.S.	Italy		4.6	0.3			
Parma A.C. S.p.A. in A.S.	Italy		60.4				
Parmalat Capital Finance Ltd	Cayman		3,466.6**			1.7	
Bonlat Financing Corporation	Cayman		1,131.9**			1.7	
Parmalat S.p.A. in A.S.	Italy			1.1			
Sundry items (less than €1 million)							
Total		**-**	**4,663.5**	**1.4**	**-**	**3.4**	**-**

* After allowance for doubtful accounts. ** Amounts written off.

(in millions of euros)		12/31/06					
Company	**Country**	**Trade receiv-ables***	**Financial receiv-ables***	**Other receiv-ables***	**Trade payables**	**Financial payables**	**Other payables**
Eliair Srl in A.S.	Italy		4.6	0.3			
Emmegi Agroindustriale srl in A.S.	Italy	13.7	36.8	8.5	0.2		
Parma A.C. S.p.A. in A.S.	Italy		60.4				
Parmalat Capital Finance Ltd	Cayman		3,466.6**			9.6	
Bonlat Financing Corporation	Cayman		1,131.9**			1.8	
Parmalat S.p.A. in A.S.	Italy			1.2			
Sundry items (less than €1 million)			0.1	0.2			
Total		**13.7**	**4,700.4**	**10.2**	**0.2**	**11.4**	**-**

* After allowance for doubtful accounts. ** Amounts written off.

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, 2007.

Percentage of Total Amounts Attributable to Transactions with Related Parties

(in millions of euros)	**Consolidated assets**	**Consolidated liabilities**	**Net financial assets**	**Distribution costs**
Total consolidated amount	4,570.9	1,885.6	855.8	411.0
Amount with related parties	0.1	6.0	(6.0)	0.1
Percentage of the total	*n.m.*	*0.3*	*n.m.*	*n.m.*

Notes to the Balance Sheet – Assets

(1) Goodwill

Goodwill amounted to 539.9 million euros. The changes that occurred in 2007 and 2006 are listed below:

(in millions of euros)	Goodwill
Balance at 12/31/05	**562.6**
- Companies added to the scope of consolidation	5.0
- Writedowns (-)	(3.8)
- Currency translation differences	(20.0)
Balance at 12/31/06	**543.8**
- Companies added to the scope of consolidation	1.7
- Companies removed from the scope of consolidation (-)	(1.7)
- Acquisitions	2.4
- Writedowns (-)	(9.6)
- Currency translation differences	3.3
Balance at 12/31/07	**539.9**

The item "Companies added to the scope of consolidation" refers to the acquisition of the total shareholders' capital in Quantum Distribution Services Ltd at a price of 8.7 million Australian dollars.

While waiting to determine the fair value of the acquired assets and liabilities during the 12 months following the acquisition and as allowed by IFRS 3 (Business Combinations), this business combination was recognized using temporary values.

Therefore, the amount of 1.7 million Australian dollars represents the difference between the price paid and the net carrying amount of the acquired assets that was provisionally allocated to goodwill.

The amount shown for companies removed from the scope of consolidation (1.7 million euros) refers to the Spanish operations sold during the first half of 2007 and to Interlatte S.p.A.

The acquisitions for 2.4 million euros refer to the purchase of minority interests in:

- the Russian subsidiary OAO Belgorodskij Molochnij Kombinat, equal to the 34.9% of the shareholders' capital, at a price of 6.0 million euros;
- the Romanian subsidiary Parmalat Romania SA, equal to the 19,7% of the shareholders' capital, at a price of 2.1 million euros;
- in the Australian subsidiaries Montague Moulders Pty Ltd (20%) and Port Curtis Moulders Pty Ltd (22.5%). Parmalat Australia Ltd paid a price of 1.5 million euros.

On December 31, 2007, Parmalat Australia Ltd bought the minority equity interests that Woodrose Pty Ltd owned in Montague Moulders Pty Ltd (20%) and Port Curtis Moulders Pty Ltd (22.5%). The purpose of this transaction, which became effective on January 1, 2008, is to lower milk bottling costs and increase operating results at the Group level.
The price paid by Parmalat Australia Ltd to purchase these equity interests totaled 1.5 million euros.

Absent a principle or interpretation that specifically addresses this issue, these purchases of minority interests were recognized in accordance with the parent company theory, which views minority shareholders as outsiders and, consequently, requires that any difference between the purchase price (9.6 million euros) and the book value of the acquired minority interests (7.2 million euros) be recognized as goodwill.

A breakdown of goodwill is as follows:

(in millions of euros)	12/31/07	12/31/06
Parmalat S.p.A.	233.8	233.8
Parmalat Dairy & Bakery inc.	125.2	118.3
Parmalat Australia ltd	66.7	66.1
Centrale del Latte di Roma S.p.A.	41.7	41.7
Parmalat South Africa pty ltd	21.1	23.9
Parmalat Portugal Produtos Alimentares Ltda	34.2	34.2
Latte Sole S.p.A.	4.0	7.5
Other smaller companies	13.2	18.3
Total	**539.9**	**543.8**

The Group tests the recoverability of goodwill at least once a year and more frequently when there are indications that its value may have been impaired.
In order to perform an impairment test, goodwill was allocated to the applicable cash generating units, which, consistent with the Group's strategic vision, were identified as the Group's geographic regions, with the restriction that the largest aggregation may not exceed the scope of a business segment identified in accordance with IAS 14.
As was the case in the past, the impairment test was performed by an independent advisor.
The recoverable value of goodwill was tested against its value in use, which is the present value of the expected cash flows from operations, estimated based on the Group's strategic plan for the next three years. For the years not covered by the strategic plan, the process involved estimating a terminal value, which was computed as the cash flow from operations appropriately standardized to maintain standard operating business conditions, assuming a growth rate ranging between 0.5% and 1%.
Cash flow projections were based on normal conditions of business activity and, consequently, do not include cash flows attributable to extraordinary events.
The discount rates used were consistent with current valuations of the cost of money and took into account the specific risks attributable to each cash generating unit. The rates, net of taxes, range between 7% and 12%.
The process of obtaining information about the potential net realizable value of the assets allocated to each cash generating unit also involved the use of stock market multiples to determine the values of publicly traded companies in the same industry, which were used as reference with regard to value in use.

Based on these tests and considering that there has been a deterioration of the profitability outlook, the enterprise value of the Latte Sole cash generating unit was found to be lower than its book value, with a negative impact of 3.5 million euros on the carrying value of goodwill.
In Ecuador, the resumption of business by operations that had been inactive for some years is proving to be slower than anticipated in the original industrial plan, which required an adjustment of 3.7 million euros to goodwill.
The other writedown of 2.4 million euros was recognized in accordance with the requirements of Paragraph 68 of IAS 12 to adjust the amount of goodwill originally allocated to deferred-tax assets following the utilization of a tax loss carryforward that already existed when the Group was created.

(2) Trademarks with an Indefinite Useful Life

Trademarks with an indefinite useful life totaled 612.1 million euros. The following changes occurred in 2007:

(in millions of euros)	Trademarks with an indefinite useful life
Balance at 12/31/05	**787.1**
- Disposals (-)	(17.5)
- Writedowns (-)	(31.4)
- Other changes	(52.7)
- Currency translation differences	(43.4)
Balance at 12/31/06	**642.1**
- Companies removed from the scope of consolidation (-)	(32.4)
- Writedowns (-)	(3.1)
- Currency translation differences	5.5
Balance at 12/31/07	**612.1**

The amount shown for companies removed from the scope of consolidation (32.4 million euros) refers to the trademarks of the Spanish operations, which were sold in 2007.

Trademarks with an indefinite useful life were valued at 612.1 million euros. A breakdown is as follows:

(in millions of euros)	12/31/07	12/31/06
Parmalat	180.0	183.1
Beatrice (Canada)	81.7	77.2
Lactantia (Canada)	67.4	63.7
Santal	41.0	46.4
Pauls (Australia)	41.7	41.8
Centrale del Latte di Roma (Italy)	26.1	26.1
Clesa (Spain)	-	1.0
Black Diamond (Canada)	30.6	28.9
Astro (Canada)	22.6	21.4
Cacaolat (Spain)	-	19.9
Bonnita (South Africa)	14.1	15.3
Chef (Italy)	16.2	16.2
Sundry trademarks	90.7	101.1
Total	**612.1**	**642.1**

The Group tests the recoverability of trademarks with an indefinite useful life at least once a year and more frequently when there are indications that its value may have been impaired.
As was the case in the past, the impairment test was performed by an independent advisor.
The recoverable value of trademarks with an indefinite useful life was tested against their value in use by means of the relief from royalty method.
The relief from royalty method was chosen as a valuation method because it is consistent with the widely accepted belief that the value of trademarks is closely related to the contribution that they provide to a company's operating results. Moreover, recent studies by major market research companies have shown that a product's brand is one of the main factors that motivate purchases of groceries.
The relief from royalty method consists of discounting to present value the royalty payments that the owner of a trademark avoids because of the ownership of the right to use that trademark. As a rule, royalties are computed as a percentage of net revenues before the impact of taxes.

The process followed to determine the net royalty flows involved using, for each trademark, the net revenue projections estimated in the Group's strategic plan for the next three years.
For the years not covered by the strategic plan, the process involved estimating a terminal value, which was computed as the royalty flow appropriately standardized to maintain standard operating business conditions, assuming a growth rate ranging between 1% and 2%.
The royalty rate that was applied to net revenues was determined based on studies and surveys carried out in this field by research institutions and professionals, as well as on internal analyses of licensing agreements executed in the food industry. Moreover, since each individual trademark has its own distinctive characteristics relative to the product/market combination, the qualitative (competitive position, name recognition, customer loyalty and quality) and quantitative (profitability percentage) characteristics of the trademarks were also taken into account. Based on these elements, each trademark was assigned a royalty rate ranging between 2.5% and 3%.
The discount rates used were consistent with current valuations of the cost of money and took into account the specific risks attributable to each cash generating unit. The rates, net of taxes, range between 7% and 8%.

Based on these tests of the recoverable value of trademarks with an indefinite useful life, the Santal Portugal trademark proved to be less than its carrying value, requiring a writedown of 3.1 million euros.
The main reason for this writedown is a loss of market share that benefited the main competitor in that market and the private labels.

(3) Other Intangibles

Other intangibles of 81.7 million euros includes capitalized costs incurred by Parmalat S.p.A. and its subsidiaries, which are expected to produce benefits over several years.

The table below provides a breakdown of Other intangibles and shows the changes that occurred in 2006 and 2007:

(in millions of euros)	Trademarks with a finite life	Concessions, licenses and similar rights	Miscellaneous intangibles	Total
Balance at 12/31/05	**38.3**	**11.6**	**5.5**	**55.4**
- Cos. added to the scope of consolidation	19.4	0.3	0.1	19.8
- Cos. removed from the scope of consolidation (-)			(0.1)	(0.1)
- Additions		2.6	0.6	3.2
- Writedowns (-)			(1.2)	(1.2)
- Amortization (-)	(17.6)	(5.6)	(0.7)	(23.9)
- Other changes	52.7			52.7
- Currency translation differences	(0.3)	(0.5)	(0.5)	(1.3)
Balance at 12/31/06	**92.5**	**8.4**	**3.7**	**104.6**
- Cos. added to the scope of consolidation		4.2		4.2
- Cos. removed from the scope of consolidation (-)		(0.6)		(0.6)
- Additions	0.1	4.1	0.7	4.9
- Amortization (-)	(18.5)	(5.4)	(0.7)	(24.6)
- Writedowns (-)	(6.4)			(6.4)
- Currency translation differences	(0.4)	0.1	(0.1)	(0.4)
Balance at 12/31/07	**67.3**	**10.8**	**3.6**	**81.7**

The table that follows provides a breakdown of gross carrying value, accumulated writedowns and accumulated amortization at December 31, 2006 and December 31, 2007:

(in millions of euros)	**Trademarks with a finite life**	**Concessions, licenses and similar rights**	**Miscellaneous intangibles**	**Total**
Gross carrying value	113.0	49.8	32.8	195.6
Accumulated writedowns		(18.0)	(22.0)	(40.0)
Accumulated amortization	(20.5)	(23.4)	(7.1)	(51.0)
Balance at 12/31/06	**92.5**	**8.4**	**3.7**	**104.6**
Gross carrying value	112.6	39.1	9.8	161.5
Accumulated writedowns	(6.4)		(1.0)	(7.4)
Accumulated amortization	(38.9)	(28.3)	(5.2)	(72.4)
Balance at 12/31/07	**67.3**	**10.8**	**3.6**	**81.7**

In addition to licenses for software and exclusive franchise rights, Other intangibles includes Italian trademarks (Berna, Lactis, Monza, Solac, Optimus, Stella, Jeunesse, Torvis, Pascolat, Dolomiti, Matese, Giglio and Torre in Pietra) and foreign trademarks (Vaalia and Biely Gorod) useful for the Group's commercial operations.

Changed competitive conditions in the markets in which Newlat S.p.A. operates, caused in part by increases in the price of raw milk, had an adverse impact on the company's profitability outlook, particularly insofar as the Matese, Polenghi, Sole and Torre in Pietra trademarks are concerned, which required a writedown of 6.4 million euros.

(4) Property, Plant and Equipment

Property, plant and equipment totaled 678.2 million euros. The table below provides a breakdown of this item and shows the changes that occurred in 2006 and 2007:

(in millions of euros)	Land	Buildings	Plant and machinery	Industrial equipment	Other assets	Construc-tion in progress	Total
Balance at 12/31/05	**124.5**	**271.0**	**259.2**	**10.8**	**35.6**	**18.4**	**719.5**
- Cos. added to the scope of consolidation	15.1	19.2	28.9	0.7	1.3	1.9	67.1
- Cos. removed from the scope of consolidation (-)	(2.3)	(11.2)	(0.2)				(13.7)
- Additions	0.2	5.8	44.6	1.0	10.4	37.5	99.5
- Disposals (-)	(2.8)	(4.6)	(3.2)	(0.2)	(2.1)		(12.9)
- Writedowns (-)	(0.1)	(0.6)	(8.2)		(0.2)		(9.1)
- Depreciation (-)		(14.9)	(52.1)	(2.8)	(11.3)		(81.1)
- Other changes	2.1	0.9	11.7	1.8	6.2	(21.4)	1.3
- Reclassifications to available-for-sale assets	(0.4)	(2.4)	(1.7)			(0.4)	(4.9)
- Currency translation differences	(3.7)	(10.0)	(18.5)	(0.2)	(3.0)	(2.2)	(37.6)
Balance at 12/31/06	**132.6**	**253.2**	**260.5**	**11.1**	**36.9**	**33.8**	**728.1**
- Cos. added to the scope of consolidation	30.5	10.8	0.5	0.1	0.7	0.2	42.8
- Cos. removed from the scope of consolidation (-)	(33.8)	(33.9)	(21.7)		(4.6)	(3.1)	(97.1)
- Additions	0.1	5.3	32.0	1.2	10.1	70.8	119.5
- Sale of business operations	(2.5)	(6.7)	(14.0)	(0.2)	(0.2)		(23.6)
- Disposals (-)	(1.4)	(1.8)	(2.6)	(0.2)	(1.5)		(7.5)
- Writedowns (-)	(3.3)	(0.1)	(0.6)				(4.0)
- Depreciation (-)		(12.4)	(45.8)	(2.8)	(10.7)		(71.7)
- Other changes	0.1	6.6	25.4	1.7	6.7	(40.5)	-
- Reclassifications to available-for-sale assets	(3.9)	(0.4)					(4.3)
- Currency translation differences	(0.5)	(1.8)	(0.6)	(0.2)	(0.8)	(0.1)	(4.0)
Balance at 12/31/07	**117.9**	**218.8**	**233.1**	**10.7**	**36.6**	**61.1**	**678.2**

The amount shown for companies added to the scope of consolidation (42.8 million euros) refers to the following subsidiaries: Pisorno Agricola Srl, Parmalat Paraguay SA and Quantum Distribution Services Ltd.

The amount shown for companies removed from the scope of consolidation (97.1 million euros) refers to the Spanish operations sold during the first half of 2007 and to Interlatte S.p.A.

For more information about investments in property, plant and equipment, refer to the Report on Operations.

The "Sale of business operations" refers to the disposal of the "tomato" business operations.

Disposals of 7.5 million euros refers mainly to sales of non-strategic real estate by Parmalat S.p.A., which generated proceeds of 2.2 million euros, and to a property in Brisbane that was seized under eminent domain, generating proceeds of 3 million euros.

The reclassification to available-for-sale assets (4.3 million euros) refers to a building and land in Brisbane, the sale of which is expected to close in 2008.

The table that follows shows the gross carrying value, accumulated writedowns and accumulated depreciation at December 31, 2006 and December 31, 2007:

(in millions of euros)	Land	Buildings	Plant and machinery	Industrial equipment	Other assets	Construction in progress	Total
Gross carrying value	132.6	342.4	773.3	26.1	132.4	33.8	1,440.6
Accumulated writedowns			(8.3)		(0.3)		(8.6)
Accumulated depreciation		(89.2)	(504.5)	(15.0)	(95.2)		(703.9)
Balance at 12/31/06	**132.6**	**253.2**	**260.5**	**11.1**	**36.9**	**33.8**	**728.1**
Gross carrying value	121.2	326.3	681.4	28.2	126.3	61.1	1,344.5
Accumulated writedowns	(3.3)	(0.1)	(1.7)		(0.2)		(5.3)
Accumulated depreciation		(107.4)	(446.6)	(17.5)	(89.5)		(661.0)
Balance at 12/31/07	**117.9**	**218.8**	**233.1**	**10.7**	**36.6**	**61.1**	**678.2**

A breakdown of property, plant and equipment acquired under finance leases totaling 33.4 million euros is as follows:

(in millions of euros)	**12/31/07**	**12/31/06**
Land	11.0	11.8
Buildings	8.0	11.1
Plant and machinery	6.8	14.6
Other assets	5.5	6.4
Construction in progress and advances	2.1	-
Total property, plant and equipment acquired under finance leases	**33.4**	**43.9**

(5) Investments in Associates

The net carrying amount of the Group's investments in associates totaled 3.6 million euros. The table below shows the changes that occurred in 2007:

(in millions of euros)	**Investments valued**		**Total**
	by the equity method (affiliated companies)	**at cost**	
Balance at 12/31/06 (A)	**0.5**	**3.5**	**4.0**
Changes in 2007:			
- Additions		0.5	0.5
- Writedowns (-)		(0.4)	(0.4)
- Dividend distribution (-)	(0.4)		(0.4)
- Disposals (-)	(0.1)		(0.1)
Total changes (B)	**(0.5)**	**0.1**	**(0.4)**
Balance at 12/31/07 (A+B)	**-**	**3.6**	**3.6**

A breakdown of Investments valued at cost is as follows:

(in millions of euros)	12/31/07		12/31/06	
	Net value	**% interest held**	**Net value**	**% interest held**
Bonatti S.p.A.	3.1	10.26%	3.1	10.26%
Parmalat International SA in liquidation	0.2	100%	0.2	100%
Dalmata Due srl	0.1	100%	-	-
Sundry investments	0.2	-	0.2	-
Total	**3.6**		**3.5**	

(6) Other Non-current Financial Assets

The net carrying amount of Other non-current financial assets was 6.1 million euros. The table below shows the changes that occurred in 2007:

(in millions of euros)	**Receivables owed by**		**Other securities**	**Total**
	investee companies (a)	**others**		
Balance at 12/31/06 (A)	**42.8**	**51.8**	**0.7**	**95.3**
Changes in 2007:				
- Companies added to the scope of consolidation (-)	(39.6)			(39.6)
- Companies removed from the scope of consolidation (-)		(44.7)		(44.7)
- Increases	0.5	0.4	0.1	1.0
- Write-off of writedowns due to subsequent collections	1.5			1.5
- Decreases (-)	(5.2)	(1.4)		(6.6)
- Other changes		(0.8)		(0.8)
Total changes (B)	**(42.8)**	**(46.5)**	**0.1**	**(89.2)**
Balance at 12/31/07 (A+B)	**-**	**5.3**	**0.8**	**6.1**

(a) Companies the share capital of which is owned by the Group but are not under the Group's control.

The main components of the overall change of 89.2 million euros are: 44.7 million euros for the removal of the Spanish companies from the scope of consolidation, 39.6 million euros for the inclusion of SATA Srl in the scope of consolidation and 6.6 million euros for the collection during the year of receivables owed by investee companies and liquidated companies, offset in part by an increase of 1.5 million euros for the restatement of the net realizable value of receivables owed by investee companies in light of a rise in the amounts collected in 2007.

Receivables owed by investee companies, which totaled 42.8 million euros at December 31, 2006, corresponded to the net receivables owed by SATA Srl in liquidation.
The amount shown for this receivable represented the fair value of the verified claim of Parmalat S.p.A., as included among the liabilities of the bankrupt company. Having purchased the unsecured claims of third party creditors for 1.9 million euros, Parmalat S.p.A. became the only unsecured creditor with a verified claim.
As a result of the abovementioned claim verification and the completion of the bankruptcy proceedings on May 7, 2007, once the liquidation status was revoked within 60 days from the date of the Partners' Meeting convened to approve the balance sheet, which occurred on September 25, 2007, all of the remaining assets of SATA Srl in liquidation, which include an investment in Pisorno Agricola Srl and valuable land in the Latium region, will be brought under the control of Parmalat S.p.A.

The main components of Receivables owed by others of 5.3 million euros are:

- Advances provided to outsiders (2.2 million euros);
- Security deposits (2.0 million euros);
- Guarantee deposits (0.9 million euros).

Other securities of 0.8 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 46.6 million euros are shown net of offsettable deferred-tax liabilities. The changes that occurred in 2007 are shown below:

(in millions of euros)	
Balance at 12/31/06 (A)	**40.6**
Changes in 2007:	
- Companies added to the scope of consolidation	4.3
- Companies removed from the scope of consolidation (-)	(3.9)
- Increases	18.5
- Utilizations (-)	(12.6)
- Currency translation differences	(0.3)
Total changes (B)	**6.0**
Balance at 12/31/07 (A+B)	**46.6**

The amount of 4.3 million euros shown for companies added to the scope of consolidation refers to the inclusion of the Pisorno Agricola Srl subsidiary in 2007.

The entry for companies removed from the scope of consolidation (3.9 million euros) reflects the deconsolidation of the Spanish companies and of Interlatte S.p.A. in 2007.

Increases of 18.5 million euros reflect mainly tax-deductible amortization of trademarks (4.4 million euros), inventory writedowns (2.6 million euros), maintenance expense (1.9 million euros), additions to the provisions for risks (1.4 million euros) and recognition of tax loss carryforward amounts that the Group expects to offset against future taxable income (1.3 million euros).

Utilizations of 12.6 million euros are mainly the result of a change in the tax rate in Italy (from 37.25% to 31.4%).

The amount shown for deferred-tax assets corresponds to the expected benefit of a reduction in tax liability that temporary differences between the values assigned to assets and liabilities for reporting and tax purposes are expected to generate in the future. The main sources of these temporary differences are listed below:

(in millions of euros)	**12/31/07**	**12/31/06**
Personnel related provisions	8.8	8.7
Writedown of doubtful accounts	6.6	2.3
Amortization of trademarks with a finite useful life	5.9	2.6
Provision for ITX damages and inventory writedown	5.1	0.5
Maintenance expense	4.1	6.5
Provisions for staff restructuring	1.8	3.1
Depreciation of plant and equipment	1.8	1.2
Recoverable tax losses	1.3	1.3
Provisions for risks and charges	1.2	-
Provision for prize contests	0.4	0.9
Provision for companies under extraordinary administration	0.2	-
Writedown of property, plant and equipment	-	3.9
Tax benefit from reinvesting the proceeds from the sale of a building in Madrid	-	1.7
Sundry items	9.6	7.9
Total	**46.6**	**40.6**

At December 31, 2007, the Group had a tax loss carryforward of 313.4 million euros attributable mainly to operations in Italy, Austria, Venezuela, Ecuador and Australia, which had not resulted in the recognition of deferred-tax assets, as the recoverability of this amount was viewed as improbable.

A breakdown by expiration date is as follows:

(in millions of euros)	**12/31/07**
Year of expiration	
2008	15.0
2009	31.1
2010	71.4
2011	39.0
2012	20.3
Amount expiring after 2012	5.4
Amount without expiration	131.2
Total tax loss carryforward	**313.4**

(8) Inventories

Inventories totaled 387.4 million euros, or 39.1 million euros more than at December 31, 2006.

(in millions of euros)	**12/31/07**	**12/31/06**
Raw materials, auxiliaries and supplies	105.6	123.4
Work in progress and semifinished goods[1]	16.9	10.9
Contract work in process	268.7	216.4
Finished goods and merchandise	0.7	1.8
Advances	(4.5)	(4.2)
Provision for inventory writedowns	**387.4**	**348.3**

[1] The 2006 amount includes a reclassification of "Contract work in process."

The main positive changes include:

- 32.1 million euros attributable to the Canadian subsidiary, which increased its inventories of cheese and other finished goods to mitigate the impact of an announced 25% rise in the cost of ingredients and to meet an expected increase in demand in 2008. In addition, inflationary factors added 5.5 million euros to the value of inventory, compared with 2006.
- 17.4 million euros attributable to the South African subsidiary, which increased its inventories of cheese in the fourth quarter of 2007 in response to expected raw milk shortages at the beginning of 2008.
- 5.5 million euros attributable to the Colombian subsidiaries, which increased their inventories of UHT and powdered milk to meet an expected increase in demand in 2008.

These increases were offset in part by the following items:

- 19.1 million euros for the deconsolidation of the Spanish companies;
- 10.1 million euros for the sale of the Boschi Luigi & Figli S.p.A. business operations to Boschi Food & Beverage S.p.A.

(9) Trade Receivables

Trade receivables totaled 522.4 million euros, or 7.6 million euros less than at December 31, 2006:

(in millions of euros)	**12/31/07**	**12/31/06**
Trade receivables:		
- owed by customers	522.3	530.0
- owed by investee companies (a)	0.1	-
Total trade receivables	**522.4**	**530.0**

(a) Companies the share capital of which is owned by the Group but are not under the Group's control.

The amount of 522.3 million euros shown for Trade receivables owed by customers is net of an Allowance for doubtful accounts amounting to 162.8 million euros. The table that follows shows the changes that occurred in this allowance in 2007:

(in millions of euros)	
Balance at 12/31/06 (A)	**164.7**
Changes in 2007:	
- Companies removed from the scope of consolidation (-)	(3.8)
- Additions	8.8
- Utilizations (-)	(6.6)
- Currency translation differences	(0.3)
Total changes (B)	**(1.9)**
Balance at 12/31/07 (A+B)	**162.8**

(10) Other Current Assets

Other current assets totaled 243.2 million euros, or 163.4 million euros less than at December 31, 2006:

(in millions of euros)	**12/31/07**	**12/31/06**
Receivables for settlements in connection with actions to void in bankruptcy and actions for damages	1.4	127.0
Amount receivable from the tax authorities for VAT	98.3	118.2
Estimated tax payments	33.3	25.3
Dividend tax credits	38.2	38.2
Other amounts receivable from the tax authorities	13.7	9.7
Sundry receivables	42.8	72.6
Accrued income and prepaid expenses	15.5	15.6
Total	**243.2**	**406.6**

Receivables for settlements in connection with actions to void and actions for damages reflects the amounts still owed by the parties with whom the Company reached a settlement in 2007 to end pending disputes. The total includes 1.4 million euros owed by Deloitte & Touche S.p.A. and Dianthus S.p.A., which the Group is scheduled to collect in 2008 and 2009.

At the end of 2005, a portion of the amount receivable by Parmalat S.p.A. from the tax authorities for VAT (31.9 million euros) had been pledged 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. In 2006, the INPS informed Parmalat S.p.A. that it used the abovementioned powers of attorney to collect 22.1 million euros. However, the tax administration informed the Company that the abovementioned power of attorney could not be used to collect the 4.2 million euros. As a result, this amount was reinstated as a current receivable. At December 31, 2007, the remaining amount receivable from the tax authorities for VAT amounted to 5.6 million euros and was pledged in its entirety to offset an equal liability toward the INPS.

Dividend tax credits of 38.2 million euros refers to dividends collected prior to the start of the extraordinary administration proceedings.

Sundry receivables of 42.8 million euros includes 13.8 million euros for 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, 4.5 million euros for advances to suppliers, 2.5 million euros receivable from the INPS for wages paid by employees eligible for Supplemental Unemployment Benefits and 0.8 million euros for advances to employees.

The decrease of 163.4 million euros in Other current assets is mainly the result of the following items:

- 125.6 million euros for a decrease in receivables for settlements in connection with actions to void and actions for damages that reflects the collection of 112 million euros owed by Banca Nazionale del Lavoro and 15 million euros owed by Banca Popolare Italiana, offset in part by new settlements reached in 2007, a portion of which (1.4 million euros) has not yet been collected;
- 33.0 million euros for the deconsolidation of the Spanish companies;
- 19.0 million euros for a reduction in VAT receivable, due to the collection of prior-period amounts by Italian companies.

This decrease was offset in part by the following item:

- 9.4 million euros for estimated tax payments.

A breakdown of Accrued income and prepaid expenses, which totaled 15.5 million euros, is as follows:

(in millions of euros)	**12/31/07**	**12/31/06**
Accrued income:		
- Rent and rentals	-	0.1
- Insurance premiums	-	0.4
- Other accrued income	0.3	4.0
Prepaid expenses:		
- Rent and rentals	0.4	0.4
- Insurance premiums	1.9	2.2
- Sundry prepaid expenses	12.9	8.5
Total accrued income and prepaid expenses	**15.5**	**15.6**

(11) Cash and Cash Equivalents

Cash and cash equivalents with an original maturity of three months or less totaled 852.9 million euros, for an increase of 531.1 million euros compared with December 31, 2006:

(in millions of euros)	**12/31/07**	**12/31/06**
- Bank and postal accounts	850.7	310.1
- Checks in transit	-	0.1
- Cash and securities on hand	1.6	2.1
- Financial assets	0.6	9.5
Total cash and cash equivalents	**852.9**	**321.8**

Bank and postal accounts of 850.7 million euros represent deposits held at top banking and financial institutions with a high credit rating.

Financial assets totaled 0.6 million euros. They consist entirely of term deposits.

The increase of 531.1 million euros in Cash and cash equivalents reflects the investment of the proceeds generated by normal course of business in short-term, interest-bearing assets that are highly liquid, by the actions to void and actions for damages and by the sale of the Spanish operations. The Group can utilize the cash and cash equivalent balances without restrictions in any circumstance.

(12) Current Financial Assets

Current financial assets totaled 591.7 million euros, or 383.9 million euros more than at December 31, 2006:

(in millions of euros)	**12/31/07**	**12/31/06**
- Italian treasury bills	63.8	159.2
- Bank time deposits	524.2	-
- Reverse repurchase agreements	-	45.0
- Accrued interest	1.0	1.8
- Derivatives	0.9	0.5
- Financial assets with an original maturity of more than three months but less than 12 months	1.8	1.3
Total current financial assets	**591.7**	**207.8**

The increase of 383.9 million euros reflects primarily the investment in income-producing assets of the proceeds collected in 2007 upon normal course of business, settlements of actions to void and actions for damages and the sale of the Spanish operations.

A list of the main financial assets, broken down by interest rate and maturity, is provided below:

(in millions of euros)	**Amount**	**Purchase date**	**Maturity**	**Annualized rate**
Italian treasury bills	63.8	8/15/07	1/31/08	4.13%
	63.8			
Bank time deposits	22.2	8/10/07	2/10/08	4,42%
	30.0	8/30/07	2/29/08	4.76%
	71.0	9/3/07	2/4/08	4.72%
	51.0	9/17/07	1/17/08	4.73%
	70.0	11/19/07	4/21/08	4.63%
	170.0	12/24/07	3/25/08	4.83%
	110.0	12/24/07	5/26/08	4.78%
	524.2			

The Group uses derivatives only to hedge risks related to interest rates and purchases of foreign currencies. Derivatives, which totaled 269.4 million euros, include the following:

- 62.6 million euros for an Australian subsidiary that agreed to pay for three years, starting in 2005, a fixed annual rate of 5.97% in Australian dollars on a principal amount of 105 million Australian dollars, while the bank counterpart provides a variable three-month Bank Bill Swap Bid Rate (BBSY) in Australian dollars.
- 140.3 million euros for a Canadian subsidiary that in October 2006 agreed to pay until 2011 a fixed annual rate of 4.19% on a principal amount of 202.7 million Canadian dollars, while the bank counterpart provides a variable three-month Bank Acceptance rate.
- 41.7 million euros for a Canadian subsidiary that in December 2006 agreed to pay a fixed annual rate of 4.32% in Canadian dollars on a principal amount of US$61.4 million, while the bank counterpart provides an annual fixed rate of 5% in U.S. dollars.
- 24.8 million euros for a Canadian subsidiary that between August and November 2007 executed forward currency contracts that are due on different dates in 2008. This company is exposed to

foreign exchange risk because it buys raw materials and services mainly from the United States for about US$50 million and, consequently, uses derivatives to hedge this risk.

With reference to interest rate derivatives, it is important to notice that such derivatives were purchased at the completion of the financing agreements, fixing "ab orgine" 50% of the interests.

The table below shows the amounts recognized in the financial statements following the measurement of derivatives at fair value:

(in millions of euros)	12/31/07				12/31/06			
	Assets – Fair value	**Assets – Notional amount (*)**	**Liabilities – Fair value**	**Liabilities – Notional amount (*)**	**Assets – Fair value**	**Assets – Notional amount (*)**	**Liabilities – Fair value**	**Liabilities – Notional amount (*)**
Interest rate risk hedges	0.9			202.9	0.5			214.5
Foreign exchange risk hedges		24.8	0.2		0.1	17.6		4.8
Foreign exchange risk and interest rate risk cross hedges			4.4	41.7	1.2			46.6
Commodity price risk hedges								
Total current and non-current liabilities	**0.9**	**24.8**	**4.6**	**244.6**	**1.8**	**17.6**	**-**	**265.9**

(*) Notional amount: Amount used to compute the performance of the obligations arising from a derivative or a security used as the underlying reference in the pricing of a derivative.

The valuation of derivatives at December 31, 2007 compared with December 31, 2006 did not have a material impact on the income statement or the balance sheet.

(13) Available-for-sale Assets and Liabilities Directly Attributable to Available-for-sale Assets

Available-for-sale assets and Liabilities directly attributable to available-for-sale assets, which totaled 5.1 million euros and 0.4 million euros, respectively, included the following:

- The Venezuelan factory in Barquisimeto, for which a Venezuelan state company has signed a letter of intent in November 2007. A liability of 0.4 million euros for benefits payable to employees prior to the sale of the facility was recognized as of December 31, 2007.
- A building adjacent to the South Brisbane factory used for storage which is no longer used as a result of the restructuring process. A contract containing certain conditions precedent was executed with a developer in 2007. The Group believes that it will be able to meet these conditions during the first half of 2008.

At December 31, 2006, Available-for-sale assets included the following:

- 8.5 million euros for Portuguese tomato processing companies, which were sold in 2007, generating proceeds of 5.3 million euros.
- 7.5 million euros for assets belonging to a division of Parmalat S.p.A. that distributes tomato-based products, which were sold in 2007
- 3.3 million euros for a factory in Frosinone, the sales agreement for which was signed early in 2007, generating proceeds of 3.0 million euros.
- 2.9 million euros for the Machiques factory in Venezuela, which was sold in 2007 generating proceeds of 4,100 million bolivars, equal to 50% of the stipulated price. The remaining 50% will be collected in 2008.
- 0.7 million euros for plant and machinery located at the Parow UHT production center (South Africa), which were sold in 2007 generating proceeds of 7.8 million rands.
- 0.3 million euros for a minority interest in an Australian company. In 2007, the sales process was completed, generating additional proceeds of 1.9 million Australian dollars (3.9 million Australian dollars in 2006).

Notes to the Balance Sheet — Shareholders' Equity

At December 31, 2007, the Group's shareholders' equity totaled 2,659.6 million euros.

(14) Share Capital

The share capital amounted to 1,652,419,845 euros. The change that occurred compared with December 31, 2006 is the result of the following items: (i) 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 totaled 3,345,173 euros; and (ii) the amount generated by the exercise of warrants, which totaled 7,547,216 euros.

A reconciliation of the number of shares outstanding at December 31, 2006 to the number of shares outstanding at December 31, 2007 is provided below:

12/31/07	Number of shares
Shares outstanding at 1/1/07 – par value 1 euro each	**1,641,527,456**
Shares issued for claims of late-filing creditors and/or upon the settlement of challenges (using reserves established for this purpose) – par value 1 euro each	3,345,173
Shares issued upon the conversion of warrants – par value 1 euro each	7,547,216
Shares outstanding at 6/30/07 – par value 1 euro each	**1,652,419,845**

Maximum Share Capital Amount

In accordance with the resolutions approved on March 1, 2005, September 19, 2005 and April 28, 2007, the Company's share capital may reach a maximum of 2,025 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	95.0
Total capital increase	**2,025.0**

As explained above, the Company's share capital amounted to 1,652.4 million euros at December 31, 2007. As of the writing of these Notes, it had increased by 8.8 million euros to a total of 1,661.2 million euros. The Group's Parent Company, having carried out a detailed analysis of the challenges filed by creditors excluded from the sum of liabilities and of the claims of late-filing creditors, believes that the equity reserves it has established in connection with these claims are adequate. Any additional claims of late-filing creditors that may arise in the future and are verified by a final court decision can be satisfied using the retained earnings set aside in 2006.

(15) Reserve for Creditor Challenges and Claims of Late-filing Creditors Convertible into Share Capital

At December 31, 2007, this reserve convertible into share capital amounted to 221.5 million euros. Utilizations for the period totaled 3.3 million euros, causing the share capital to increase by the same amount.

The utilization of this reserve will cause the share capital of Parmalat S.p.A. to increase by an amount equal to the additional verified claims. 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 Currency Translation Differences

The Reserve for currency translation differences, negative by 27.2 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.

(17) Shares Subscribed Through the Exercise of Warrants

This reserve refers to the warrants exercised in December 2007 (the corresponding 23,251 shares were issued in January 2008).

At December 31, 2007, there were 76,812,418 warrants outstanding, which are exercisable until December 31, 2015.

(18) Cash Flow Hedge Reserve

The balance in this reserve (0.2 million euros) reflects changes in the fair value of the effective portion of cash flow hedge derivatives outstanding at December 31, 2007.

The table below shows the changes that occurred in the Cash flow hedge reserve:

(in millions of euros)	**Gross reserve**	**Deferred-tax liabilities**	**Net reserve**
Reserve at January 1, 2007	**0.5**	**(0.2)**	**0.3**
Change in 2007	(0.2)	0.1	(0.1)
Reserve at December 31, 2007	**0.3**	**(0.1)**	**0.2**

(19) Other Reserves

This item, which at December 31, 2006 had a negative balance of 12 million euros, reflects the costs incurred to list the securities of Parmalat S.p.A., which totaled 12.7 million euros, and a loss brought forward of 0.3 million euros, net of an allowance for the coverage of losses amounting to 1.0 million euros.

The Ordinary Shareholders' Meeting of April 28, 2007 approved motions to: (i) replenish the loss reported by Parmalat S.p.A. in 2005, which amounted to 29,337,671 euros, by using in full the loss coverage reserve of 1,020,343 euros and a portion of the net profit earned in 2006 to cover the balance of 28,317,328 euros; (ii) replenish the negative balance in the reserve for share listing costs, which amounted to 12,746,496 euros, by using a portion of the net profit earned in 2006; (iii) to set aside in a statutory reserve 5% of the balance of the net profit earned in 2006 that remained after the utilizations approved as per Items (i) and (ii), equal to 4,227,367 euros; (iv) to appropriate the balance of the net profit earned in 2006 that remained after the utilizations approved as per Items (i) and (ii) and the allocation to the statutory reserve referred to in Item (iii), which amounted to 80,319,963 euros, as follows: (a) as a dividend of 0.025 euros on each of the 1,649,171,671 common shares outstanding at April 17, 2007, for a total of 41,229,292 euros; (b) to a reserve for claims of creditors who challenged the exclusion of their claims from the sum of liabilities and creditors with conditional claims (as required under the terms of the Composition with Creditors) who may be entitled to receive Company shares, for a total of 3,949,565 euros; (c) the balance of 35,141,106 euros to a reserve that will also be used to satisfy any additional claims of late-filing creditors or creditors with contested claims that are verified by a final court decision.

As a result of this resolution, consolidated retained earnings of 192.2 million euros were reduced by a deduction for dividend distributions (41.2 million euros); additions to the reserve for claims of late-filing creditors and creditors with contested claims (35.1 million euros), to the statutory reserve (4.2 million euros) and to the reserve for claims of creditors who challenged the exclusion of their claims from the sum of liabilities and creditors with conditional claims (3.9 million euros); and by the amount used to replenish the negative reserve balances (11.7 million euros). The remaining balance is 96.1 million euros.

At December 31, 2007, Other reserves, which totaled 139.3 million euros, included the following: (i) results brought forward totaling 96.1 million euros; (ii) the statutory reserve of 4.2 million euros; (iii) a reserve for claims of creditors who challenged the exclusion of their claims from the sum of liabilities and creditors with conditional claims who may be entitled to receive Company shares, amounting to 3.9 million euros; and (iv) a reserve for claims of late-filing creditors or creditors with contested claims, if and when such claims are verified by a final court decision, amounting to 35.1 million euros.

(20) Profit for the Period

The Group's interest in the profit for the period amounted to 673.4 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**	**Result for the year**	**Shareholders' equity**
Shareholders' equity of Parmalat S.p.A. at 12/31/07	**1,917.3**	**554.7**	**2,472.0**
Elimination of the carrying value of consolidated investments in associates			
- Difference between the carrying amount and the pro rata interest in the underlying shareholders' equity	83.8	-	83.8
- Pro rata interest in the results of investee companies		88.6	88.6
- Reserve for currency translation differences	(27.2)	-	(27.2)
Other adjustments:			
- Elimination of writedowns of subsidiaries		34.2	34.2
- Elimination of losses by subsidiaries	5.0	-	5.0
- Elimination of writedowns of receivables owed by subsidiaries	7.3	3.5	10.8
- Elimination of dividends		(7.6)	(7.6)
Group Interest in Shareholders' Equity at 12/31/07	**1,986.2**	**673.4**	**2,659.6**
Minority interest in shareholders' equity and result for the year	24.7	1.0	25.7
Consolidated shareholders' equity at 12/31/07	**2,010.9**	**674.4**	**2,685.3**

(21) Minority Interest in Shareholder's Equity

At December 31, 2007, the Minority interest in shareholders' equity totaled 25.7 million euros. This amount is represented almost entirely by the interest held by minority shareholders in the following companies:

(in millions of euros)	**12/31/07**	**12/31/06**
Centrale del Latte di Roma S.p.A.	12.2	12.5
Parmalat Centroamerica SA	2.5	5.4
Citrus International SA	4.7	4.0
Oao Belgorodskij Molocnij Kombinat	-	5.1
Sundry companies	6.3	10.6
Total	**25.7**	**37.6**

Notes to the Balance Sheet — Liabilities

(22) Long-term borrowings

Long-term borrowings totaled 337.3 million euros. The table below shows the changes that occurred in 2007:

(in millions of euros)	Due to banks	Due to other lenders	Obligations under finance leases	Due to associates	Total
Balance at 12/31/06 (A)	**358.4**	**40.4**	**29.0**	**0.1**	**427.9**
Changes in 2007:					
- Companies added to the scope of consolidation	-	0.8	-	1.3	2.1
- Companies removed from the scope of consolidation (-)	(0.6)	-	(1.5)	-	(2.1)
- New borrowings	2.8	0.1	6.4	-	9.3
- Redemptions (principal and interest) (-)	(82.6)	(0.2)	(4.9)	-	(87.7)
- Accrued interest	22.2	2.9	1.5	-	26.6
- Discounting to present value	0.9	-	-	-	0.9
- Foreign exchange differences on borrowings in foreign currencies	0.8	(5.3)	-	(0.1)	(4.6)
- Reclassifications from non-current to current (-)	(41.9)	(0.2)	(5.7)	-	(47.8)
- Other changes	5.1	(6.5)	0.6	(0.1)	(0.9)
- Currency translation differences	11.8	1.9	-	(0.1)	13.6
Total changes (B)	**(81.5)**	**(6.5)**	**(3.6)**	**1.0**	**(90.6)**
Balance at 12/31/07 (A+B)	**276.9**	**33.9**	**25.4**	**1.1**	**337.3**

New borrowings of 9.3 million euros include the following:

- 2.8 million euros in new leases for packaging equipment signed by a Colombian subsidiary and a Russian subsidiary;
- 2.6 million euros in new leases for trucks used to deliver fresh dairy products signed by Parmalat S.p.A.;
- a three-year loan of 2.4 million euros due in November 2010 provided by the Lafise Group to a Nicaraguan subsidiary;
- a five-year loan of 0.8 million euros due in June 2013 provided by Credito Siciliano to an Italian subsidiary;

Redemptions of 87.7 million euros include the following:

- 81.5 million Canadian dollars for the voluntary repayment (without penalty) of the non-current portion of a syndicated loan due in July 2011, and the repayment of 24.2 million Canadian dollars in accrued interest;
- 7.7 million Australian dollars for the partial repayment of a syndicated loan due in 2008;
- 3.2 million euros paid by Parmalat S.p.A. to terminate vehicle leases.

Short-term borrowings totaled 251.5 million euros. The following changes occurred in 2007:

(in millions of euros)	Due to banks	Due to other lenders	Obligations under finance leases	Due to associates	Liabilities represented by credit instruments	Liabilities from derivatives	Total
Balance at 12/31/06 (A)	**237.2**	**21.4**	**6.5**	**5.3**	**1.3**	**-**	**271.7**
Changes in 2007:							
- Companies removed from the scope of consolidation (-)	(10.0)	-	(0.9)	-	-	-	(10.9)
- Sale of business operations	-	-	(2.1)	-	-	-	(2.1)
- New borrowings	12.5	-	0.5	-	-	-	13.0
- Redemptions (principal and interest) (-)	(54.7)	(0.8)	(4.3)	-	(0.8)	-	(60.6)
- Accrued interest	14.0	0.2	0.3	-	-	-	14.5
- Repayment of indebtedness owed to Parmalat Capital Finance in liquidation	-	(7.2)	-	-	-	-	(7.2)
- Discounting back	0.4	-	-	-	-	-	0.4
- Marked to market	-	-	-	-	-	4.5	4.5
- Translation differences on borrowings in foreign currencies	0.2	(0.2)	-	(0.1)	-	-	(0.1)
- Reclassifications from non-current to current (-)	41.9	0.2	5.7	-	-	-	47.8
- Other changes	6.5	(6.9)	0.1	-	-	-	(0.3)
- Currency translation differences	(18.3)	(0.7)	-	(0.3)	-	0.1	(19.2)
Total changes (B)	**(7.5)**	**(15.4)**	**(0.7)**	**(0.4)**	**(0.8)**	**4.6**	**(20.2)**
Balance at 12/31/07 (A+B)	**229.7**	**6.0**	**5.8**	**4.9**	**0.5**	**4.6**	**251.5**

New borrowings of 13.0 million euros included the following:

- Credit line utilizations totaling 6.7 million Australian dollars and 40 million South African rands;
- 3.1 million euros in advances from factoring companies (2.0 million euros to a Portuguese subsidiary and 1.1 million euros to an Italian subsidiary);
- 0.6 million euros for letters of credit provided to a Venezuelan subsidiary.

Redemptions of 60.6 million euros include the following:

- 34 million Canadian dollars for the payment of the current portion of a syndicated loan due in July 2011;
- 9.1 million euros to repay unsecured claims in accordance with the terms of the composition with creditors approved by the creditors of Boschi Luigi e Figli S.p.A.;
- 51 million South African rands to repay the current portion of a loan owed to Standard Bank, which matures in September 2009;
- 4.6 million euros to repay the current portion of a loan owed by a Portuguese subsidiary;
- 3.2 million euros repaid to factoring companies by an Italian subsidiary;
- 2.2 million euros to repay the current portion of a loan provided by IRFIS – Mediocredito Regionale della Sicilia that matures in December 2010.

On March 23, 2007, Parmalat S.p.A. purchased from the liquidators of Parmalat Capital Finance Limited a receivable owed by the Russian subsidiary Ooo Parmalat SNG. Parmalat S.p.A. paid US$50,000 to purchase this receivable, which totaled US$9.7 million, including US$1.9 million in accrued interest. The difference between the face value of this receivable and the price paid (7.2 million euros) was recognized in the income statement as financial income.

The amount due to banks includes US$170 million in principal owed by the Group's Venezuelan companies. These liabilities, which were incurred prior to the financial crisis of the Parmalat Finanziaria Group are being contested in the United States before the courts with jurisdiction over such issues.

The table below provides a breakdown by interest rate intervals of the Group's gross indebtedness, taking into account the impact of any derivative hedges:

(in millions of euros)	Due to banks	Due to other lenders	Obligations under finance leases	Due to associates	Liabilities represented by credit instruments	Liabilities from derivatives	Total
Up to 5%	16.6	6.3	1.4	6.0	0.5	4.6	35.4
From 5% to 6%	233.2	33.4	4.0	-	-	-	270.6
From 6% to 7%	-	-	24.5	-	-	-	24.5
From 7% to 8%	76.4	0.1	-	-	-	-	76.5
From 8% to 9%	161.6	-	0.4	-	-	-	162.0
Over 9%	18.8	0.1	0.9	-	-	-	19.8
Total current and non-current financial liabilities	**506.6**	**39.9**	**31.2**	**6.0**	**0.5**	**4.6**	**588.8**

(the interest rate includes the credit spread charged over the base rate)

A breakdown by maturity of the Group's gross indebtedness is as follows:

	12/31/07				**12/31/06**			
(in millions of euros)	**Due within one year**	**Due between one and five years**	**Due after five years**	**Total**	**Due within one year**	**Due between one and five years**	**Due after five years**	**Total**
Due to banks	229.7	268.7	8.2	506.6	237.2	135.2	223.2	595.6
Due to other lenders	6.0	33.4	0.5	39.9	21.4	6.5	33.9	61.8
Obligations under finance leases	5.8	7.1	18.3	31.2	6.5	13.3	15.7	35.5
Due to associates	4.9	-	1.1	6.0	5.3	-	0.1	5.4
Liabilities represented by credit instruments	0.5	-	-	0.5	1.3	-	-	1.3
Liabilities from derivatives	4.6	-	-	4.6				
Total current and non-current financial liabilities	**251.5**	**309.2**	**28.1**	**588.8**	**271.7**	**155.0**	**272.9**	**699.6**

The table below provides a breakdown of gross indebtedness based on the original transaction currency:

(in millions of euros)		Interest rate						
		Up to 5%	**From 5% to 6%**	**From 6 to 7%**	**From 7% to 8%**	**From 8% to 9%**	**Over 9%**	**Total**
Country	**Currency**							
Canada	CAD	4.6	196.1	-	-	-	-	200.7
	USD	8.2	31.2	-	-	-	-	39.4
Australia	AUD	-	-	-	76.5	-	-	76.5
Venezuela	USD	-	-	-	-	161.6	-	161.6
South Africa	ZAR	-	-	-	-	-	13.3	13.3
Portugal	EUR	3.1	14.3	-	-	-	-	17.4
Nicaragua	USD	3.4	-	-	-	0.4	4.0	7.8
	EUR	-	-	0.2	-	-	-	0.2
Russia	USD	-	-	-	-	-	0.9	0.9
	RUB	-	-	-	-	-	0.8	0.8
	EUR	-	-	2.2	-	-	-	2.2
Italy	EUR	8.5	29.0	22.1	-	-	-	59.6
Other countries		7.5	-	-	-	-	0.8	8.3
Total current and non-current financial liabilities		**35.3**	**270.6**	**24.5**	**76.5**	**162.0**	**19.8**	**588.7**

In 2007, the average cost of long-term borrowings was about 7.37%. The decrease from the rate paid in 2006 is of 1.2%, calculated on a homogeneous basis. This improvement is due mainly to the restructuring of financing facilities by the Canadian subsidiaries in July 2006 and by a narrowing of the spread paid over the reference rate by Parmalat S.p.A. and by subsidiaries in Portugal, South Africa and Australia, in line with the credit standing improvement.These positive developments more than offset the impact of a global rise in base interest rates.

Some of the financing facilities provided to Group companies have been collateralized with corporate assets. More specifically, collateralized loans include: 193.8 million euros received by the Canadian subsidiaries, 71.6 million euros received by the Australian subsidiaries, 14.0 million euros received by Parmalat Portugal, 9.3 million euros received by Parmalat South Africa, 6.7 million euros received by Parmalat S.p.A. and 6.9 million euros received by the Russian and Nicaraguan subsidiaries.

(23) Deferred-tax Liabilities

Deferred-tax liabilities of 189.1 million euros are shown net of offsettable deferred-tax assets. The table below shows the changes that occurred in this account in 2007:

(in millions of euros)	
Balance at 12/31/06 (A)	**235.2**
Changes in 2007:	
- Companies added to the scope of consolidation	7.2
- Companies removed from the scope of consolidation (-)	(47.6)
- Disposal of business operations (-)	(1.9)
- Increases	9.7
- Utilizations (-)	(16.0)
- Currency translation differences	2.5
Total changes (B)	**(46.1)**
Balance at 12/31/07 (A+B)	**189.1**

The amount shown for companies added to the scope of consolidation in 2007 (7.2 million euros) refers to the Pisorno Agricola Srl and Quantum Distribution Services Ltd subsidiaries.

The amount shown for companies removed from the scope of consolidation in 2007 (47.6 million euros) refers to the sale of the Group's Spanish companies.

Increases of 9.7 million euros refer mainly to the tax liability computed on the amortization of goodwill (4.8 million euros) and trademarks (3.8 million euros)

Utilizations of 16.0 million euros reflect mainly changes in tax rates in Canada (from 36.12% to 31.73%), Italy (from 37.25% to 31.4%), Colombia (from 35% to 34% in 2007 and to 33% in 2008) and Portugal (from 27.5% to 26.5% in 2007).

The Deferred-tax liabilities 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)	**12/31/07**	**12/31/06**
- Trademarks and other intangibles	149.1	166.2
- Land	8.0	11.9
- Buildings	7.9	11.6
- Plant and machinery	6.3	7.5
- Present value of subordinated debt	16.8	17.9
- Other items	1.0	20.1
Total	**189.1**	**235.2**

(24) Provisions for Employee Benefits

Provisions for employee benefits totaled 106.8 million euros. The table below shows the changes that occurred in this account in 2007:

(in millions of euros)	**Provision for employee severance benefits**	**Defined-benefit plans**	**Defined-contribution plans**	**Other benefit plans**	**Total**
Balance at 12/31/06 (A)	**54.7**	**46.8**	**-**	**20.6**	**122.1**
Changes in 2007:					
- Companies added to the scope of consolidation	0.2	-	-	0.1	0.3
- Disposal of business operations (-)	(1.9)	-	-	-	(1.9)
- Increases	(4.1)	4.6	4.9	16.1	21.5
- Decreases (-)	(7.0)	(9.9)	(4.7)	(15.3)	(36.9)
- Other changes	-	0.6	-		0.6
- Currency translation differences	-	1.5	-	(0.4)	1.1
Total changes (B)	**(12.8)**	**(3.2)**	**0.2**	**0.5**	**(15.3)**
Balance at 12/31/07 (A+B)	**41.9**	**43.6**	**0.2**	**21.1**	**106.8**

Group companies provide post-employment benefits to their employees both directly and through contributions to funds outside the Group.
The manner in which these benefits are provided varies based on the statutory requirements, tax laws and economic conditions that exist in the various countries in which the Group operates. As a rule, benefits are based on an employee's level of compensation and years of service. The resulting obligations refer both to active and retired employees.

Group companies provide post-employment benefits both through defined-contribution plans and defined-benefit plans.

In the case of defined-contribution plans, Group companies pay contributions to private-sector or public insurance entities in accordance with statutory or contractual requirements or on a voluntary basis. The payment of the abovementioned contributions absolves the companies from all obligations.

Defined-benefit plans can be unfunded or partially or fully funded with contributions provided by the employer and, in some cases, by employees to a company or fund legally separate from the employer that disburses the employee benefits.

Defined-benefit plans are computed using actuarial techniques to estimate the amount of future benefits accrued by employees during the reporting period and in previous years. The computation is made by an independent actuary, using the projected unit credit method.

The provisions for employee severance benefits, which is governed by Article 2120 of the Italian Civil Code, reflects the vested benefits earned by employees in Italy in the course of their employment, which are payable at the end of the employment relationship.
Because this system constitutes an unfunded plan, there are no dedicated plan assets.

As a result of the reform of the regulations that govern supplemental retirement benefits introduced by Legislative Decree No. 252 of December 5, 2005, the severance benefits that vested up to December 31, 2006 will continue to be held by the employers. For the severance benefits vesting after January 1, 2007, employees will have to choose (not later than June 30, 2007 for employees hired up to December 31, 2006, or within six months from the date of hire for employees hired subsequently) if they wish to invest them in supplemental retirement benefit funds or leave them with their employers, who will then transfer the vested severance benefits to a fund managed by the Italian social security administration (INPS).

For the severance benefits that vested up to December 31, 2006, the Group has continued to recognize its liability in accordance with the rules for defined-benefit plans. For the severance benefits that vest after January 1, 2007 and are transferable to supplemental retirement benefit funds or the INPS Treasury Fund, it has recognized its liability on the basis of the amounts owed for the period. In addition, it recognized its liability for the severance benefits that vest after January 1, 2007 that will be held by the Company, which were added to the severance benefits that had vested up to December 31, 2006, in the case of severance benefits that employees chose to invest in a supplemental retirement benefit fund, or will be invested in the collective pension scheme, if employees fail to make a choice after July 1, 2007.

Specifically, with regard to benefits vesting after December 31, 2006, the Group has carried out a new valuation of its liability using new actuarial assumptions. The difference from the amount recognized in the financial statements at December 31, 2006 was reflected in the income statement as a lump sum.

The main Group companies that provide defined-benefit plans to their employees are located in Italy, Australia and Canada. The Australian and Canadian companies hold assets that are earmarked as dedicated plan assets.

Financial assumptions	**Australia**	**Canada**	**Italy**
Discount rate (before taxes)	6.0%	5.0%	4.0%
Annual rate of wage increases	5.0%	4.0%	-
Projected return on plan assets (after taxes)	7.0%	7.0%	n.a.

Reconciliation of Plan Assets and Liabilities to the Amounts Recognized on the Balance Sheet

(in millions of euros)	**Australia**	**Canada**	**Italy**
Defined-benefit plans (at 12/31/06)	46.5	120.2	54.7
Reclassifications to liabilities directly attributable to available-for-sale assets			
Cost related to current employment	2.6	4.5	0.6
Financial expense	2.5	6.3	2.1
Contributions to the plan	1.8	0.3	
Actuarial (gains) losses	1.2	(1.9)	(2.8)
Currency translation differences	(0.3)	7.0	
Benefits paid	(4.6)	(6.4)	(6.9)
Impact of any plan eliminations or reductions			(4.0)
Disposal of business operations			(1.9)
Defined-benefit plans (at 12/31/07)	**49.7**	**130.0**	**41.8**
Fair value of plan assets (at 12/31/06)	48.4	92.7	-
Projected return on plan assets	3.3	6.2	
Actuarial (gains) losses	(0.9)	(5.6)	
Currency translation differences	(0.2)	5.4	
Contributions to the plan	1.8	0.3	
Contributions by plan members	1.1	8.8	
Benefits paid	(5.1)	(6.4)	
Fair value of plan assets (at 12/31/07)	**48.4**	**101.4**	
(Assets) Liabilities (12/31/07)	**1.3**	**28.6**	
Unrecognized actuarial gains (losses)	10.2	(0.3)	
Unrecognized amounts in excess of asset ceiling		0.3	
Total (assets) liabilities recognized on the balance sheet (12/31/07)	**11.5**	**28.6**	
Total (assets) liabilities recognized on the balance sheet (12/31/06)	**11.4**	**32.4**	**54.7**
Reclassifications to liabilities directly attributable to available-for-sale assets			
Total costs recognized on the income statement	1.3	3.2	(4.1)
Contributions paid	(1.1)	(8.8)	(6.9)
Currency translation differences	(0.1)	1.8	
Disposal of business operations			(1.9)
Total (assets) liabilities recognized on the balance sheet (12/31/07)	**11.5**	**28.6**	**41.8**

Breakdown of Dedicated Plan Assets by Type

(in millions of euros)	**Australia**	**Canada**	**Italy**
Third-party equity instruments	48.4	65.4	-
Third-party debt instruments	-	34.9	-
Cash and cash equivalents	**-**	1.2	**-**
Total	**48.4**	**101.5**	**-**

The effective return earned on dedicated plan assets was 2.4 million euros in Australia and 1.8 million euros in Canada.

Restatements Required by Experience

The table below shows the difference between previous actuarial estimates and current estimates for the first half of 2007 and the two previous periods:

(in millions of euros)	**December 2007**	**December 2006**	**December 2005**
Present value of the obligation under defined-benefit plans	184.8	172.0	193.7
Fair value of dedicated plan assets	158.5	149.0	145.7
Deficit/(Surplus)	**26.3**	**23.0**	**48.0**
Total actuarial losses (gains) generated by experience on the obligation's present value	(5.1)	(8.3)	10.6
Total actuarial losses (gains) generated by experience on the obligation's fair value	1.9	6.2	5.5

The best estimate of the expected pension plan contribution for the 12 months ending December 31, 2008 is 2.2 million euros.

Total Current Costs Recognized on the Income Statement

(in millions of euros)	**Australia**		**Canada**		**Italy**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Cost related to current employment	3.1	3.1	4.5	5.8	0.6	5.5
Financial expense	2.5	2.3	6.3	6.7	2.1	1.9
Projected return on dedicated plan assets	(3.3)	(3.4)	(6.2)	(6.4)	-	-
Actuarial (gains) losses	(0.9)	(0.4)	(0.7)	0.5	(2.8)	-
Impact of any elimination or reduction of dedicated plan assets	-	-	(0.7)	(0.2)	(4.0)	-
Total	**1.4**	**1.6**	**3.2**	**6.4**	**(4.1)**	**7.4**

(25) Provisions for Risks and Charges

Provisions for risks and charges totaled 149.2 million euros. The changes that occurred in 2007 are shown below:

(in millions of euros)	**Provision for tax-related risks and charges**	**Provision for other risks and charges**	**Total**
Balance at 12/31/06 (A)	**62.9**	**61.4**	**124.3**
Changes in 2007:			
- Companies added to the scope of consolidation	0.2	1.8	2.0
- Companies removed from the scope of consolidation (-)	(7.8)	(2.0)	(9.8)
- Increases	25.8	48.1	73.9
- Decreases (-)	(1.7)	(14.1)	(15.8)
- Reversals (-)		(19.2)	(19.2)
- Other changes	(0.2)	(1.2)	(1.4)
- Reclassifications to liabilities directly attributable to available-for-sale assets (-)		(0.4)	(0.4)
- Currency translation differences	(3.6)	(0.8)	(4.4)
Total changes (B)	**12.7**	**12.2**	**24.9**
Balance at 12/31/07 (A) + (B)	**75.6**	**73.6**	**149.2**

Provision for Tax-related Risks and Charges

The Provision for tax-related risks and charges refers mainly to tax risks affecting the Venezuelan companies (37.5 million euros), Parmalat S.p.A. (27.7 million euros), companies in Canada (4.0 million euros) and Colombia (3.0 million euros), and Arilca SA (1.7 million euros).

The increase in provisions for risks and charges related to payments due to tax authorities are mainly attributable for 10.2 million euros to a possible assessment on financial operations between Parmalat S.p.A. and Bank of America in the period 1998-2003 and for 14.5 million for possible fiscal liabilities of the Venezuelan subsidiary.

The decrease of 7.8 million euros is due mainly to the deconsolidation of the Group's Spanish companies.

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 73.6 million euros covers the following:

(in millions of euros)	**12/31/07**	**12/31/06**
Risks on investee companies	25.2	16.2
Staff downsizing programs	14.5	18.7
Risks on divestitures of business operations	11.2	-
Supplemental sales agent benefits	7.2	6.0
Legal disputes with employees	5.5	7.1
Litigation	2.7	6.4
Disputes with former Group companies	0.5	0.5
INPS installment payments	0.4	0.6
Miscellaneous	6.4	5.9
Total provision for other risks and charges	**73.6**	**61.4**

The provision for risks on divestiture of business operations covers the contingent liabilities that may arise in connection with the sale or liquidation of non-strategic business operations.

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 covers the contingent liabilities that may arise from the liquidation of certain Group companies.

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 increase of 12.2 million euros in the Provision for other risks and charges is chiefly the net result of additions of 11.2 million euros (to cover liabilities that may arise in connection with the sale of non-strategic business operations) and of 9 million euros (to cover contingent liabilities that may arise from the liquidation of certain Group companies), offset in part by the impact of a settlement reached with The Nutrition Consortium Ltd. (TNC) in connection with a dispute related to the cancellation of a 1996 exclusive distribution contract by Ault Foods Ltd. Under the settlement, TNC waived any and all claims against Parmalat Dairy and Bakery Inc. in exchange for the payment of 6 million Canadian dollars and a contribution to its legal costs amounting to 350,000 Canadian dollars.

An analysis of the most significant legal disputes involving Group companies is provided in the chapter of this Report entitled “Guarantees and Commitments.”

(26) Provision for Contested Preferential and Prededuction Claims

The Provision for contested preferential and prededuction claims totaled 23.2 million euros. A breakdown of the changes that occurred in 2007 is as follows:

(in millions of euros)	
Balance at 12/31/06 (A)	**24.8**
Changes in 2007:	
- Decreases (-)	(1.6)
Total changes (B)	**(1.6)**
Balance at 12/31/07 (A+B)	**23.2**

The provision represents the amount set aside by Parmalat S.p.A. and Boschi Luigi & Figli S.p.A 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 reflects payments made to creditors with claims that were granted prededuction or preferential status by a final court decision.

Various challenges are in the process of being heard, but no additional information about their outcome is currently available.

(27) Trade Payables

Trade payables totaled 532.7 million euros, or 11.7 million euros more than at December 31, 2006. A breakdown is as follows:

(in millions of euros)	**12/31/07**	**12/31/06**
- Trade payables to suppliers	531.9	520.4
- Trade payables to associates (a)	-	0.5
- Advances	0.8	0.1
Total	**532.7**	**521.0**

(a) Companies the share capital of which is owned by the Group but are not under the Group's control.

The increase of 11.5 million euros in Trade payables to suppliers reflects the impact of a worldwide rise in the price of raw milk, offset in part by the deconsolidation of the Spanish operations and the sale of the business operations of Boschi Luigi & Figli S.p.A.

(28) Other Current Liabilities

A breakdown of Other current liabilities, which totaled 154.6 million euros (31.4 million euros less than at December 31, 2006), is provided below:

(in millions of euros)	12/31/07	12/31/06
- Taxes payable	33.0	31.0
- Contributions to pension and social security institutions	11.4	12.3
- Other payables	64.2	65.8
- Liabilities for payment commitments	-	15.0
- Accrued expenses and deferred income	46.0	61.9
Total	**154.6**	**186.0**

The main components of taxes payable of 33.0 million euros are the liability for registration taxes owed for the transfer to the Assumptor of the assets belonging to the companies under extraordinary administration included in the composition with creditors (11.0 million euros); the income taxes withheld from employees and independent contractors (8.0 million euros); the liability owed for the Dairy Industry Adjustment Levy, which is a tax paid by consumers to finance a fund for the relaunching of the Australian dairy industry collected by Parmalat Australia on behalf of the government and paid to the government within two months of collection (5.7 million euros); transaction registration taxes payable (2.2 million euros) and VAT payable (1.9 million euros).

As for a portion of Contributions to pension and social security institutions, at the end of 2005, the Company reached an agreement with the INPS assigning to this institution the right to collect from the Italian government amounts owed for VAT receivables. A balance of 5.6 million euros in VAT receivables remained at December 31, 2007. These receivables had been assigned to cover a liability of equal amount owed to the INPS.

Other payables of 64.2 million euros consist mainly of amounts owed at December 31, 2007 to employees (54.0 million euros) and to members of the corporate governance bodies of Parmalat S.p.A. and its subsidiaries (0.9 million euros).

At December 31, 2006, liabilities for payment commitments totaled 15 million euros. This amount reflected a payment commitment of the Pisorno Agricola S.r.l. subsidiary toward Banca Popolare Italiana, which was guaranteed by Parmalat S.p.A. This commitment, which expired on March 31, 2007, was undertaken within the context of the settlement reached by Parmalat S.p.A. and Banca Popolare Italiana. This obligation was settled in 2007 and the mortgage that encumbered the properties owned by Pisorno Agricola S.r.l. has been cancelled.

Accrued expenses and deferred income totaled 46.0 million euros, broken down as follows:

(in millions of euros)	12/31/07	12/31/06
Accrued expenses:		
- Rent and rentals	0.7	0.6
- Insurance premiums	0.2	0.1
- Sundry and miscellaneous accrued expenses	29.9	35.7
Deferred income:		
- Rent and rentals	1.3	0.7
- Sundry and miscellaneous	13.9	24.8
Total accrued expenses and deferred income	**46.0**	**61.9**

Sundry and miscellaneous accrued expenses of 29.9 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 13.9 million euros refers mainly to the deferral of the lives of the corresponding assets of grants toward the construction of production facilities provided pursuant to Legislative Decree No. 173 of April 30, 1998 (11.0 million euros) and of the grant received from the Regional Operating Program of Sicily (POR Sicilia) (1.7 million euros).

(29) Payables with Preferential or Prededuction Status

A breakdown of payables with preferential or prededuction status and the changes that occurred in 2007 is provided below:

	12/31/07	Decreases	12/31/06
Other liabilities	-	(1.9)	1.9
Total payables with preferential or prededuction status	**-**	**(1.9)**	**1.9**

At December 31, 2006, Payables with preferential or prededuction status totaled 1.9 million euros. This amount refers to the obligations of Boschi Luigi & Figli S.p.A. toward creditors whose claims have been verified by the Bankruptcy Judge of the Court of Parma. Within two months from the date of the court decision approving the proposal of composition with creditors, which took place on July 26, 2006, the company paid all preferential and prededuction claims, except for the amount owed to the Italian social security administration (INPS), which it was allowed to pay in installments over 60 months.

In 2007, the Company asked the INPS to pay its deferred indebtedness in advance and the INPS agreed.

(30) Income Taxes Payable

The balance of 140.8 million euros is higher by 110.2 million euros compared with December 31, 2006. This increase is the net result of the following items:

- An addition of 157.8 million euros to recognize the liability for the period, including the tax liability on the proceeds from settlements of actions for damages collected in 2007 (78.9 million euros);
- Payments of 41.6 million euros, including 10.1 million euros by the Venezuelan subsidiaries, 10.6 million euros by the South African subsidiaries, 5.8 million euros by the Italian subsidiaries, 4.1 million euros by the Australian subsidiaries, 2.8 million euros by the Canadian subsidiaries, and 2.7 million euros by the Colombian subsidiaries, with sundry payments accounting for the balance;
- The offsetting of tax assets against tax liabilities for 4.0 million euros.

Guarantees and Commitments

Guarantees

(in millions of euros)	12/31/07			12/31/06		
	Sureties	**Collateral**	**Total**	**Sureties**	**Collateral**	**Total**
provided on behalf of Group companies		0.6	**0.6**	19.1		**19.1**
provided by outsiders on behalf of the Group	389.6	301.7	**691.3**	313.2	357.9	**671.1**
Total guarantees	**389.6**	**302.3**	**691.9**	**332.3**	**357.9**	**690.2**

The guarantees provided by outsiders on behalf of the Group (389.6 million euros) refer mainly to guarantees provided by banks and/or insurance companies to government agencies in connection with VAT refunds and with prize contests.

The guarantees provided on behalf of Group companies, which totaled 19.1 million euros at December 31, 2006, consisted mainly of patronage letters issued by Boschi Luigi & Figli S.p.A. to Portuguese banks to secure overdraft facilities provided to Italagro S.A. Pursuant to an agreement by which Boschi sold its interest in Italagro S.A. in May 2007, the buyer was required to replace these guarantees.

Collateral of 302.3 million euros was provided to banks and other credit institutions to secure financing facilities and consists of assets of the companies receiving the financing facilities or their subsidiaries. A breakdown by country is as follows:

(in millions of euros)	**12/31/07**	**12/31/06**
Country		
Canada	193.8	274.1
Australia	71.6	52.6
Portugal	14.0	18.7
South Africa	9.3	-
Italy	6.7	8.9
Russia	2.0	1.9
Nicaragua	4.9	1.7
Total collateral	**302.3**	**357.9**

Commitments

(in millions of euros)	**12/31/07**	**12/31/06**
Commitments:		
-Operating leases	93.9	86.7
within 1 year	*14.7*	*13.4*
from 1 to 5 years	*38.3*	*34.0*
after 5 years	*40.9*	*39.3*
-Miscellaneous commitments	62.2	9.3
Total commitments	**156.1**	**337.7**

Commitments under operating leases apply mainly to the Group companies in Canada (47.6 million euros), South Africa (30.2 million euros) and Australia (16.0 million euros).

Miscellaneous commitments of 62.2 million euros include chiefly short-term contracts to purchase raw materials, packaging materials and non-current assets signed by Parmalat Dairy & Bakery for 48.8 million euros, by the African subsidiaries for 9.9 million euros and by Parmalat Australia for 3.3 million euros.

In 2004, Parmalat Dairy and Bakery (PDBI) signed a loan agreement, the terms of which included an obligation to pay the lenders an amount equal to 10% of PDBI's equity value, should there be a change of control for PDBI or its Parent Company, Parmalat S.p.A.
The Group believes that there is only a remote possibility that the events referred to in the loan agreement may occur. Accordingly, it recognized only a nominal amount in its memorandum accounts to reflect the impact of this clause.

With reference to a settlement with a Financial Institution, the counterpart, in case of recourse against the same, will be held harmless from the possible liabilities resulting from the recourse. The mentioned condition will have no impact on Parmalat S.p.A's financial statements.

Legal Disputes and Contingent Liabilities at December 31, 2007

Foreword

The Company and the Group are defendants in civil and administrative proceedings that, based on the information currently available and in view of the provisions that have already been set aside, are not expected to have a negative impact on the consolidated financial statements.

The Company is also a plaintiff in a number of actions for damages, liability actions (both civil and criminal) and actions to void in bankruptcy that could have a positive financial impact of significant magnitude on its income statement and balance sheet.

Approval of the Proposal of Composition with Creditors and Challenges to the Court's Decision

On October 1, 2005, the Court of Parma approved the Proposal of Composition with Creditors. The approval decision was later challenged before the Bologna Court of Appeals. On January 16, 2008, the Court of Appeals rejected the appeal. If this decision becomes final, the extraordinary administration proceedings that involve the 16 companies included in the Composition with Creditors would come to an end.

* * *

The main proceedings involving the Parmalat Group are reviewed below.

Criminal Proceedings

Criminal Proceedings Filed by the Public Prosecutors of Milan and Parma

The Public Prosecutors of Milan and Parma are still conducting investigations to determine whether several parties are criminally liable. To the best of our knowledge, investigations concerning bank officers and other parties are still ongoing.

The status of the proceedings in Milan is as follows:

At the preliminary hearing against former Directors, former Statutory Auditors, former employees, former independent auditors, third parties and certain companies, who are being charged with stock manipulation (Article 2637), obstruction of the supervisory authority in the performance of their function (Article 2638) and audit fraud (Article 2624), which Parmalat Finanziaria S.p.A. has joined as a plaintiff seeking damages only versus individuals, the Preliminary Hearings Judge handed down a decision sentencing the defendants who had agreed to plea bargaining, and, on June 27, 2005, indicted the remaining defendants and set the date for the start of the proceedings. These proceedings are currently ongoing before the First Criminal Section of the Court of Milan.

On June 13, 2007, in another proceeding that Parmalat Finanziaria S.p.A. in A.S. has joined as a plaintiff seeking damages only versus individuals, certain bank officers and banks were indicted for stock manipulation. Among the banks, UBS Limited, Citibank N.A., Deutsche Bank Spa and Deutsche Bank AG London, Morgan Stanley Bank International Limited Milan Branch and Morgan Stanley & Co. International Ltd, and Nextra Investment Management SGR Spa were indicted for violations of Legislative Decree No. 231/01. Oral arguments began on January 22, 2008 before the Second Criminal Section of the Court of Milan. The hearings were later adjourned to March 7, 2008.

In another proceeding that Parmalat Finanziaria S.p.A. has joined as a plaintiff, by an order issued on July 6, 2007, Bank of America was indicted for violations of Legislative Decree No. 231/01. Oral arguments began on January 23, 2008 before the Second Criminal Section of the Court of Milan. The hearings were later adjourned to March 7, 2008 and it is likely that this trial will then be combined with the trial involving the other credit institutions.

Lastly, the Office of the Public Prosecutor of Milan is allegedly pursuing another line of inquiry against certain banks and their representatives, but the Parmalat Group, in its capacity as plaintiff, has not received any formal notice with regard to it.

The status of the proceedings in Parma is as follows:

The preliminary hearings involving 64 defendants who are charged with crimes related mainly to fraudulent bankruptcy started on June 5, 2006. All of the companies of the Parmalat Group that were identified as injured parties in the indictment have joined these proceedings as plaintiffs for damages. The status of the defendants who had agreed to plea bargaining was settled by the Preliminary Hearings Judge with a decision handed down on April 19, 2007. On July 25, 2007, upon the completion of the preliminary hearing, the court handed down decisions concerning the defendants who filed for plea bargaining at a later date. Specifically, (i) decisions sentencing the defendants who had agreed to plea bargaining were handed down for Antonio Bevilacqua, Franco Gorreri, Eric Dailey, Piero Alberto Mistrangelo, Massimo Nuti, Andrea Petrucci, Angelo Ugolotti, Andrea Ventura and Paola Visconti; (ii) after expedited proceedings, the court handed down a decision convicting Giampaolo Zini, Maurizio Bianchi and Luciano Del Soldato, with the latter two being ordered jointly to pay a provisional compensatory amount of 500,000.00 euros to the companies of the Parmalat Group pending a determination of the final damages by the civil court judge; (iii) Benito Bronzetti, Luis Cayola, Alberto De Dionigi, Giuseppe Gennari, Ettore Gotti Tedeschi, Luigi Guatri, Stefano Podestà, Marco Verde and Carlo Zini were found not guilty and some of the charges against some of the other defendants were dismissed. All of the other defendants were ordered to stand trial before the Court of Parma, with the first hearing scheduled for March 14, 2008.

In addition, on October 27, 2006, new preliminary hearings got under way before the Preliminary Hearings Judge in which officers and/or employees of Capitalia (formerly Banca di Roma) were charged with fraudulent bankruptcy. All of the companies of the Parmalat Group under extraordinary administration that were identified as injured parties in the indictment have joined these proceedings as plaintiffs seeking damages. In these proceedings, Capitalia S.p.A., formerly Banca di Roma S.p.A., is also being held civilly liable for the actions of its employees. Capitalia S.p.A. has joined the proceedings as a party civilly liable for actions of its employees. On July 25, final decisions were handed down in connection with these proceedings: (i) decisions sentencing the defendants who had agreed to plea bargaining were handed down for Antonio Bevilacqua, Lorenzo Bortolotti, Enrico Ferrari, Antonio Maestoso, Piero Alberto Mistrangelo, Arturo Nevi, Stefano Petazzini, Davide Salmasi, Piergiorgio Signorelli, Angelo Ugonotti and Paola Visconti; (ii) after expedited proceedings, the court handed down a decision convicting Giampaolo Zini, Luca Baraldi, Alfredo Poldi and Allay Patarino, with the latter two being ordered jointly to pay a provisional compensatory amount of 250,000.00 euros to the companies of the Parmalat Group pending a determination of the final damages by the civil court judge; (iii) Daniela Ambanelli was found not guilty; (iv) Massimo Frettoli was found not guilty and some other charges were dismissed. All of the other defendants were ordered to stand trial before the Court of Parma, with the first hearing scheduled for March 14, 2008.

While the beginning of the oral arguments phase was still pending, Capitalia S.p.A., which was held civilly liable at the preliminary hearing, was merged by absorption into Unicredito Italiano S.p.A. Consequently, the court was asked to hold Unicredito Italiano S.p.A. civilly liable. The court was also asked to hold Banca di Roma S.p.A. jointly civilly liable in view of its acquisition by way of conveyance of certain business operations of the former Banca di Roma S.p.A.

Preliminary-hearing proceedings involving a third case were held on January 9, 2007 charging former Directors, former Statutory Auditors and certain third parties with fraudulent bankruptcy in connection with companies engaged in the tourism business. In these proceedings: (i) the companies of the Parmalat Group in A.S. identified as injured parties in the indictment joined these proceedings as plaintiffs seeking damages; (ii) Capitalia S.p.A. is also being held civilly liable for the actions of Sebastiano Brucato who was an employee of BIPOP Carire at the time the crime was committed; (iii) the position of all the defendants who have agreed to plea bargaining separated from that of the other defendants (the court handed down a decision on April 19). With regard to this case, at a preliminary hearing held on July 25, all of the defendants were indicted for the crimes of which they were being accused and the first hearing of their trial was set for March 14, 2008.

While the beginning of the oral arguments phase was still pending, Capitalia S.p.A., which was held civilly liable at the preliminary hearing in its capacity as the legal entity that resulted from the merger of BIPOP Carire into Fineco S.p.A. and of the latter into Capitalia S.p.A., was merged by absorption into Unicredito Italiano S.p.A. Consequently, the court was asked to hold Unicredito Italiano S.p.A. civilly liable.

Lastly, a preliminary hearing concerning the collapse of Eurolat was held on June 15, 2007. In these proceedings, certain former Eurolat Directors and third parties are being charged with fraudulent bankruptcy and simple bankruptcy. The parties formally joined the proceedings at a hearing held on June 15. The Preliminary Hearings Judge has agreed to decide on Eurolat's petition to join the proceedings as plaintiff seeking damages and adjourned the proceedings to October 11, 2007. Subsequently, civil plaintiffs were allowed to join the proceedings and the Court summoned Unicredito Italiano S.p.A. to appear, holding it civilly liable. Unicredito Italiano S.p.A. responded by formally joining the proceedings. The trial is still pending, following completion of the oral arguments phase, during which the Public Prosecutor insisted that indictments be issued. A decision is expected by March 27, 2008, when the judge is also expected to rule on the plea bargaining motions filed by Calisto Tanzi, Giovanni Tanzi and Domenico Barili.

Pursuant to an indictment issued in July 2007, preliminary hearings began on December 11, 2007 in which officers and/or employees of USB Limited are being charged with bankruptcy and usury. The companies of the Parmalat Group under extraordinary administration that are listed in the indictment as injured parties joined the proceedings as plaintiffs seeking damages and asked that the defendants be held civilly liable. The hearings are still ongoing.

Pursuant to another indictment issued in July 2007, preliminary hearings also began on December 11, 2007 in which officers and/or employees of Deutsche Bank are being charged with bankruptcy and usury. The companies of the Parmalat Group under extraordinary administration that are listed in the indictment as injured parties joined the proceedings as plaintiffs seeking damages and asked that the defendants be held civilly liable. The hearings are still ongoing.

Concurrently, preliminary hearings are being held in which officers and/or employees of Morgan Stanley appear as defendants. The companies of the Parmalat Group under extraordinary administration have not joined these proceeding as plaintiffs seeking damages since a settlement with Morgan Stanley has already been reached.

A decree ordering that Donatella Alinovi, wife of Fausto Tonna, be tried before the Court of Parma for money laundering was issued on January 11, 2008. Parmalat S.p.A. under extraordinary administration joined the proceeding as a plaintiff seeking damages. Oral arguments have been scheduled for September 26, 2008.

Also with regard to the proceedings held before the Court of Parma, several notices of the completion of investigations into matters involving certain bank officers and banks have already been issued, but no dates have been set for the preliminary hearings.

More specifically, it appears that officers and/or employees of Citigroup have also been indicted, but no date has been set for the preliminary hearings.

Lastly, criminal proceedings for money laundering against Francesca Tanzi, Maria Pilar Vettori and Carlo Alberto Steinhauslin are pending before the Judge for Preliminary Investigations at the Court of Florence. Preliminary hearings were scheduled for January 23, 2008, but were postponed due to a strike by criminal lawyers on that day. At the next hearing, Parmalat S.p.A. under extraordinary administration will join the proceeding as an injured party.

Civil Lawsuits in the United States of America

Parmalat filed three lawsuits in the United States against certain banks and independent auditors.

Parmalat vs Bank of America et al.

In October 2004, Parmalat filed an action for damages in North Carolina against Bank of America Corporation and its affiliates ("Bank of America" or the "Bank"). Subsequently, upon a motion filed by Bank of America, the lawsuit was moved to the United States District Court for the Southern District of New York for handling of discovery phase issues, since the preliminary phases of actions filed by other plaintiffs against Bank of America, the independent auditors and other defendants were already being coordinated by the United States District Court for the Southern District of New York. Once the discovery phase is completed and a decision has been handed down on the motions for summary judgment, the lawsuit will be sent back to North Carolina for court hearings.

In August 2005, the New York Federal Court Judge granted parts of the motion to dismiss filed by Bank of America but confirmed that Parmalat could continue to pursue the discovery phase with regard to the allegations that the Bank had violated its fiduciary obligations and engaged in a conspiracy in violation of civil law. However, he denied Parmalat's complaints alleging fraud, misleading representations, unlawful enrichment and federal and state violations of the U.S. Racketeer Influenced and Corrupt Organizations Act (RICO). The judge later allowed Parmalat to file an amended complaint concerning RICO charges. In January 2006, the judge allowed virtually all of Parmalat's complaints, stating that the RICO complaint could be pursued based on allegations of misleading representations and fraudulent omissions by Bank of America put forth by Parmalat.

In March 2006, the judge allowed the defendant Bank to countersue Parmalat In A.S., under the condition that if the Bank was awarded, in its countersuit, an amount greater than the amount of any damages awarded to Parmalat, the Bank would pursue the collection of said amount within the framework of the proceeding currently pending before the Court of Parma. The countersuit is based on actions that took place prior to the Parmalat Group being declared insolvent. On May 22, 2007, the Judge granted Parmalat's petition to bring additional charges against the Bank consisting of the alleged violation by the Bank of a separate fiduciary obligation toward Parmalat.

The discovery phase has been completed and motions for summary judgment are being filed.

Parmalat vs Grant Thornton Int'l et al.

In August 2004, Parmalat filed an action before a state court in Illinois seeking damages from the U.S. branches of Grant Thornton and Deloitte & Touche, their Italian affiliates and their respective international parent companies (the "Independent Auditors"). The Independent Auditors succeeded in having the lawsuit transferred to a federal court in Illinois and obtained that the lawsuit be transferred to the United States District Court for the Southern District of New York for handling of discovery phase issues, since other actions filed against Bank of America, the Independent Auditors and various other defendants are already pending in that venue. Once the discovery phase is completed and a decision has been handed down on the motions for summary judgment, the lawsuit will be sent back to Illinois for court hearings.

In July 2004, the New York judge granted in part the requests contained in a motion filed by the Independent Auditors (including the request to exclude the U.S. branches of Deloitte & Touche and Grant Thornton).

Subsequently, following the filing of additional briefs by the parties, the judge changed in part his earlier decision, denying the motion to exclude the U.S. branch of Grant Thornton but confirming the exclusion of the U.S. branch of Deloitte & Touche.

In April 2006, the Independent Auditors asked the court to authorize them to countersue Parmalat in A.S. for actions that took place prior to the Parmalat Group being declared insolvent.

On January 12, 2007, the action for damages filed by Parmalat against Deloitte & Touche S.p.A and Dianthus S.p.A. and their countersuits against Parmalat in the same proceedings were settled out of court. On February 20, 2007, the New York Court issued an order allowing the contribution bar, making the settlement final. As a result, the amount payable to Parmalat S.p.A. became due and was collected on schedule on February 23, 2007.

On February 5, 2007, the judge allowed Grant Thornton to countersue Parmalat in A.S., under the condition that if the Independent Auditor was awarded, in its countersuit, an amount greater than the amount of any damages awarded to Parmalat, the Independent Auditor would pursue the collection of said amount by requesting enforcement before the appropriate Italian court of venue. On July 23, 2007, the Court of Appeals

upheld the District Court's decision specifying the enforcement of any decision would be within the jurisdiction of the Italian courts.
The discovery phase has been completed and motions for summary judgment are being filed.

Parmalat vs Citigroup, Inc. et al.

On July 29, 2004, Parmalat filed a lawsuit before a New Jersey State Court seeking damages from Citigroup, Inc.; Citibank, N.A.; Vialattea LLC; Buconero LLC; and Eureka Securitisation Plc ("Citigroup"). The complaint alleges fraud, misleading representations, conspiracy to violate fiduciary obligations, unlawful enrichment, and conspiracy to carry out fraudulent money transfers and violations of RICO statutes in New Jersey. Subsequently, after Citigroup obtained initially that the lawsuit be transferred to a federal court in New Jersey, it was sent back to the state court.
On December 20, 2004, all of the defendants asked the court to dismiss Parmalat's complaint, with Eureka Securitization filing a separate motion asking that the complaint be dismissed for lack of jurisdiction. On February 28, 2005, the court denied both motions.
On March 17, 2005, Citigroup filed a response brief countersuing Parmalat in connection with unlawful acts by Parmalat that it alleged occurred prior to the Parmalat Group being declared insolvent. On April 21, 2005, Parmalat asked that the countersuit be dismissed since it duplicated complaints already filed by Citigroup before the Court of Parma against the company under extraordinary administration. On May 31, 2005, the court denied Parmalat's motion. However, Parmalat asked that the payment of any amount awarded to Citigroup take place within the framework of the proceedings that are pending before the Court of Parma, as allowed under the protection provided by Section 304 of the U.S. Bankruptcy Law.
Citigroup has also moved, at different phases in the proceedings and in different venues, to have the court before which the lawsuit is pending found to lack international jurisdiction, alleging "improper venue." With respect to this issue, there have been several decisions by the relevant courts that have consistently denied Citicorp's motions. A further motion to appeal on the grounds of lack of jurisdiction is currently pending before the Supreme Court of New Jersey.
The phase of the discovery process that involves the rendering of expert opinions should be completed early in April 2008. The filing of motions for summary judgment will follow. Oral arguments are expected to start in May 2008.

Parmalat Securities Litigation

Pursuant to an order issued on July 28, 2006, Parmalat S.p.A. (Assumptor) was included among the respondents in the Parmalat Securities Litigation currently pending before the Federal District of New York. Other respondents in these proceedings include Deloitte & Touche (and James Copeland personally), Grant Thornton, Citigroup (including Buconero, Vialattea and Eureka Securitization), Bank of America, Credit Suisse, Banca Nazionale del Lavoro, Banca Intesa, Morgan Stanley, the Pavia Ansaldo and Zini law firms and numerous individuals. Parmalat S.p.A. has filed a motion asking that the abovementioned order be set aside. By the same order of July 28, 2006, the plaintiffs were allowed to file a third amended complaint. The abovementioned order does not address the merit of the new allegations put forth by the plaintiffs (relevance of new facts alleged by the plaintiffs or whether these new complaints qualify as being under the jurisdiction of the Federal District of New York).
By a preliminary order filed in the proceedings on June 28-29, 2007, the Federal Court of New York confirmed that Parmalat S.p.A. was a legitimate respondent in the putative class action lawsuit pending before the abovementioned court. According to the U.S. court, Parmalat S.p.A. had replaced as its successor Parmalat in A.S. and, as such, had assumed not only all of the rights of its predecessor, but also all of its obligations. However, the U.S. court indicated that any class claims, if upheld, would be subject to the claim reduction applicable to the composition with creditors and that the enforcement of any composition with creditors decision would be left to the Italian courts. Parmalat S.p.A. challenged this order pointing out that, among other issues, the position taken by the federal judge is in conflict with the terms of the composition with creditors approved by the Court of Parma. Oral arguments were heard on November 29, 2007. A decision by the Court of Appeals is pending.

Civil Proceedings Filed Against the Group

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

By decisions filed on September 25, 2007, the Court of Milan denied motions filed by some insurance companies asking that insurance policies taken out by the previous management of the Parmalat Group that provided protection from the risks inherent in the exercise of the offices of Director, Statutory Auditor and General Manager be declared null and void.

Eurofood IFSC Limited

Extraordinary administration proceedings involving Eurofood IFSC Limited, an Irish company, got under way before the Court of Parma, in Italy, in February 2004. Previously, Bank of America had succeeded in its efforts to obtain that Eurofood IFSC Limited be liquidated in Ireland. This created a conflict between the Italian and Irish courts. The European Court of Justice ruled on this issue finding that the liquidation proceedings filed before the Irish courts were substantively admissible (aspects of this issue that involve administrative proceedings are discussed later in this Report). In addition, two separate lawsuits have been filed before the Court of Parma by the liquidator of Eurofood IFSC Limited and Bank of America against the Extraordinary Commissioner of the abovementioned company. In both lawsuits, the plaintiffs are challenging Eurofood's declaration of insolvency, which was handed down by the Court of Parma. In the first lawsuit, the lower court rejected the plaintiff's demands in February 2006. The liquidator of Eurofood IFSC Limited appealed the lower court's decision before the Bologna Court of Appeals, which has not yet handed down a decision. In the second lawsuit, the parties provided rebuttals and conclusions at a hearing held on October 23, 2007 before the Court of Parma. A decision at the initial level of the judicial system is pending.

Official Liquidation Parmalat Capital Finance Ltd. (Cayman Islands)

On November 9, 2006, on the occasion of the first meeting of the creditors, the liquidators of PCF Ltd. rejected all of the claims filed by the companies under extraordinary administration, allowing them only for the purpose of voting at meetings of the creditors' committee. The same treatment was reserved for claims filed by other Group companies that are not included in the composition with creditors. These companies are Parmalat Holdings Ltd, Curcastle and Parmalat Africa.

Court of Appeal of the Cayman Islands, Challenge to the Court Decision to Liquidate Parmalat Capital Finance Ltd. (PCFL) and Appoint the Official Liquidators

The Court of Appeals has published the full text of the decision by which it rejected the appeal filed by some companies of the Parmalat Group, upholding the decision by which the lower court ordered the liquidation of PCF Ltd. and appointed the liquidators. Parmalat has appealed this decision before the Privy Council in Great Britain, which is the last available appeal venue. The appeal was discussed at a hearing held on January 30, 2008. A decision by the Privy Council is pending.

Giovanni Bonici vs Industria Lactea Venezolana

In February 2005, Giovanni Bonici, the former President of Industria Lactea Venezolana C.A., served a summons on the abovementioned company challenging his dismissal, of which he was informed in 2004. The plaintiff is asking that his dismissal be declared invalid and that Industria Lactea Venezolana C.A. be ordered to pay damages for various reasons totaling US$20 million (equal to about 14.7 million euros). The next hearing is scheduled for April 10, 2008.

Wishaw Trading SA

Five civil actions have been filed against Wishaw Trading SA, an offshore company based in Montevideo, Uruguay. All actions are related to the defendant's failure to repay its promissory notes which were guaranteed by Parmalat S.p.A. Four cases are pending before a New York court and a fifth case is pending before the Motevideo Court of Appeals.

In the fifth lawsuit, Rabobank, acting in its capacity as the guarantor of the promissory notes, filed a lawsuit against Wishaw Trading S.A. and Parmalat S.p.A. in A.S. seeking to attach assets or receivables held by the Group in Uruguay for an amount of about US$5 million. With a decision handed down in May 2006, the Court of Montevideo rejected the challenge filed by Parmalat S.p.A., which has appealed this decision. On June 21, 2007, the Montevideo Court of Appeals found in favor of Parmalat S.p.A., which regained full access to the attached assets.

With regard to the company's tax status, the Uruguayan tax authorities were granted a preventive attachment of the assets of Wishaw Trading S.A. and of the personal assets of its Directors for unpaid taxes owed by the company for 2002 and 2003 and penalties. In addition, there is a tax risk that Wishaw Trading S.A. may lose its status as an offshore holding company and, consequently, cease to enjoy an advantageous tax status available to companies of this type. Alternatively, there is a concrete risk that the

tax authorities could challenge the criteria used to determine the taxable assets of Wishaw Trading S.A. for the years from 1999 to 2003. The resulting risk is estimated at about 20 million euros.
Lastly, as explained in the "Scope of Consolidation" section of this Report, Wishaw Trading S.A. is out of Group's control and therefore it's not included in the Group's consolidation.

Civil Proceedings Filed by the Group and Settlements

Bank Hapoalim (Switzerland) – Order of Attachment Against Parmalat International SA

On March 13, 2006, Bank Hapoalim AG notified Parmalat International SA in liquidation, a company incorporated under Swiss law, an order of attachment issued by the Lower Court Judge of the District of Lugano. The order of attachment covered the receivables owed to Parmalat S.p.A. by Parmalat International SA in liquidation and any assets belonging to Parmalat S.p.A. that are held by Parmalat International SA in liquidation.
Parmalat S.p.A. is challenging the order of attachment. On April 24, 2007, the Enforcements and Bankruptcy Chamber of the Court of Appeals of Lugano found in favor of Parmalat, upholding the court decision that approved the Parmalat composition with creditors, which is thus enforceable throughout Switzerland. Bank Hapoalim AG has appealed this decision.

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

Early in 2004, Parmalat filed a complaint before the Court of Parma asking for an order of protective attachment against the former Directors and Statutory Auditors of Parmalat Finanziaria S.p.A. and Parmalat S.p.A. 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 the complainants, Parmalat Finanziaria S.p.A. in A.S. and Parmalat S.p.A. in A.S., two protective attachment orders against the abovementioned parties totaling 11.9 billion euros.

In a subsequent action for protective remedies, which was filed within the statutory deadline, Parmalat Finanziaria S.p.A. in A.S. and Parmalat S.p.A. in A.S. served two summonses on the individuals who were the target of the orders of attachment, thereby filing merit proceedings before the Civil Court of Parma. The purpose of these proceedings, which were later consolidated, 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 up to 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 similar positions, 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 consolidated with the other two.

At the hearing held on December 6, 2006 before the Court of Parma, the Court, after hearing oral arguments, handed down a decision dismissing the civil liability lawsuits filed by Parmalat Finanziaria S.p.A. in A.S. and Parmalat S.p.A. (subsequently consolidated) since both companies had joined the corresponding criminal proceeding as plaintiffs seeking damages. At the same time, the Court, rejected a challenge filed by some of the defendants who were asking the Court to rule that the attachments were void due to the dismissal of the two civil lawsuits due to the two companies joining the corresponding criminal proceeding as plaintiffs seeking damages, but ordered the suspension, pursuant to Article 295 of the Code of Criminal Procedure, of the two consolidated proceedings (in which, at this point, Parmalat S.p.A. is the sole plaintiff), pending a resolution of the criminal proceedings. Acting within the statutory deadlines, Parmalat S.p.A. filed civil lawsuits against those defendants in the criminal proceedings that agreed to a plea bargaining arrangement. The next hearing has been set for June 4, 2008.

As for the third liability lawsuit, the defensive briefs have been exchanged and oral arguments were heard on October 3, 2007. The Court then adjourned the proceedings, scheduling the next hearing for June 4, 2008.

Protection Under Section 304 of the U.S. Bankruptcy Code

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 seeking an order of protection against creditors seeking to file composition-with-creditors proceedings before a U.S. court.
On June 21, 2007, the U.S. Federal Court granted Parmalat motion to make permanent the order of protection granted pursuant to Section 304 of the U.S. Bankruptcy Law, rejecting the objections of Bank of America and other parties. Subsequently, ABN AMRO appealed this decision and this appeal is currently pending.

Actions for Damages

The initiatives taken to identify the possible liability of other parties, in addition to the individuals and companies sued in the actions described on earlier occasions, included the filing of 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 defendants who are presumed to have contributed to or aggravated the financial collapse of the plaintiff companies. 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 magnitude of impairment loss suffered by the plaintiff companies, as well as the part that the plaintiffs played in causing and/or aggravating the impairment loss. The amount of the impairment loss incurred as of December 31, 2003 was estimated at more than 13 billion euros.

The following additional clarifications also appear to be in order:

As a rule, the defendants have been deemed to be jointly liable, in different manners and with different conditions in the various instances.

It is also important to note that, while the purpose of actions for damages is to effectively restore a plaintiff's assets through the payment of monetary compensation, the payments received as a result of actions for damages reduce the amount of the overall damage suffered by the companies under extraordinary administration based on the principles of joint liability.

Lastly, it is important to keep in mind that by virtue of the court approval of the composition with creditors, the actions for damages filed by the companies under extraordinary administration that were included in the composition with creditors and the right to pursue additional actions have been transferred to Parmalat S.p.A.

Actions for Damages Filed by the Company That Are Currently Pending

Plaintiffs	Defendants	Court where filed	Principal claim (millions of euros)
Parmalat S.p.A. in A.S.; Parmalat Finanziaria S.p.A. in A.S.; Parmalat Finance Corporation BV in A.S.; Parmalat Capital Netherlands BV in A.S.; Parmalat Netherland BV in A.S.; Parmalat Soparfi SA in A.S.	UBS Limited; Deutsche Bank AG; Deutsche Bank AG London	Parma	The amount determined in the course of the proceedings, but not less than 2,199. (*) (**)
Parmalat S.p.A. in A.S.; Parmalat Finance Corporation BV in A.S.	Credit Suisse First Boston International; Credit Suisse First Boston (Europe) Ltd	Parma	7,113 or any other amount determined in the course of the proceedings. (***)

Plaintiffs	Defendants	Court where filed	Principal claim (millions of euros)
Parmalat S.p.A. in A.S.; Parmalat Finanziaria S.p.A. in A.S.; Parmalat Finance Corporation BV in A.S.; Parmalat Soparfi SA in A.S.; Parmalat Netherlands BV in A.S.; Parmalat Capital Netherlands BV in A.S.;	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	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 A.S.; Parmalat Finanziaria S.p.A. in A.S.; Parmalat Finance Corporation BV in A.S.; Parmalat Soparfi SA in A.S.; Parmalat Netherlands BV in A.S.; Parmalat Capital Netherlands BV in A.S.	Unicredit Banca Mobiliare S.p.A. – UBM S.p.A.; Banca Caboto S.p.A.;	Parma	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 A.S.	Banca di Roma S.p.A	Parma	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 A.S.	The McGraw-Hill Companies (Standard & Poor's Market Services Srl); The McGraw-Hill Companies (Standard & Poor's Rating Services) SA	Milan	4,074 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 A.S.	Credit Suisse First Boston International, Deutsche Bank AG, J.P. Morgan Chase Bank NA, UBS AG	Parma	2,006.3 or any other amount determined in the course of the proceedings. (****)

Notes:
(*) Subordinated claim: 1,210.9 million euros.
(**) Supplemental claim: 420 million euros UBS; 350 million euros Deutsche Bank.
(***) Subordinated claim: 248 (plus two additional items) or any other amount awarded by the court.
(****) The Investigative Judge set for November 26, 2008 the hearing for rebuttals to final arguments limited to the preliminary merit issues of whether the Extraordinary Commissioner has standing to sue.

Actions to Void in Bankruptcy

A total of 76 actions to void in bankruptcy have been filed with the Court of Parma. Thirty-two of these actions have been settled. The remaining lawsuit are valued at about 3,175 million euros.

Moreover, within the framework of actions filed by creditors who are contesting the computation of the sum of liabilities, it became necessary 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. 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.

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 that, (i) according to the provisions of the Proposal of Composition with Creditors, any gain that may be generated by these actions will obviously inure to Parmalat S.p.A., and that, therefore, such gain will benefit indiscriminately and indirectly all of the creditors who have become shareholders of Parmalat S.p.A., and that, (ii) by virtue of the court decision approving the Composition with Creditors, all of the actions to void filed by the companies under extraordinary administration have been transferred to Parmalat S.p.A.

It is also important to note that 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). The amounts paid in connection with actions to void increase the liabilities of those companies by a corresponding amount(as per Article 71 of the Finance Law prior to revisions, now Article 70, Section Two, of the Finance Law). Except for special case, 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.

Parmalat – Constitutional Court

With a decision dated April 4, 2006 and subsequent orders dated December 7, 2006, December 28, 2006 and March 21, 2007, the Constitutional Court ruled that the issues of constitutionality raised within the framework of the actions (actions to void in bankruptcy) pending before the Court of Parma, in which several Italian and foreign banks are defendants, were patently devoid of merit.
Specifically, the Constitutional Court ruled that issues raised with regard to Section 1 of Article 6 of Law No. 39/2004 ("Marzano Law") that indicates that actions to void in bankruptcy may be filed even when a restructuring plan is being implemented and those raised with regard to Article 6, Section 1-*ter*, and the combined provisions of Article 6, Section 1, and Article 4-*bis*, Section 10, of the same law were patently devoid of merit.

Boschi Luigi & Figli S.p.A. Liability Action

Parmalat S.p.A. in A.S. is the majority shareholder of 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 AS, 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 AS 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.

Due the death of Paolo Boschi, one of the defendants, the lawsuit was interrupted at a hearing held on February 8, 2006. The lawsuit has since resumed and at the hearing held on December 12, 2007, the Court of Parma adjourned the proceedings to March 12, 2008.

Other Actions

Plaintiffs	Defendants	Court where filed	Principal claim
Parmalat S.p.A	Parmalat Capital Finance Limited	Parma	An order of protective attachment of the Parmalat shares for up to 22,000,000 euros to secure a receivable of US$25,905,425.00 formerly owed to Parmalat Soparfi SA by Parmalat Capital Finance Limited (an order of attachment was issued with the defendant being absent on 3/30/06 and confirmed with an order dated 7/5/06; a merit action has been filed and a summons has been served).
Parmalat S.p.A.; Parmalat S.p.A. in extraordinary administration; Parmalat Finanziaria S.p.A. in extraordinary administration	Hermes Focus Fund Asset Management Europe Ltd	Parma	Claim for damages, for worsening of the financial distress, up to 758.2 euro millions with reference to Parmalat Finanziaria S.p.A. in extraordinary administration and up to 4,299.0 euro million (*)

Note:
(*) in the process of being completed

Settlements

Some of the most significant settlements achieved in 2007 are reviewed below.

Settlement with Deloitte & Touche S.p.A. and Dianthus S.p.A.

On January 12, 2007, the action for damages filed by Parmalat against Deloitte & Touche S.p.A and Dianthus S.p.A. and their countersuits against Parmalat in the same proceedings were settled out of court. Under the terms of the settlement, Deloitte and Dianthus will pay Parmalat S.p.A. consideration amounting to US$149 million. As part of the settlement the parties agreed to withdraw all pending actions and claims.
On February 20, 2007, the New York Court issued an order granting a motion by which Deloitte & Touche S.p.A. and Dianthus S.p.A., and by Deloitte & Touche LLP, Deloitte & Touche USA LLP, Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Auditores Independentes asked the Court to issue an order regulating the relationships among jointly liable debtors (contribution bar).
As a result of the abovementioned order, the settlement became final and the amount payable to Parmalat S.p.A. became due. It was collected on schedule on February 23, 2007.

Settlement with The Nutrition Consortium Ltd.

A dispute between Ault Foods Ltd. (now Parmalat Dairy and Bakery Inc.) and The Nutrition Consortium Ltd. (TNC) that was pending before the Superior Court of Quebec, Canada, was settled out of court on February 6, 2007. The dispute was related to damage claims put forth by TNC, which alleged that Ault Foods Ltd. had cancelled unilaterally and without justification an exclusive distribution contract that the parties executed in 1996. Under the settlement, TNC agreed to waive any and all claims against Parmalat Dairy and Bakery Inc. in connection with the abovementioned distribution contract and will receive in return from Parmalat Dairy and Bakery Inc. a payment of 6 million Canadian dollars and a contribution of 350,000 Canadian dollars to cover legal costs.

Settlement with the Banca Popolare di Milano Group

On February 2, 2007, the disputes arising from the actions to void in bankruptcy that Parmalat filed against Banca Popolare di Milano and Cassa di Risparmio di Alessandria and the action for damages brought by the Company against Banca Akros, as well as the lawsuit filed by Banca Akros against its exclusion from Parmalat's sum of liabilities, were settled out of court with two contracts structured as follows:
A) First Contract
BPM, acting also on behalf of Cassa di Risparmio di Alessandria, agreed to pay to Parmalat a total of 25 million euros to settle the actions to void in bankruptcy filed by Parmalat. The amount of the settlement was

determined based on the fact that the actions to void in bankruptcy covered 34 million euros, which were never paid. BPM and Cassa di Risparmio di Alessandria waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amounts and will not file any further motions seeking inclusion among the sum of liabilities of Parmalat and other companies of the Parmalat Group.
B) Second Contract
Banca Akros agreed to withdraw the lawsuit it filed against its exclusion from Parmalat's sum of liabilities, it being understood that only the portion attributable to Banca Akros is being settled.

Settlement Agreement Between Parmalat and Banca delle Marche

On April 28, 2007, the dispute arising from the action to void in bankruptcy that Parmalat filed against Banca delle Marche S.p.A. was settled out of court.
Banca delle Marche S.p.A. agreed to pay to Parmalat S.p.A. a total of 22,000,000 euros to settle the abovementioned action to void in bankruptcy and waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amount. With this settlement, Parmalat S.p.A. and Banca delle Marche S.p.A. resolved all disputes related to the abovementioned action to void in bankruptcy.

Settlement Agreement Between Parmalat and Banca Monte di Parma

On June 18, 2007, Parmalat S.p.A. and Banca Monte Parma settled out of court the dispute arising from the action to void in bankruptcy pending against Banca Monte Parma S.p.A .
Banca Monte Parma S.p.A. agreed to pay to Parmalat S.p.A. 35 million euros to settle the abovementioned action to void in bankruptcy and waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amount.
With this settlement, Parmalat Spa and Banca Monte Parma S.p.A. resolved all disputes related to the abovementioned action to void in bankruptcy.

Settlement Agreement Between Parmalat and Merrill Lynch

On June 18, 2007, Parmalat Spa and Merrill Lynch settled all claims arising form the state of insolvency. Merrill Lynch agreed to pay to Parmalat a total of 29,093,000 euros.

Settlement Agreement Between Parmalat and ING Bank

On June 18, 2007, Parmalat and ING Bank settled out of court the dispute arising from the action to void in bankruptcy that Parmalat filed against ING Bank.
ING Bank agreed to pay to Parmalat S.p.A. 8,000,000.00 euros to settle the abovementioned action to void in bankruptcy and waived the right to seek the inclusion among Parmalat's sum of liabilities of claims arising from the settlement amount.
With this settlement, Parmalat and ING Bank resolved all disputes related to the abovementioned action to void in bankruptcy.

Settlement Agreement between Parmalat and Graubuendner Kantonalbank ("GKB")

On September 27, 2007, the action for restitution and damage compensation filed by Parmalat S.p.A. against Graubuendner Kantonalbank (Switzerland) was settled out of court in consideration of the payment of 20,750,000 euros by GKB.
This settlement agreement applies to challenges raised by Parmalat with regard to payments made before December 2003 by the Parmalat Group within the context of financial transactions executed by Parmalat, now in extraordinary administration, and various parties in Italy and abroad through the conduit of a former GKB employee and to damage claims arising from GKB's alleged involvement in financial transactions to which Bank of America was also a party.
Parmalat has agreed to desist from the action it filed before the Court of Parma and from any other action against GKB but reserves the right to continue pursuing legal and any other actions against any other party who is not covered by the abovementioned settlement agreement.

Settlement Agreement between Parmalat and Calyon (formerly Credit Agricole Indosuez, S.A.)

On September 27, 2007, the action to void in bankruptcy filed by Parmalat S.p.A. against Calyon (formerly Credit Agricole Indosuez, S.A.) was settled out of court in consideration of a payment of about 2.63 million euros by Calyon, which also waived the right to include a claim for the abovementioned amount among the bankruptcy liabilities.

Settlement Agreement between Parmalat and Banca IFIS S.p.A.

On October 5, 2007, Parmalat S.p.A. reached a settlement with Banca IFIS S.p.A. settling all of the claims that arose from transactions executed prior to Parmalat S.p.A. becoming eligible for extraordinary administration. Pursuant to this settlement and upon Parmalat desisting from its action to void in bankruptcy and all other claims, including claims not yet acted upon, Banca IFIS agreed to pay 2 million euros and waive the right to include a claim for the abovementioned amount among the bankruptcy liabilities.

Parmalat Reaches a Settlement with the Intesa Sanpaolo Group, Cariparma and Biverbanca

On December 22, 2007, Parmalat S.p.A. and Intesa Sanpaolo S.p.A. reached an agreement settling all of the claims that arose from transactions executed prior to the declaration of insolvency of the Parmalat Group (December 2003). Pursuant to this settlement and upon Parmalat S.p.A. desisting from all pending actions to void in bankruptcy and actions for damages and any other actions that it may be entitled to file in the future against the Intesa Sanpaolo Group, the Intesa Sanpaolo Group agreed to pay Parmalat S.p.A. a lump sum of 310 million euros.

Concurrently, Parmalat S.p.A. entered into an agreement with Cassa di Risparmio di Parma e Piacenza S.p.A. ("Cariparma") settling all of the claims that arose from transactions executed by the Parmalat Group and Cariparma prior to December 2003. Pursuant to this agreement, Parmalat S.p.A. desisted from all pending actions to void in bankruptcy and actions for damages and any other actions that it may be entitled to file in the future in consideration of a payment of 83 million euros. In another agreement reached within the context of these negotiations to settle the actions to void in bankruptcy that were pending against Biverbanca S.p.A., Parmalat S.p.A. agreed to desist from all pending actions in consideration of a payment of 3 million euros.

Similar settlement agreements were executed by Intesa Sanpaolo and Cariparma, on the one hand, and the Extraordinary Administration Commissioner for the Parmatour Group, Parma Associazione Calcio and other companies of the “old” Parmalat Group that are still under extraordinary administration, on the other. Pursuant to these agreements and upon the Extraordinary Commissioner agreeing to desist from all pending actions and actions that could be filed in the future:

- The Intesa Sanpaolo Group will pay 12.5 million euros to the Parmatour Group under extraordinary administration, 2.5 million euros to Parma Associazione Calcio under extraordinary administration and a total of 2 million euros to the other companies under extraordinary administration;

- Cariparma will pay 2.5 million euros to the Parmatour Group under extraordinary administration, 2.5 million euros to Parma Associazione Calcio under extraordinary administration and a total of 2 million euros to the other companies under extraordinary administration.

Administrative Proceedings Filed Against the Group

The developments that occurred in 2007 in the administrative proceedings involving the Group are reviewed below.

Bank of America NA and Eurofood IFSC Limited Appeals

In two separate motions notified on October 14 and 15, 2005, respectively, Bank of America NA and Eurofood IFSC Limited in liquidation (represented by its official Irish liquidator) filed appeals before the Council of State asking for a review of a decision handed down by the Regional Administrative Court of Latium on July 16, 2004 (No. 6998/05) in which the lower court judge had joined and rejected the complaints that the two appellants had filed asking that the ministerial decrees declaring Eurofood and Parmalat S.p.A. eligible for extraordinary administration and appointing an Extraordinary Commissioner be declared null and void.

By Decision No. 269, which was published on January 26, 2007, the Council of State upheld the appeal filed by Bank of America NA and Eurofood IFSC Limited thereby voiding a Ministry Decree declaring Eurofood IFSC Limited eligible for extraordinary administration proceedings and asking the Ministry *“to totally revise the decree subject of the challenge.”*

On December 21, 2007, Parmalat S.p.A. under extraordinary administration and Eurofood S.p.A. under extraordinary administration challenged the Council of State’s decision on jurisdictional grounds.

Complaint Filed by Eurofood IFSC Limited e Bank of America NA Challenging the Ministry Decree of March 30, 2007

On November 12, 2007, Eurofood IFSC Limited filed a complaint before the Administrative Regional Court of Latium challenging the Decree dated March 30, 2007 by which the Minister of Economic Development reaffirmed the appointment of Enrico Bondi as extraordinary commissioner of the Parmalat Group companies eligible for extraordinary administration, which include Eurofood IFSC Limited. The plaintiff asked that, as a protective measure, the effectiveness of the decree be suspended.
By a complaint filed on January 11, 2008, Bank of America NA challenged the same decree before the Administrative Regional Court of Latium.
At a hearing held in chambers on January 31, 2008 to hear motions asking for protective action, both actions were adjourned and a merit hearing is scheduled for May 29, 2008.

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 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 Regional Administrative Court of Latium ordered the Ministry of Economic Development to produce the relevant documents and scheduled a merit hearing for May 3, 2007. The proceedings are currently pending and the complainants have filed motions asking to be allowed to submit additional supporting arguments.

Centrale del Latte di Roma S.p.A.

With decision No. 2883, handed down on April 20, 2006, the Regional Administrative Court of Latium upheld the complaint filed by Ariete Fattoria Latte Sano S.p.A. (“Ariete Fattoria”) and found that the refusal by the City of Rome to respond 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 was unlawful. Parmalat is a respondent in these proceedings.

On January 26, 2007, in response to a challenge to the lower court’s decision by the losing parties, the Council of State issued Decision No. 278/07 with which it voided the abovementioned decision by the Regional Administrative Court of Latium for procedural defects and returned the record of the proceedings to the lower court.

With a decision dated June 4, 2007 and published on July 31, 2007, the Regional Administrative Court of Latium upheld the complaint filed by Ariete Fattoria and ordered the City of Rome to pay damages. Subsequently, Parmalat S.p.A. challenged the decisions of the Regional Administrative Court of Latium before the Council of State. A hearing has been set for November 11, 2008.

Decisions and Investigative Proceedings by the Italian Antitrust Agency

Antitrust Proceedings Involving Newlat S.p.A.

With a resolution issued on December 21, 2006, the Italian antitrust agency granted the request put forth by Parmalat on December 15, 2006 and extended to October 30, 2007 the deadline by which Parmalat was required comply with the obligations set forth in an earlier resolution issued by the antitrust agency on June 30, 2005. With the earlier resolution, the antitrust agency compelled Parmalat to take. “actions needed to reestablish an effective competitive environment in the fresh milk production market in the regions of Campania and Latium and eliminate the distortions caused by the existing Parmalat/Eurolat concentration.” Parmalat was required to sell by June 30, 2006 (the deadline was later extended to December 31, 2006) “the Matese and Torre in Pietra brands, as they apply to the entire product line for which they are used, and the production facilities located in Frosinone and Paestum-Capaccio Scalo, which are currently inactive.” The resolution issued on December 21, 2006 gave Parmalat the option of complying with the requirements of the antitrust agency by selling its entire interest in Newlat, which owns the abovementioned brands and facilities.

With a resolution issued on November 28, 2007, the Italian antitrust agency, given Parmalat's failure to sell Newlat by the stipulated deadline of October 30, 2007, announced that it would begin proceedings against Parmalat pursuant to Article 19, Section 1, of Law No. 287/90 for failure to comply with the requirements of its abovementioned earlier resolution of December 21, 2006. These proceedings should be completed in May 2008.

Antitrust Proceedings Against Parmalat South Africa (PSA) et al.

On December 7, 2006, the South African Competition Commission, following an investigation of the activities of PSA and other players in the South African dairy market (Clover, Ladismith, Woodlands, Lancewood, Nestlé and Milkwood), opened violation proceedings against the abovementioned parties and referred the case to the Competition Tribunal. With regard to PSA's position, the anticompetitive practices with which it is being charged, which, allegedly, were designed to control the price of milk and maintain it at an artificially high level, consisted of: i) exchanging information about milk prices with competitors; ii) entering into mutual agreements for the sale of surplus milk; and iii) signing exclusive sales agreements with producers. The trial before the Competition Tribunal started in January 2007. While a date has not yet been set, the Court is expected to schedule a hearing for oral arguments sometime between the end of 2008 and the early months of 2009.

Disputes Involving Challenges to the Composition of the Lists of Liabilities

Challenges and Oppositions

At December 31, 2007, disputes stemming from challenges to the composition of the lists of liabilities of the companies included in the Composition with Creditors and late filings of claims involved 314 lawsuits filed before the Court of Parma. A significant portion of these disputes (over 100 lawsuits) involves issues related to Article 2362 of the Italian Civil Code for the period during which Parmalat Finanziaria S.p.A. was the sole shareholder of Parmalat S.p.A.
As of December 31, 2007, a total of 365 lawsuits have been adjudicated.

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Information about the tax status of Parmalat S.p.A. and of the main Italian and foreign subsidiaries of the Parmalat Group is provided below:

Tax Information About Parmalat SpA

At December 31, 2007, the Provision for tax-related risks and charges totaled 27.7 million euros. The increase over the previous year is due to an addition of 10.2 million euros recognized in connection with a potential assessment related to financial transactions executed between 1998 and 2003 by Parmalat SpA and Bank of America, which have come to light recently in the course of a lawsuit in the United States.

Italian Subsidiaries

Centrale del Latte di Roma Spa

This is the Group's largest subsidiary. Parmalat SpA owns 75% of this company's share capital.
This company is not a party to tax disputes. The last period subject to income tax audit is 2003.

This company has no useable tax loss carryforward.

Latte Sole Spa

This company has a tax loss carryforward of about 4.5 million euros generated prior to its inclusions in the national consolidated tax return. The tax loss carryforward expires in 2008. In 2007, its estimated tax loss amounted 1.5 million euros, which will be transferred to the national consolidated tax return.

The last period subject to tax audit is 2002.

Parmalat Distribuzione Alimenti Srl (“Padial”)

The 2007 fiscal year ended with a tax loss of about 1.9 million euros, which will be transferred to the national consolidated tax return. The total amount of the available tax loss carryforward attributable to periods that predate its inclusion in the national consolidated tax return is about 10 million euros. Absent a reasonable certainty that this amount may be recovered, management chose not recognize it in the financial statements.

Padial has no disputes pending with the tax administration.
The last period subject to tax audit is 2003.

Boschi Luigi & Figli SpA

On July 26, 2006, the Court of Parma handed down Decision No. 5 approving the company's composition with creditors. On October 20, 2006, the decision became final. As a result of the approval of the composition with creditors, the company has emerged from bankruptcy and has been included in the consolidated financial statements of the Group as of the third quarter of 2006.
The available tax loss carryforward totals 9.3 million euros, net of the estimated utilization for 2007. These losses refer to period before the inclusion of this company in the national consolidated tax return.
No benefit related to the useable tax loss carryforward has been recognized in the financial statements.

Following a tax audit, the company was served with a notice of assessment for IRES and IRAP due for 2003. The assessment caused the 2003 tax loss to be restated by about 460,000 euros. At the same time, following a settlement of the assessment in February 2008, a restatement of about 1.002 million euros for IRAP purposes was no longer required.
A this point, this company has no disputes pending with the tax administration. The last period subject to tax audit is 2003.

Newlat Srl

On September 26, 2006, the Court of Parma issued an order voiding the order of protective attachment (filed on January 27, 2004) that encumbered Newlat's equity capital. As a result of the abovementioned order, Newlat rejoined the Group.
Newlat has a substantial tax loss carryforward amounting to 30.5 million euros. This amount includes 8.1 million euros that may be brought forward for an unlimited period of time and 1.5 million euros generated in 2006. In 2007, it generated a tax loss amounting to about 5.4 million euros, which will be transferred to the national consolidated tax return. No deferred-tax asset is recognized in the financial statements.

Carnini Spa

On September 26, 2006, similarly to what occurred to Newlat, the Court of Parma issued an order voiding the order of protective attachment (filed on February 2, 2004) that encumbered Carnini's share capital. As a result of the abovementioned order, Carnini rejoined the Group.
This company has no tax loss carryforward and is not a party to tax disputes.

Dalmata Srl

This wholly owned subsidiary of Parmalat Spa is a financial intermediary, as defined in Article 113 of Legislative Decree No. 385 of September 1, 1993 (the so-called Uniform Stock Market Code).
This company has a substantial tax loss carryforward generated during periods before its inclusion in the national consolidated tax return. The last period subject to tax audit is 2003. No deferred-tax asset is recognized in the financial statements.

Foreign Subsidiaries

Canada

Effective January 1, 2008, Parmalat Holding LTD and Parmalat Dairy & Bakery Inc. completed their "amalgamation" in an extraordinary transaction that is similar to a merger. The resulting company is called Parmalat Canada INC.
Insofar as taxes are concerned, this transactions will allow Parmalat Canada INC to recover tax loses totaling 4.2 million euros in 2008.
Beginning in 2008, the corporate income tax rate will decrease gradually as follows:
2007 *33.96%* - 2008 *31.73%* - 2009 *31.32%* - 2010 *30.30%* - 2011 *28.79%* - 2012 *27.29%.*

At this point, this company has no pending tax disputes.

Australia

The Australian companies file locally a national consolidated tax return.
The tax loss carryforward that remains after the 2007 utilization, which may be brought forward for an unlimited period of time, amounts to 69.2 million euros, including 1.7 million euros in revenue losses and 67.5 million euros in capital losses. The increases in these amounts is due exclusively to the appreciation of the euro versus the Australian dollar.
This company is not a party to tax disputes with the local tax administration.

Africa

The Group's main company in Africa is Parmalat South Africa PTY Ltd. This company has no usable tax loss carryforward and is not a party to pending tax disputes. Starting from fiscal year 2008, the corporate tax rate decreases from 29% to 28%.
The Group's other African operating companies (Parmalat Zambia Ltd, Parmalat Botswana PTY Ltd, Parmalat Produtos Alimentares Sarl and Parmalat Swaziland PTY Ltd) are not known to be affected by material tax issues or problems.

Spain

Parmalat Espana SA and some of its subsidiaries were sold in 2007.
The gain generated by the sale of the investment in Parmalat Espana SA was taxed in accordance with the PEX rule.

Portugal

Beginning in 2007, the corporate income tax rate decreased from 27.5% to 26.5%.
Parmalat Portugal Lda has no useable tax loss carryforward.

Romania

The Group's Romanian companies have no significant tax issues and no tax loss carryforward.

Russia

The Group's Russian companies are not involved in any pending tax disputes.
OOO Dekalat has a tax loss carryforward of about 0.22 million euros that is not reflected among its assets on the balance sheet.

Venezuela

The local holding company (Parmalat de Venezuela, C.A.) is a party to a tax dispute involving a total of 4.4 million euros. The proceedings are currently before the lower court and management believes that the company has a strong chance to succeed. An amount equal to 10% of the risk (0.44 million euros) is recognized in the financial statements. This company also has contingent tax liabilities, in connection with which it has established in its financial statements a provision that totaled 29.8 million euros at December 31, 2007.
The operating companies of the Indulac Group are not involved in any pending disputes with the local tax authorities.

Cuba
Citrus International Corporation SA is not involved in any pending disputes with the Cuban tax authorities and has no significant tax problems.

Colombia
The Group's Colombian companies are Parmalat Colombia Ltda and Procesadora de Leches SA ("Proleche").
These companies have no usable tax loss carryforward.
Parmalat Colombia Ltda is a party to two pending tax disputes with a combined risk estimated at 0.88 million euros.
Proleche is a party to several pending tax disputes with a combined risk estimated at 5.4 million euros.
A provision of 2.5 million euros has been established in the consolidated financial statements in connection with these risks.
Starting from fiscal year 2008, the corporate tax rate decreases from 34% to 33%.

Nicaragua
The Group operates in Nicaragua through a holding company (Parmalat Nicaragua SA), which owns 51% of an operating company called Parmalat Centro America SA.
Parmalat Nicaragua SA, which is a party to several disputes with the Nicaraguan tax administration, recognized in its financial statements a Provision for tax risks of about 748,000 euros.
As of the writing of these notes, the operating company Parmalat Centro America SA was not a party to pending tax disputes.
This company has no useable tax loss carryforward.

Ecuador
Parmalat dell'Ecuador recognized in its financial statements a Provision for tax risks amounting to 328,000 euros, which covers in full its existing tax risk. No other significant tax issues are known to exist at this point.

Belgium
Parmalat Belgium SA has a potential tax risk exposure of about 0.9 million euros. No provision has been recognized in the financial statements of Parmalat Belgium SA, but a provision of the same amount has been established at the consolidated level.

* * *

A discussion of all of the risk areas to which the Group is exposed is provided in the Financial Performance chapter of the Report on Operations.

Notes to the Income Statement

(31) Revenues

A breakdown of revenues is as follows:

(in millions of euros)	**2007**	**2006**
Net sales revenues	3,863.7	3,633.6
Other revenues	31.1	35.9
Total revenues	**3,894.8**	**3,669.5**

A geographic breakdown of net sales revenues is as follows:

(in millions of euros)	**2007**	**2006**
Italy	1,146.7	1,015.8
Europe	152.2	132.7
North America	1,400.6	1,381.3
Central and South America	366.1	335.8
Oceania	446.7	417.9
Africa	354.1	343.8
Other regions	(2.7)	6.3
Total sales revenues	**3,863.7**	**3,633.6**

Other revenues include the following:

(in millions of euros)	**2007**	**2006**
Rebilling of advertising expenses	6.0	9.2
Gains on the sale of non-current assets	5.4	3.0
Out-of-period income and restatements	4.7	6.3
Royalties	2.4	2.4
Rent	1.2	1.1
Operating grants	1.0	0.3
Insurance settlements	0.4	2.1
Expense reimbursements	0.3	0.8
Miscellaneous	9.7	10.7
Total other revenues	**31.1**	**35.9**

(32) Costs

A breakdown of the costs incurred in 2007 is as follows:

(in millions of euros)	**2007**	**2006**
Cost of sales	2,993.9	2,807.5
Distribution costs	411.0	366.2
Administrative expenses	240.8	264.8
Total costs	**3,645.7**	**3,438.5**

A breakdown by type of the costs incurred in 2007 is as follows:

(in millions of euros)	**2007**	**2006**
Raw materials and finished goods	2,079.7	1,967.9
Labor costs	444.5	427.8
Packaging materials	263.3	252.4
Freight	169.9	136.4
Other services	126.6	103.5
Depreciation, amortization and writedowns of non-current assets	117.5	116.7
Sales commissions	102.5	91.5
Energy, water and gas	79.4	70.8
Advertising and sales promotions	68.0	74.7
Supplies	55.9	42.1
Maintenance and repairs	51.1	48.1
Storage, handling and outside processing services	38.1	35.4
Use of property not owned	37.5	37.2
Postage, telephone and insurance	21.4	18.4
Miscellaneous charges	20.5	17.3
Consulting services	17.5	19.1
Writedowns of receivables and additions to provisions	12.8	3.9
Auditing services	4.1	3.2
Fees to Chairman and Directors	1.8	2.2
Fees to Statutory Auditors	0.4	0.9
Change in inventories of raw materials and finished goods	(66.8)	(31.0)
Total cost of sales, distribution costs and administrative expenses	**3,645.7**	**3,438.5**

(33) Legal Fees Paid in Actions to Void and Actions for Damages

The balance in this account reflects the fees paid to law firms (56.2 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 currently pursuing.

(34) Restructuring Costs

The main restructuring costs are the indemnities paid or payable to employees of the Machiques and Barquisimeto factories in Venezuela prior to the sale of these facilities to a state company.

(35) Miscellaneous Income (Expense)

Net miscellaneous income totaled 582.0 million euros. A breakdown is as follows:

(in millions of euros)	**2007**	**2006**
Proceeds from actions to void and actions for damages	642.0	171.5
Income related to the verification of claims	-	5.3
Charges for tax risks	(25.8)	(6.9)
Expenses related to discontinuing operations	(11.2)	-
Expenses related to investee companies	(9.0)	-
Expenses related to the verification of claims	(0.7)	-
Legal costs for the dispute with The Nutrition Consortium Ltd. (TNC)	-	(3.6)
Expenses incurred to exit the Norco Cooperative Limited business area	-	(1.8)
Expenses incurred to close the Thornloe plant	-	(0.7)
Sundry income (expense)	(13.3)	4.6
Total miscellaneous income (expense)	**582.0**	**168.4**

Proceeds from settlements and actions to void include the amounts paid by the Intesa Sanpaolo Group (394 million euros, net of legal fees), Deloitte & Touche S.p.A. and Dianthus S.p.A. (101.4 million euros, net of legal fees), Banca Monte Parma S.p.A. (35 million euros), Merrill Lynch (29.1 million euros), Banca Popolare di Milano Group (25 million euros), Banca delle Marche S.p.A. (22 million euros), Graubuendner Kantonalbank – GKB) (20.8 million euros), ING Bank (8 million euros) and other institutions (6.7 million euros) to settle pending disputes. These settlements were approved by the Litigation Committee, as required by the Bylaws, and included 237.9 million euros in compensatory damages.

Charges for tax risks refer for 10.2 million euros to a potential assessment related to financial transactions executed between 1998 and 2003 by Parmalat SpA and Bank of America and for 14.5 million euros to a potential assessment related to the Venezuelan subsidiary.

Expenses related to discontinuing operations reflect the risk of contingent liabilities that may arise in the process of divesting some non-strategic assets.

Expenses related to investee companies refer to the risk of contingent liabilities that may arise as the process of liquidating or divesting some investee companies.

(36) Financial Income and Expense

Net financial income amounted to 8.0 million euros, broken down as follows:

(in millions of euros)	2007	2006
Interest earned on accounts with banks and other financial institutions	27.7	8.5
Foreign exchange translation gains	17.5	10.7
Income from cash-equivalent securities	8.2	5.8
Cancellation of the indebtedness with Parmalat Capital Finance in liquidation	7.2	-
Interest received from the tax authorities	4.1	0.4
Other financial income	0.8	2.0
Total financial income	**65.5**	**27.4**
Interest paid on loans	(41.1)	(64.8)
Foreign exchange translation losses	(12.7)	(18.6)
Bank fees	(2.0)	(2.7)
Actuarial charges	(1.4)	(4.9)
Interest on late payment of prededuction and preferential claims	-	(0.5)
Write-off of writedowns of financial assets to reflect amounts collected	1.5	-
Other financial expense	(0.7)	(1.9)
Total financial expense	**(56.4)**	**(93.4)**
Net financial income (expense)	**9.1**	**(66.0)**

(37) Other Income from (Expenses for) Equity Investments

Net other income from equity investments of 3.3 million euros is the result of the following items:

(in millions of euros)	2007	2006
Gain on the sale of Interlatte Srl	1.2	-
Gain on the sale of the investment in Butter Producers	0.9	-
Gain on equity investments in other minor companies	1.4	
Dividends from investments in other companies	0.3	0.2
Gain on the sale of Italcheese S.p.A.	-	0.6
Total other income from equity investments	**3.8**	**0.8**
Loss on equity investments in other minor companies	(0.5)	(0.3)
Total other expenses for equity investments	**(0.5)**	**(0.3)**
Net other income from (expense for) equity investments	**3.3**	**0.5**

(38) Income Taxes

Income taxes totaled 145.6 million euros, broken down as follows:

(in millions of euros)	2007	2006
Current taxes		
- Italian companies	97.9	10.9
- Foreign companies	59.9	27.9
Deferred and prepaid taxes, net		
- Italian companies	4.1	2.0
- Foreign companies	(16.3)	12.3
Total	**145.6**	**53.1**

Current taxes of Italian companies totaled 97.9 million euros, including 5.2 million euros in local taxes (IRAP) and 92.7 million euros in corporate income taxes (IRES).

Net deferred and prepaid taxes of 12.2 million euros were computed on the temporary differences between the values assigned to assets and liabilities for reporting purposes and tax purposes.

Reconciliation of the Theoretical Tax Liability to the Amount Recognized in the Income Statement

(in millions of euros)	Italy	Canada	Australia	South Africa	Other countries	Total
Consolidated profit before taxes	**611.3**	**94.8**	**25.6**	**34.5**	**13.7**	**779.9**
Theoretical tax rate	33%	33.98%	30%	29.28%	-	32.46%
Theoretical tax liability	201.8	32.2	7.7	10.1	1.3	253.1
Tax effect on non-taxable income (permanent differences) (-)	(124.2)	-	(1.9)	(1.2)	(1.0)	(128.3)
Tax effect from non-deductible expenses (permanent differences)	16.0	0.4	0.8	1.2	3.0	21.4
Effect of national consolidated tax return	(3.3)	-	-	-	-	(3.3)
Tax losses for the period that are not deemed to be recoverable	3.1	-	-	-	8.5	11.6
Recognition of tax loss carryforward (-)	-	-	(2.4)	-	(1.5)	(3.9)
Prepaid taxes not recognized in previous periods that are deemed to be recoverable during the current period	2.7				0.3	3.0
Elimination of temporary differences due to changes in tax rates (-)	(0.7)	(12.3)	-	-	(1.6)	(14.6)
Actual income tax liability	**95.4**	**20.3**	**4.2**	**10.1**	**9.0**	**139.0**
IRAP and other taxes computed on a base different from the profit before taxes	6.3	-	-	-	0.3	6.6
Actual tax liability shown on the income statement at December 31, 2007	**101.7**	**20.3**	**4.2**	**10.1**	**9.3**	**145.6**
Actual tax rate	**16.64%**	**21.45%**	**16.33%**	**29.17%**	**-**	**18.67%**

(39) Profit (Loss) from Discontinuing Operations

The net profit from discontinuing operations totaled 40.1 million euros. A breakdown is as follows:

(in millions of euros)	**2007**	**2006**
Sales revenues	156.0	222.4
Other revenues	0.6	1.5
Cost of sales	(121.8)	(154.1)
Distribution costs	(9.2)	(16.7)
Administrative expenses	(30.6)	(84.0)
Other income (expense)	3.2	(10.8)
Financial income (expense), net	0.7	(4.3)
Income taxes	0.2	18.9
Profit (Loss) from discontinuing operations	**(0.9)**	**(27.1)**
Gain on the sale of discontinuing operations	41.9	-
Income taxes on the gain on the sale of discontinuing operations	(0.9)	-
Net gain on the sale of discontinuing operations	**41.0**	**-**
Total profit (loss) from discontinuing operations	**40.1**	**(27.1)**

The table below provides a breakdown showing the net profit attributable to each of the discontinuing operations:

(in millions of euros)	**Spanish operations**	**Boschi business operations**	**Parmalat Tomato Division**	**Total**
Sales revenues	91.1	55.1	9.8	156.0
Other revenues	0.5	0.1	-	0.6
Cost of sales	(57.4)	(53.7)	(10.7)	(121.8)
Distribution costs	(9.0)	(0.2)	-	(9.2)
Administrative expenses	(28.7)	(1.9)	-	(30.6)
Other income (expense)	3.2	-	-	3.2
Financial income (expense), net	0.7	-	-	0.7
Income taxes	-	(0.1)	0.3	0.2
Profit (Loss) from discontinuing operations	**0.4**	**(0.7)**	**(0.6)**	**(0.9)**
Gain on the sale of discontinuing operations	31.5	8.1	2.3	41.9
Income taxes on the gain on the sale of discontinuing operations	(0.2)	-	(0.7)	(0.9)
Net gain on the sale of discontinuing operations	**31.3**	**8.1**	**1.6**	**41.0**
Total profit (loss) from discontinuing operations	**31.7**	**7.4**	**1.0**	**40.1**

Other Information

Significant Non-recurring Transactions

The Group did not execute significant non-recurring transactions or transactions that were atypical or unusual.

Net Financial Position

In accordance with the requirements of the Consob Communication of July 28, 2006 and consistent with the CESR's Recommendation of February 10, 2005 *"Recommendations for a Uniform Implementation of the European Commission's Prospectus Regulation,"* a schedule showing the net financial position of the Parmalat Group at December 31, 2007 is provided below:

(in millions of euros)	**12/31/07**	**12/31/06**
A) Cash	1.6	2.2
B) Cash equivalents and readily available financial assets:		
- Bank and postal accounts	850.7	310.1
- Treasury securities	64.8	161.0
- Reverse repurchase agreements	-	52.5
- Time deposits	524.2	2.0
C) Negotiable securities	3.3	1.8
D) Liquid assets (A+B+C)	**1,444.6**	**529.6**
E) Current loans receivable	-	-
F) Current bank debt	187.8	228.8
G) Current portion of non-current indebtedness	41.9	15.2
H) Other current borrowings	21.8	27.7
I) Current indebtedness (F+G+H)	**251.5**	**271.7**
J) Net current indebtedness (I-E-D)	**(1,193.1)**	**(257.9)**
K) Non-current bank debt	276.9	358.4
L) Debt securities outstanding	-	-
M) Other non-current borrowings	60.4	69.5
N) Non-current indebtedness (K+L+M)	**337.3**	**427.9**
O) Net borrowings (J+N)	**(855.8)**	**170.0**

The section of this Report entitled "Financial Performance" explains the main developments that occurred in this area and the Groups' risk management policy.

Fees Paid to the Independent Auditors

As required by Article 149 – *duodecies* of Consob Resolution No. 15915 of May 3, 2007, published on May 15, 2007 in Issue No. 111 of the *Official Gazette of the Italian Republic* (S.O. No. 115), the table below lists the fees attributable to 2007 that were paid for services provided to the Group by its independent auditors and by entities included in the network headed by these independent auditors.

(in millions of euros)		
Type of services	**Client**	**2007**
A) Audits	Parent Co.	1.3
B) Assignments involving the issuance of a certification	Parent Co.	
C) Other services	Parent Co.	
- Tax services		
- Due diligence		
- Other services: services correlated with legal disputes definition		0.9
Total Group Parent Company		**2.2**
A) Audits	Subsidiaries	2.0
B) Assignments involving the issuance of a certification	Subsidiaries	
C) Other services	Subsidiaries	
- Tax services		0.3
- Due diligence		0.2
- Other services		0.3
Total subsidiaries		**2.8**

Breakdown of Labor Costs by Type

A breakdown is as follows:

	2007	**2006**
Wages and salaries	327.4	314.7
Social security contributions	63.6	61.3
Severance benefits	27.9	31.3
Other labor costs	25.6	20.5
Total labor costs of continuing operations	**444.5**	**427.8**
Wages and salaries	4.2	38.8
Social security contributions	1.5	10.9
Severance benefits	0.3	0.1
Other labor costs	-	0.3
Total labor costs of discontinuing operations	**6.0**	**50.1**
Total labor costs	**450.5**	**477.9**

Depreciation, Amortization and Writedowns

A breakdown is as follows:

(in millions of euros)	**2007**	**2006**
- Amortization of intangibles	24.6	23.6
- Depreciation of property, plant and equipment	69.4	70.0
- Writedowns of non-current assets	23.5	23.1
Total depreciation, amortization and writedowns of non-current assets of continuing operations	**117.5**	**116.7**
- Amortization of intangibles	**-**	0.3
- Depreciation of property, plant and equipment	2.3	11.1
- Writedowns of non-current assets	-	22.4
Total depreciation, amortization and writedowns of non-current assets of discontinuing operations	**2.3**	**33.8**
Total depreciation, amortization and writedowns of non-current assets	**119.8**	**150.5**

Earnings per share

The table below provides a computation of earnings per share in accordance with IAS 33:

(in euros)	**2007**	**2006**
- Group interest in profit for the period broken down as follows:	*673,418,698*	*192,503,967*
- Profit from continuing operations	*633,368,770*	*219,550,394*
- Profit (Loss) from discontinuing operations	*40,049,928*	*(27,046,427)*
- Weighted average number of shares outstanding determined for the purpose of computing earnings per share:		
- basic	1,648,769,621	1,634,448,605
- diluted	1,705,822,183	1,688,875,888
Basic profit per share broken down as follows:	*0.4084*	*0.1178*
- Profit from continuing operations	*0.3841*	*0.1343*
- Profit (Loss) from discontinuing operations	*0.0243*	*(0.0165)*
Diluted profit (loss) per share broken down as follows:	*0.3948*	*0.1140*
- Profit from continuing operations	*0.3713*	*0.1300*
- Profit (Loss) from discontinuing operations	*0.0235*	*(0.0160)*

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 21, 2008: 46,169 euros
- February 29, 2008: 8,741,676 euros

The computation of the weighted average number of shares outstanding (starting with 1,641,527,456 shares outstanding at January 1, 2007) took into account the following changes that occurred in 2007:

- Issuance of 186,770 common shares on January 25, 2007
- Issuance of 281,919 common shares on February 23, 2007
- Issuance of 6,341,475 common shares on March 20, 2007
- Issuance of 834,051 common shares on April 17, 2007
- Issuance of 101,742 common shares on May 23, 2007
- Issuance of 131,298 common shares on June 29, 2007
- Issuance of 2,431,323 common shares on July 24, 2007
- Issuance of 118,253 common shares on August 30, 2007
- Issuance of 43,148 common shares on September 28, 2007
- Issuance of 43,002 common shares on October 26, 2007
- Issuance of 77,640 common shares on November 26, 2007
- Issuance of 301,768 common shares on December 20, 2007

The computation of diluted earnings per share also takes into account the maximum number of issuable warrants (15 million), as set forth in a motion submitted to the Shareholders' Meeting of April 28, 2007.

Segment Information

The table below, which is prepared in accordance with the disclosure requirements of IAS 14, provides segment information about the Group's operations at December 31, 2007 and the comparable data for 2006. 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 end-of-year data.

(in millions of euros)	**Italy**	**Europe**	**North America**	**Central and South America**	**Oceania**	**Africa**	**Continuing non-core and other Group operations**	**Holding co.s, adjstm. and eliminat.**	**Total for the Group**
2007									
Total net sales revenues	1,146.7	152.2	1,400.6	366.1	446.7	354.1	1.9	(4.6)	3,863.7
Intra-Group net revenues	(0.2)	(0.1)	-	(2.0)	-	-	(2.3)	4.6	-
Net sales revenues	1,146.5	152.1	1,400.6	364.1	446.7	354.1	(0.4)	-	3,863.7
EBITDA	116.2	20.0	137.0	34.1	37.7	40.4	(0.8)	(18.0)	366.6
as a % of net revenues	*10.2*	*13.1*	*9.8*	*9.3*	*8.4*	*11.4*			*9.5*
Depreciation, amortization and writedowns of non-current assets	(55.8)	(7.0)	(22.0)	(13.2)	(10.9)	(5.2)	(3.4)	-	(117.5)
Other income and expense:									
- Legal fees paid in actions for damages and actions to void									(56.2)
- Restructuring costs									(7.0)
- Miscellaneous income and expense									582.0
EBIT									**767.9**
Financial income (expense), net									9.1
Interest in the profit (loss) of cos, valued by the equity method	-	-	-	-	-	-	(0.4)	-	(0.4)
Other income from (Expense for) equity investments									3.3
PROFIT BEFORE TAXES									**779.9**
Income taxes									(145.6)
PROFIT FROM CONTINUING OPERATIONS									**634.3**
Profit (Loss) from discontinuing operations									40.1
PROFIT FOR THE PERIOD									**674.4**
Total operating assets	2,608.3	160.0	840.3	202.0	328.7	265.1	90.0	(13.3)	4,481.1
Total non-operating assets									89.8
Total assets									**4,570.9**
Total operating liabilities	507.7	29.3	190.9	85.4	83.0	61.7	22.1	(13.3)	966.8
Total non-operating liabilities									918.8
Total liabilities									**1,885.6**
Capital expenditures (property, plant and equipment)	44.4	8.0	26.3	9.3	18.3	13.1	0.1	-	119.5
Capital expenditures (intangibles)	4.0	-	0.1	0.2	0.1	0.5			4.9
Number of employees	2,940	1,383	2,974	3,755	1,432	2,237			14,721

- Capital expenditures for property, plant and equipment include land and buildings.

Additional information about the performance of the different segments in 2007 is provided in the Report on Operations.

(in millions of euros)	**Italy**	**Europe**	**North America**	**Central and South America**	**Oceania**	**Africa**	**Continuing non-core and other Group operations**	**Holding cos., adjstm. and eliminat.**	**Total for the Group**
2006									
Total net sales revenues	1,015.8	132.7	1,381.3	335.8	417.9	343.8	10.8	(4.5)	3,633.6
Intra-Group net revenues	(13.6)	-	-	(4.0)	-	-	(0.2)	17.8	-
Net sales revenues	1,002.2	132.7	1,381.3	331.8	417.9	343.8	10.6	13.3	3,633.6
EBITDA	105.8	18.7	123.1	43.5	39.5	39.9	(1.4)	(21.4)	347.7
as a % of net revenues	*10.4*	*14.1*	*8.9*	*13.0*	*9.4*	*11.6*	*n.m.*	*n.m.*	*9.6*
Depreciation, amortization and writedowns of non-current assets	(48.2)	(11.2)	(24.2)	(15.6)	(11.3)	(6.1)	(0.1)	-	(116.7)
Other income and expense:									
Rebilling of costs related to the alleged ITX contamination									(10.4)
- Legal fees paid in actions for damages and actions to void									(55.0)
- Restructuring costs									(3.3)
- Miscellaneous income and expense									158.0
EBIT									**341.1**
Financial income (expense), net									(66.0)
Other income from (Expense for) equity investments									0.5
PROFIT BEFORE TAXES									**275.6**
Income taxes									(53.1)
PROFIT FROM CONTINUING OPERATIONS									**222.5**
Profit (Loss) from discontinuing operations									(27.1)
PROFIT FOR THE PERIOD									**195.4**
Total operating assets	1,852.1	367.1	791.2	205.9	303.1	258.3	94.5	(40.1)	3,832.1
Total non-operating assets									165.1
Total assets									**3,997.2**
Total operating liabilities	487.2	82.4	155.5	74.9	74.0	57.6	88.6	(40.1)	980.1
Total non-operating liabilities									965.4
Total liabilities									**1,945.5**
Capital expenditures (property, plant and equipment)	26.6	15.6	20.9	5.4	13.5	16.1	1.4	**-**	99.5
Capital expenditures (intangibles)	2.1	0.4	0.1	0.1	-	0.4	0.1	-	3.2
Number of employees	3,074	2,530	2,961	3,730	1,452	2,225	123	-	16,095

- Capital expenditures for property, plant and equipment include land and buildings.

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**	**Fruit beverages**	**Dairy products**	**Other products**	**Total for the Group**
2007					
Net sales revenues	2,270.5	256.3	1,275.8	61.1	3,863.7
EBITDA	187.0	48.9	135.3	(4.7)	366.6
as a % of net revenues	*8.2%*	*19.1%*	*10.6%*	*-7.7%*	*9.5%*

(in millions of euros)	**Milk**	**Fruit beverages**	**Dairy products**	**Other products**	**Total for the Group**
2006					
Net sales revenues	2,126,6	218,2	1,219,3	69,6	3,633,6
EBITDA	182,8	33,7	136,4	(5,2)	347,7
as a % of net revenues	*8,6%*	*15,4%*	*11,2%*	*-7,4%*	*9,6%*

Information required by IFRS 7

The information regarding the “Financial instruments” not included in the “Notes to the Financial Statements” are provided below.

Financial instruments by category

(in millions of euros)	**Loans and receivables**	**Assets at fair value through the profit and loss**	**Derivatives used for hedging**	**Held to maturity**	**Available for sale**	**Total**
12/31/07						
Other non-current financial assets	6.1	-	-	-	-	**6.1**
Trade receivables	522.4	-	-	-	-	**522.4**
Other current assets	243.2	-	-	-	-	**243.2**
Cash and cash equivalents	852.9	-	-		-	**852.9**
Current financial assets	-	0.6	0.3	590.8	-	**591.7**
Total financial assets	**1,624.6**	**0.6**	**0.3**	**590.8**	**-**	**2,216.3**

(in millions of euros)	**Financial liabilities at amortised cost**	**Liabilities at fair value through the profit and loss**	**Derivatives used for hedging**	**Total**
12/31/07				
Financial liabilities	584.2	-	-	**584.2**
Derivative financial liabilities	-	4.6	-	**4.6**
Trade payables	532.7	-	-	**532.7**
Total financial liabilities	**1,116.9**	**4.6**	**-**	**1,121.5**

(in millions of euros)	**Loans and receivables**	**Assets at fair value through the profit and loss**	**Derivatives used for hedging**	**Held to maturity**	**Available for sale**	**Total**
12/31/06						
Other non-current financial assets	50.9	-	-	44.4	-	**95.3**
Trade receivables	530.0	-	-	-	-	**530.0**
Other current assets	405.3	1.3	-	-	-	**406.6**
Cash and cash equivalents	321.8	-	-	-	-	**321.8**
Current financial assets	-	-	0.5	207.3	-	**207.8**
Total financial assets	**1,308.0**	**1.3**	**0.5**	**251.7**	**-**	**1,561.5**

(in millions of euros)	**Financial liabilities at amortised cost**	**Liabilities at fair value through the profit and loss**	**Derivatives used for hedging**	**Total**
12/31/06				
Financial liabilities	699.6	-	-	**699.6**
Derivative financial liabilities	-	-	-	**-**
Trade payables	521.0			**521.0**
Total financial liabilities	**1,220.6**	**-**	**-**	**1,220.6**

The carrying value of the financial assets and liabilities substantially coincides with the *fair value*.

The financial assets denominated in foreign exchange are not significant considered that Parmalat S.p.A holds the main part of the Group liquidity and short-term investments.
The analysis related to the financial liabilities is provided in the schedule included in the “Notes to the Consolidated Financial Statements”.

Credit quality of financial assets (loans and receivables excluded)

The credit quality of financial assets that are neither past due nor impaired is below reported:

	Rating	**12/31/07**	**12/31/06**
Cash and cash equivalents	A and above	599.2	225.9
	Not rated	253.7	95.9
Current financial assets	A and above	587.7	204.2
	Not rated	4.0	3.6
Total		**1,444.6**	**529.6**

Source:Moody’s.

Cash and cash equivalents not rated are substantially related to an italian financial institution that has recently settled an agreement with the Group.

Ageing analysis of trade receivables from third parties (Spanish operations and Boschi business operations excluded)

The ageing analysis of the impaired trade receivables from third parties is as follows:

(in millions of euros)	**12/31/07**	**12/31/06**
Not yet past due	308.0	279.7
Up to 30 days	110.9	110.7
31 to 60 days	37.5	36.6
61 to 120 days	26.0	24.3
over 120 days	40.0	40.6
Total	**522.4**	**491.9***

* Data for 2006 don't include the Spanish operations and the Boschi business operations

Concentration by channel of trade receivables from third parties (Spanish operations and Boschi business operations excluded)

Exposure to credit risk of trade receivables at the reporting date, detailed by channel, broken down as follows:

(in millions of euros)	**12/31/07**	**12/31/06**
Modern trade	311.7	294.3
Normal trade	76.8	79.1
Dealers	41.6	39.4
HO.RE.CA.	25.3	23.2
Production on the behalf	20.0	19.4
Other	47.0	36.5
Total	**522.4**	**491.9***

* Data for 2006 non don't include the spanish operations and the Boschi business operations

Modern trade: sales made through the GDO structures;

Normal trade: sales made through the very moderate Points of Sales which are not part of an organization (example *cash & carry*);
HO.RE.CA.: sales through Hotels, Restaurants, Cafeterie and Catering;
Dealers: sales through commercial partners that buy and sell our products and hold an inventory;

The "Modern Trade" channel represents the 59.7% of the total Group credit exposure. However, considered that the counterparties belong to the GDO, any losses from non-performance by them are not expected.

Maturity of financial liabilities (escluse Spanish operations and Boschi business operations excluded)

Expiry dates of the financial liabilities are as follows:

(in millions of euros)	**Carrying amount**	**Future cash flows**	**Up to 60 days**	**60 to 120 days**	**120 to 360 days**	**1 to 2 years**	**2 to 5 years**	**over 5 years**
Financial liabilities	588.8	663.1	186.3	10.2	52.1	41.4	302.0	71.1
Trade payables	532.7	532.7	432.0	78.8	21.1	0.2	0.6	-
Balance at 12/31/07	**1,121.5**	**1,195.8**	**618.3**	**89.0**	**73.2**	**41.6**	**302.6**	**71.1**

* the future cash flow of the financial liablities up to 60 days includes the payment of the Venezuelan debt challenged in front of the related US Court

(in millions of euros)	**Carrying amount**	**Future cash flows**	**Up to 60 days**	**60 to 120 days**	**120 to 360 days**	**1 to 2 years**	**2 to 5 years**	**over 5 years**
Financial liabilities	689.8	773.2	191.9	11.3	55.8	132.0	277.0	105.2
Trade payables	497.6	497.6	418.0	66.9	10.6	0.8	1.3	-
Balance at 12/31/06	**1,187.4**	**1,270.8**	**609.9**	**78.2**	**66.4**	**132.8**	**278.3**	**105.2**

* the future cash flow of the financial liablities up to 60 days includes the payment of the Venezuelan debt challenged in front of the related US Court

Exchange Rates Used to Translate Financial Statements

Source: Italian Foreign Exchange Bureau

LOCAL CURRENCY FOR 1 EURO	ISO CODE	12/31/07 (end of period rate)	12/31/06 (end of period rate)	% change (end of period rate)	12/31/07 (average rate)	12/31/06 (average rate)	% change (average rate)
DOLLAR – AUSTRALIA	AUD	1.6757	1.66910	0.40%	1.63484	1.66681	-1.92%
PULA – BOTSWANA	BWP	8.88614	7.93104	12.04%	8.42066	7.33733	14.76%
DOLLAR – CANADA	CAD	1.44490	1.52810	-5.44%	1.46785	1.42369	3.10%
PESO – COLOMBIA	COP	2,969.59	2,949.75000	0.67%	2,841.50000	2,965.86000	-4.19%
QUETZAL – GUATEMALA	GTQ	11.24920	10.06850	11.73%	10.51970	9.55091	10.14%
PESO – MEXICO	MXN	16.05470	14.29370	12.32%	14.97480	13.69430	9.35%
METICAL – MOZAMBIQUE	MZM	34.82250	33.20160	4.88%	35.03460	31.35550	11.73%
CORDOBA ORO – NICARAGUA	NIO	27.82710	23.70020	17.41%	25.29530	22.06640	14.63%
GUARANI – PARAGUAY	PYG	7,139.69000	6,808.89000	4.86%	6,874.96000	7,053.36000	-2.53%
NEW LEU – ROMANIA	RON	3.60770	3.38350	6.63%	3.33530	3.52584	-5.40%
RUBLE – RUSSIA	RUB	35.98600	34.68000	3.77%	35.01830	34.11170	2.66%
LILANGENI – SWAZILAND	SZL	10.02980	9.21240	8.87%	9.65959	8.53118	13.23%
U.S. DOLLAR*	USD	1.47210	1.31700	11.78%	1.37048	1.25560	9.15%
BOLIVAR – VENEZUELA	VEB	3,161.04000	2,827.99000	11.78%	2,942.83000	2,696.15000	9.15%
RAND – SOUTH AFRICA	ZAR	10.02980	9.21240	8.87%	9.65969	8.53118	13.23%
KWACHA – ZAMBIA	ZMK	5,668.67000	5,817.48000	-2.56%	5,476.06000	4,522.44000	21.09%

* 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 (i)	Curr.	Amount	Tot. number of voting shares/ capi.interests held	Held by	Number of shares/cap. interests	% (based on No. of shares/ cap. int.)	Group interest	Consolid. or valu-ation method (ii)
GROUP'S PARENT COMPANY									
PARMALAT SPA	PC	EUR	1,652,419,845						
Collecchio								100.0000	L
EUROPE									
ITALY									
AIRON SRL in liquidation***	LLP	EUR	10,329	5,164	Sata Srl	5,164	50.000		
Parma							50.000		C
ALBALAT SRL	LLP	EUR	20,000	100	Sata Srl	100	0.500		
Albano Laziale (Rome)							0.500		C
BONATTI SPA	C	EUR	28,813,404	572,674	Parmalat Spa	572,674	10.256		
Parma							10.256		C
BOSCHI LUIGI & FIGLI SPA	C	EUR	10,140,000	9,953,820	Parmalat Spa	9,953,820	98.164		
Collecchio							98.164	98.1639	L
CARNINI SPA	C	EUR	3,300,000	600	Parmalat Spa	600	100.000		
Villa Guardia (CO)							100.000	100.0000	L
CE.PI.M SPA	C	EUR	6,642,928	n.a.	Parmalat Spa	n.a.	0.840		
Parma							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 in liquidation***	LLP	EUR	10,000	10,000	Dalmata Srl	10,000	100.000		
Collecchio							100.000	100.0000	L
COMPAGNIA FINANZIARIA REGGIANA SRL	LLP	EUR	600,000	20,658	Parmalat Spa	10,329	1.722		
Reggio Emilia					Newlat Spa	10,329	1.722		
							3.443		C
DALMATA SRL	LLP	EUR	120,000	1	Parmalat Spa	1	100.000		
Collecchio							100.000	100.0000	L
DALMATA DUE SRL	LLP	EUR	10,000	1	Dalmata Srl	1	100.000		
Collecchio							100.000		C
FIORDILATTE SRL in liquidation***	LLP	EUR	10,000	4,000	Dalmata Srl	4,000	40.000		
Collecchio							40.000		EM
FOOD RECEIVABLES CORPORATION SRL in liquidation***	LLP	EUR	41,339	20,256	Parmalat Spa	20,256	49.000		
Collecchio							49.000		C
FRATELLI STRINI COSTR. MECC. SRL in	LLP	EUR	52,000	51,000	Parmalat Spa	51,000	51.000		
A.S.*							51.000		
Fontevivo									C
GIGLIO SRL in liquidation***	LLP	EUR	10,000	10,000	Parmalat Spa	10,000	100.000		
Reggio Emilia							100.000		C
HORUS SRL **	LLP	EUR	n.a.	n.a.	Sata Srl	n.a.	1.000		
							1.000		C
IMPIANTI SPORTIVI PARMA SRL*	LLP	EUR	40,000	40,000	Dalmata Srl	40,000	100.000		
Collecchio							100.000		C
LATTE SOLE SPA	C	EUR	3,230,074	6,211,680	Parmalat Spa	6,211,680	100.000		
Collecchio							100.000	100.0000	L
NEWLAT SPA	C	EUR	10,120,000	10,120,000	Parmalat Spa	10,085,728	99.661		
Reggio Emilia					Giglio Srl in liquidation	34,272	0.339		
							100.000	99.6613	L

*: co. under e. a. or noncore co. ** co. party to local composition-with-creditors proceedings *** co. in liquidation and subsidiaries
(i) C = Corporation; PC = Publicly traded corporation; LLP = Limited liability partnership; F = Foreign company
(ii) L = Company consolidated line by line; C = Company valued at cost; EM = Company valued by the equity method

Company		Share capital			Equity investment				
Name Head office	Type (i)	Curr.	Amount	Tot. number of voting shares/ capi.interests held	Held by	Number of shares/cap. interests	% (based on No. of shares/ cap. int.)	Group interest	Consolid. or valu-ation method (ii)
NUOVA HOLDING SPA in A.S.**	C	EUR	25,410,000	100	Sata Srl	100	0.0003		
Parma							0.0003		C
PARMACQUA SRL	LLP	EUR	10,000	4,900	Dalmata Srl	4,900	49.000		
Sestri Levante							49.000		EM
PARMAFACTOR SPA in liquidation***	C	EUR	5,160,000	154,800	Parmalat Spa	154,800	30.000		
Milan							30.000		C
PARMALAT DISTRIBUZIONE ALIMENTI SRL	LLP	EUR	1,000,000	1	Parmalat Spa	1	100.000		
Collecchio							100.000	100.0000	L
PISORNO AGRICOLA SRL	LLP	EUR	516,400	511,236	Sata Srl	511,236	99.000		
Collecchio					Parmalat Spa	5,164	1.000		
							100.000	100.0000	L
SATA SRL	LLP	EUR	500,000	500,000	Parmalat Spa	500,000	100.000		
Collecchio							100.000	100.0000	L
Soc. Trasp. Extraurb. Cons. Alessandro Volta		EUR	742.97		Carnini Spa		0.710		
Como							0.710		C
SO.GE.AP Spa	C	EUR	3,631,561.64	1,975	Parmalat Spa	1,975	0.725		
Parma							0.725		C
TECNOALIMENTI SCPA	C	EUR	780,000		Parmalat Spa		4.330		
Milan							4.330		C
AUSTRIA									
PARMALAT AUSTRIA GMBH	F	EUR	36,337	1	Parmalat Spa	1	100.000		
Vienna							100.000	100.0000	L
BELGIUM									
PARMALAT BELGIUM SA	F	EUR	1,000,000	40,000	Parmalat Spa	40,000	100.000		
Brussels							100.000	100.0000	L
NETHERLANDS									
DAIRIES HOLDING INTERNATIONAL BV in	F	EUR	244,264,623.05	40 common	Dalmata Srl	40	0.008		
A.S.*				542,765,829 pref.	Dalmata Srl	542,765,829	99.992		
Rotterdam							100,000		C
FRANCE									
PARMALAT FRANCE SA in liquidation***	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 in liquid.	3,800	95.000		
Athis de l'Orne							95.000		C
GERMANY									
DEUTSCHE PARMALAT GMBH in A.S.*	F	EUR	4,400,000	4,400,000	Dalmata Srl	4,400,000	100.000		
Weissenhorn							100.000		C
PARMALAT MOLKEREI GMBH in A.S.*	F	EUR	600,000	540,000	Deutsche Parmalat Gmbh in	540,000	90.000		
Gransee					AS		90.000		C
LUXEMBOURG									
OLEX SA in a.s.*	F	EUR	578,125	22,894	Dairies Holding Int.l Bv in a.s.	22,894	99.001		
Luxembourg							99.001		C
SATALUX SA	F	EUR	31,000	n.a.	Sata Srl	n.a.	99.990		
Luxembourg							99.990		C
PORTUGAL									
PARMALAT PORTUGAL PROD. ALIMENT.	F	EUR	11,651,450.04	11,651,450.04	Parmalat Spa	11,646,450	99.957		
LDA					Parmalat Distribuz. Alim. Srl	1,500	0.013		
Sintra					Latte Sole Spa	3,500	0.030		
							100.000	100.0000	L

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Company		Share capital			Equity investment				
Name Head office	Type (i)	Curr.	Amount	Tot. number of voting shares/ capi.interests held	Held by	Number of shares/cap. interests	% (based on No. of shares/ cap. int.)	Group interest	Consolid. or valu-ation method (ii)
EMBOPAR	F	EUR	241,500	4,830	Parmalat Portugal	70	1.449		
Lisbon							1.449		C
CNE – Centro Nacional de Embalagem	F	EUR	488,871.88	897	Parmalat Portugal	1	0.111		
Lisbon							0.111		C
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	98.9062	L
PARMALAT ROMANIA SA	F	RON	26,089,760	2,427,765	Parmalat Spa	2,427,765	93.054		
Comuna Tunari							93.054	93.0543	L
RUSSIA									
OAO BELGORODSKIJ MOLOCNIJ KOMBINAT	F	RUB	67,123,000	66,958,000	Parmalat Spa	66,958,000	99.754		
Belgorod							99.754	99,7542	L
OOO DEKALAT	F	RUB	100,000	1	Parmalat Spa	1	100.000		
Saint Petersburg							100.000	100.0000	L
OOO FARM[1]	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 URALLAT	F	RUB	129,618,210	1	Parmalat Spa	1	100.000		
Berezovsky							100.000	100.0000	L
OOO FORUM	F	RUB	10,000	10,000	OOO Parmalat MK	10,000	100.000		
Severovo							100.000	100.0000	L
SPAIN									
ARILCA SA	F	EUR	270,455	450	Parmalat Spa	450	100.000		
Madrid							100.000	100.0000	L
SWITZERLAND									
PARMALAT INTERNATIONAL SA***	F	CHF	150,000	150	Parmalat Spa	150	100.000		
Lugano							100.000		C
NORTH AMERICA									
CANADA									
2975483 CANADA INC.	F	CAD	100	100	Parmalat Dairy and Bakery Inc	100	100.000		
Toronto							100.000	100.0000	L
9161–5849 QUEBEC INC. (formerly Eaux Vives	F	CAD	17,910,400	600,000 comm.	Parmalat Canada Inc.	600,000	60.000		
Hurricana)**				1 preferred	Parmalat Canada Inc.		0.000		
St Matthieu d'Hurricana							60.000		C
LACTANTIA LIMITED	F	CAD	5	89,259	Parmalat Dairy and Bakery Inc	89,259	100.000		
Victoriaville							100.000	100.0000	L
PARMALAT CANADA INC.	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		
							100.000	100.0000	L
PARMALAT DAIRY & BAKERY INC.	F	CAD	633,592,000	9,519,036 pref.	Parmalat Canada Inc.	9,519,036	100.000		
Toronto				569 common	Parmalat Canada Inc.	569	0.000		
							100.000	100.0000	L

[1] In the process of merging with OOO Parmalat MK

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Company Name Head office	Share capital Type (i)	Curr.	Amount	Equity investment Tot. number of voting shares/ capi.interests held	Held by	Number of shares/cap. interests	% (based on No. of shares/ cap. int.)	Group interest	Consolid. or valu-ation method (ii)
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 AMERICANOS LACTAM SA*	F	CRC	12,000	12	Parmalat Centroamerica sa	12	100.000		
San Ramon							100.000		C
PARMALECHE DE COSTARICA SA***	F	CRC	10,000	10	Parmalat Spa	10	100.000		
San Ramon							100.000		C
CUBA									
CITRUS INTERNATIONAL CORPORATION SA	F	USD	11,400,000	627	Parmalat Spa	627	55.000		
Havana							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 Americanos sa	1	0.100		
							100.000		C
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
PARMALAT CENTROAMERICA SA	F	NIO	4,000,000	2,040	Parmalat Nicaragua sa	2,040	51.000		
Managua							51.000	51.0000	L
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
BRAZIL									
GELATERIA PARMALAT LTDA**	F	BRL	10,131,767	10,131,767	PEAPAR Empr e Admin ltda	330,847	3.265		
São Paulo					PPL Particip do Brasil ltda	9,800,920	96.735		
							100.000		C
ITC-COMERCIO INT. DO BRASIL LTDA**	F	BRL	22,985,352	22,985,352	PPL Particip do Brasil ltda	22,985,350	99.999		
São Paulo					PEAPAR Empr e Admin ltda	2	0.001		
							100.000		C
PRM ADMIN E PART DO BRASIL LTDA***	F	BRL	1,000,000	810,348	Parmalat Spa	810,348	81.035		
São Paulo							81.035		C
PEAPAR EMPREEND. E ADM. LTDA**	F	BRL	1,443,660,566	1,181,177,020	PPL Particip do Brasil ltda	1,181,177,020	81.818		
São Paulo							81.818		C
PPL PARTICIPACOES DO BRASIL LTDA**	F	BRL	1,271,257,235	1,177,921,807	Parmalat Spa	1,177,921,807	92.658		
São Paulo							92.658		C
SEIB-SOC. EXPORT E IMPORT DE BENS	F	BRL	15,658,112	15,658,112	PPL Particip do Brasil ltda	15,658,110	99.999		
LTDA**					PEAPAR Empr e Admin ltda	2	0.001		
São Paulo							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

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Company			Share capital		Equity investment				
Name Head office	Type (i)	Curr.	Amount	Tot. number of voting shares/ capi.interests held	Held by	Number of shares/cap. interests	% (based on No. of shares/ cap. int.)	Group interest	Consolid. or valu-ation method (ii)
COLOMBIA									
PARMALAT COLOMBIA LTDA	F	COP	20,466,360,000	20,466,360	Parmalat Spa	18,621,581	90.986		
Santafè de Bogotá					PPL 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	138,077,680	Parmalat Spa	131,212,931	94.773		
Medellin					Dalmata Srl	4,101,258	2.962		
					Parmalat Colombia Ltda	2,763,491	1.996		
							99.731	99.5536	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	49.5643	L
PARAGUAY									
PARMALAT PARAGUAY SA	F	PYG	9,730,000,000	9,632	Parmalat Spa	9,632	98.993		
Asuncion							98.993	98.993	L
URUGUAY									
AIRETCAL SA*	F	UYU	9,198,000	9,198,000	Parmalat Spa	9,198,000	100.000		
Montevideo							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					PPL 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
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
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

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Name Head office	Type (i)	Curr.	Amount	Tot. number of voting shares/ capi.interests held	Held by	Number of shares/cap. interests	% (based on No. of shares/ cap. int.)	Group interest	Consolid. or valu-ation method (ii)
MOZAMBIQUE									
PARMALAT PRODUTOS ALIMENTARES SARL	F	MZM	57,841,500,000	536,415	Parmalat Africa Ltd	536,415	92.739		
Matola							92.739	92.7390	L
SOUTH AFRICA									
ANDIAMO AFRIKA (PTY) LTD	F	ZAR	100	51	Parmalat South Africa (Pty) Ltd	51	51.000		
Stellenbosch							51.000	51.0000	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
NEW FARMERS DEVELOPMENT CO LTD	F	ZAR	51,420,173	150,000	Parmalat South Africa (Pty) Ltd	150,000	0.292		
Durbanville							0.292		C
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
INDIA									
SWOJAS ENERGY FOODS LIMITED in liquidation***	F	INR	309,626,500	21,624,311	Parmalat Spa	21,624,311	69.840		
							69.840		
Shivajinagar									C
THAILAND									
PARMALAT ASIA (EWP) LIMITED*	F	THB	30,850,000	308,495	Parmalat Australia Ltd	308,494	99.998		
Bangkok					Parmalat Pacific Holding Pty ltd	1	0.000		
							99.998		C
SINGAPORE									
QBB SINGAPORE PTE LTD	F	SGD	1,000	232	Parmalat Australia Ltd	232	23.200		
							23.200		C
OCEANIA									
AUSTRALIA									
MONTAGUE MOULDERS PTY LTD	F	AUD	200	200	Parmalat Australia ltd	200	100.000		
South Brisbane							100.000	100.0000	L
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 PACIFIC HOLDING PTY LTD	F	AUD	522,932,237	322,618,866 com.	Parmalat Belgium sa	322,618,866	100.000		
South Brisbane				200,313,371 pref.	Parmalat Spa	200,313,371	0.000		
							100.000	100.0000	L
PORT CURTIS MOULDERS PTY LTD	F	AUD	200	200	Parmalat Australia ltd	200	100.000		
South Brisbane							100.000	100.0000	L
QUANTUM DISTRIBUTION SERV. PTY LTD	F	AUD	8,000,000	8,000,000	Parmalat Australia Ltd	8,000,000	100.000		
South Brisbane							100.000	100.0000	L
PATTANA MILK CO LTD	F	THB	50,000,000	2,500,000	Parmalat Australia Ltd	2,500,000	5.000		
							5.000		C

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Companies Added to the Parmalat Group in 2007

Company	Country	Reason	Consolidation method
Quantum Distribution Services Pty Ltd	Australia	Acquisition	Line by line
Dalmata Due Srl	Italy	Newly established	Cost
Sata Srl	Italy	Transazione	Cost
Pisorno Agricola Srl	Italy	Transazione	Cost
Airon Srl in liquidation	Italy	Transazione	Cost
Nuova Holding Spa in under e.a.	Italy	Transazione	Cost
Albalat Srl	Italy	Transazione	Cost
Horus Srl	Italy	Transazione	Cost
OOO Forum	Russia	Acquisition	Line by line

Companies Removed from the Parmalat Group in 2007

Company	Country	Reason	Consolidation method
Butters Producers Cooperative Ltd	Australia	Dissolved	Cost
Gelateria Parmalat Pty	Australia	Dissolved	Cost
9161-5286 Quebec Inc.	Canada	Dissolved	Cost
Cringle Holdings Ltd	Canada	Dissolved	Line by line
The George Cringle-Palm Dairies Research Foundation	Canada	Dissolved	Line by line
Shanghai Yong & Dairy Co.	China	Sold	Equity
Gelateria Parmalat Ltda	Colombia	Dissolved	Cost
Parmalat del Caribe sa	Dominican Republic	Dissolved	Cost
Comercializadora San Isidro sa	Guatemala	Dissolved	Line by line
Ce.Di Spezia	Italy	Dissolved	Cost
Comunicazione 2000 Srl	Italy	Merged	Cost
Emilat Srl	Italy	Merged	Line by line
Gelateria Parmalat Srl in liquidation	Italy	Merged	Line by line
Interlatte Srl	Italy	Sold	Line by line
Lucana Club Pallavolo Femminile	Italy	Dissolved	Cost
Marilat Srl in liquidation	Italy	Merged	Cost
Marsh & Co.	Italy	Sold	Cost
PVF Matera Club	Italy	Dissolved	Cost
Saral Srl in liquidation	Italy	Merged	Cost
Parmalat Mocambique Produtos Alimentares Limitada	Mozambique	Dissolved	Line by line
Zilpa Corporation nv	Netherlands Antilles	Dissolved	Line by line
Clesa Portuguesa Ind. De Latic. sa	Portugal	Sold	Line by line
FIT sa	Portugal	Sold	Fair Value
Italagro sa	Portugal	Sold	Fair Value
OOO Trade House 4 Seasons	Russia	Dissolved	Line by line
Mliekotej sro	Slovakia	Dissolved	Cost
Dun Robin Products Pty Ltd	South Africa	Dissolved	Line by line
Prima Dolce Pty Ltd	South Africa	Dissolved	Line by line

Company	Country	Reason	Consolidation method
Bascones del Agua	Spain	Sold	Line by line
Clesa Helados sa	Spain	Sold	Line by line
Club Financiero Genova	Spain	Sold	Cost
North Star Pty Ltd	Thailand	Dissolved	Cost
Ault Foods (UK) Limited	U.K.	Dissolved	Cost
Canadian Cheese Holdings Ltd	U.K.	Sold	Equity
Parmalat Dairies UK Ltd	U.K.	Dissolved	Cost
Parmalat Food Holdings (UK) Limited	U.K.	Dissolved	Cost
Valuetuning Ltd	U.K.	Sold	Cost
41902 Delaware Inc.	USA	Dissolved	Cost
Fruticola Santa Cruz ca	Venezuela	Dissolved	Cost

Signed: Raffaele Picella
Chairman

Signed: Enrico Bondi
Chief Executive Officer

Certification of the Consolidated Financial Statements pursuant to Article 81-ter of Consob Regulation n. 11971 (which cites Articles 154-bis, paragraph 5 TUF), of May 14, 1999, as amended

The undersigned Enrico Bondi, in his capacity as Chief Executive Officer and Luigi De Angelis in his capacity as Dirigente Preposto alla redazione dei documenti contabili (manager responsible for drawing up the financial reports) of Parmalat SpA, taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no.58 of 24 February 1998:

ATTEST

3. the adequacy in relation to the company's characteristics (also taking into account any changes during the financial period) and the effective application of the accounting and administrative procedures used for the formation of the consolidated accounts during the period 2007. The valuation of the accuracy of the accounting and administrative procedures for the formation of the consolidated accounts as at 31 December 2007 has been performed coherently to the model *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission* which represents the reference scheme at international level that is generally accepted;

4. in addition, it is certified that the consolidated accounts:

   c) correspond to the books and accounting records;

   d) are drawn up in accordance with the *International Financial Reporting Standards* adopted by the European Union and with the provisions of Legislative Decree no.38/2005, and, as far as it is known, provide a true and fair representation of the assets and liabilities and financial situation of the issuer and of the group of companies included in the consolidation.

March 6, 2008

Signed: The CEO

Signed: The Dirigente Preposto
(Manager responsible for drawing up the financial reports)

Report of the Board of Statutory Auditors

Head Office: 26 Via 0. Grassi, Collecchio (PR) Italy
Tel.: +39 0521 / 8081
Share Capital: 1,652,419,845 euros fully paid-in
Parma R.E.A. No. 228069
Parma Company Register No. 04030970968
Tax I.D. and VAT No. 04030970968

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