A Letter from the Chief Executive Officer

Dear Shareholders:

The Parmalat Group performed particularly well in the year just ended, reporting, at constant exchange rates, a further improvement in revenues and margins, despite unfavorable external factors, thanks to its renewed focus on its industrial operations and the support provided to its brands.

In a context characterized by a generally weak economic recovery and a less than positive environment in the markets in which we operate—a factor that affected many of the companies in our industry—we succeeded in reporting gratifying results, continuing along the growth path of recent years.

The particularly large increase in the cost of raw milk recorded in many countries and the difficulty faced in transferring this increase to sales prices, due in part to a further weakening of demand in some areas, caused us to revise, in the closing months of the year, our growth projections for year-end results, which, nevertheless, were quite positive.

The healthy performance of 2013 benefited from a plan to increase industrial efficiency launched in 2012 and implemented thanks to the experience and support of the Lactalis Group, one of the world’s top players in the dairy industry. This plan was supported with important investments aimed at optimizing the use of raw materials and increasing the productivity of the Group’s manufacturing facilities. In addition, we succeeded in obtaining from the operating activities excellent results in terms of cash flow generation and working capital.

The targets achieved the past year make us confident about achieving the objectives of our growth strategy. In this regard, in 2013, we laid the foundations for our future development in new geographic areas: with the acquisition of Balkis Indústria e Comércio de Laticínios Ltda at the end of July, we strengthened our presence in Brazil, a country that offers great growth opportunities. Also in the Western hemisphere, thanks to LAG, we are benefiting from significant synergies with other Group companies.

Consistent with the attention that we always paid to innovation, we provided fresh momentum for our activities in this area through the reorganization of the Group’s Research and Development system and by intensifying collaborative interaction between the R&D facilities of our subsidiaries, with the aim of fostering cross fertilization of the knowhow that exists in different countries. We also continued to pursue collaborative projects with important universities that involved the development of studies aimed at guaranteeing the highest quality for Parmalat’s products.

During the year, we launched new products in the core categories of milk, dairy products and fruit beverages, responding to changing consumer habits, specifically developing the Chef cream line in Italy, yogurts in Canada and Australia and cheeses in Canada and South Africa. In addition, we are beginning to benefit from synergies with the Lactalis Group with regard to the product portfolio, developing promising innovations in the categories of yogurt in Australia and cheese in Canada. In the United States, work continued on the migration of local cheese brands to the Galbani brand, which will enable us to establish a single coast-to-coast brand instead of the traditional regional brands.

Unfortunately, the year just ended was also characterized by further developments in the judicial actions activated following the LAG acquisition, which absorbed a significant portion of our energy. This Past November, the court of Parma denied the motion filed by the Parma Public Prosecutor asking for the dismissal of the Board of Directors.

During the current year, the Group will continue to pursue with determination the growth of its business, thanks to the positive performance expected in the emerging markets and improved competitiveness in the mature countries. The goal is to achieve further important objectives at the global level, seizing the challenges and opportunities that lay ahead, confident in our team of women and men of great professionalism and excellence and thanks to the dynamism of our organization.

Yvon Guérin
Chief Executive Officer