



***Corporate Governance***

***Annual Report 2005***

## **Corporate Governance**

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

### **Governance Structure**

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

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

### **Shareholders' Meeting**

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

Insofar as the handling of Shareholders' Meetings is concerned, the Company has chosen for the time being not to propose the adoption of specific Meeting Regulations, since the powers attributed to the Chairman of the Meeting pursuant to the Bylaws should be sufficient to enable the Chairman to conduct orderly Meetings. This approach avoids the risks and inconveniences that could result if the Shareholders' Meeting should fail to comply with all of the Regulations' provisions.

According to Article 10 of the Bylaws, the Chairman is responsible for determining that a Shareholders' Meeting has been properly convened, overseeing the Meeting's activities and discussions and verifying the outcomes of votes.

### **Shareholders**

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

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

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

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

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

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

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

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

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

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

## **Board of Directors**

### *Election and Composition*

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

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

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

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

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

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

### *Functions of the Board of Directors*

In the corporate governance system adopted by Parmalat S.p.A., the Board of Directors plays a central function, enjoying the most ample ordinary and extraordinary powers needed to govern the Company, with the sole exception of the powers reserved for the Shareholders' Meeting.

The Board of Directors has sole jurisdiction over the most important issues. Specifically, it is responsible for:

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

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

#### *The Current Board of Directors*

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

The current Board of Directors has 11 members:

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

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

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

<b>Name of Director</b>	<b>Posts held at other companies</b>
Ferdinando Superti Furga	Chairman of the Board of Statutory Auditors of Fininvest SpA Chairman of the Board of Statutory Auditors of Sofid SpA Chairman of the Board of Directors of Banca Intesa Infrastrutture e Sviluppo SpA Deputy Chairman of the Board of Directors of Società Européenne de Banque SA Statutory Auditor of Arnoldo Mondadori Editore SpA Statutory Auditor of Edison SpA Director of Risanamento SpA Chairman of the Board of Statutory Auditors of Telecom Italia SpA Chairman of the Board of Statutory Auditors of Publitalia'80 SpA Chairman of the Board of Statutory Auditors of Snamprogetti SpA

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

#### *Chairman and Chief Executive Officer*

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

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

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

#### *Meeting of the Board of Directors*

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

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

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

#### *Compensation*

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

## **Committees**

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

### *1) Internal Control and Corporate Governance Committee*

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

The specific functions of this Committee include the following:

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

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

### *2) Appointments and Compensation Committee*

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

The specific functions of this Committee include the following:

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

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

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

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

### *3) Litigation Committee*

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

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

The Litigation Committee has not yet held its first meeting.

### *Compensation*

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

### **Board of Statutory Auditors**

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

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

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

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



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

Alessandro Dolcetti                      Chairman  
Enzio Bermani  
Mario Magenes

#### *Compensation*

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

#### ***Independent Auditors***

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

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

#### ***Internal Control System***

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

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

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

The internal control system defined by the Board of Directors must have the following general characteristics:

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

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

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

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

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

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

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

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

### ***Handling of Confidential Information***

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

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

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

### ***Communications with Shareholders and Institutional Investors***

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

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

### ***Transactions with Related Parties***

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

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

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

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

**COMPENSATION OF DIRECTORS AND STATUTORY AUDITORS**

Amounts in thousands of euros

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

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

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

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

**EQUITY INVESTMENTS HELD BY MEMBERS OF THE CORPORATE GOVERNANCE BODIES**

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