Quarterly Report at March 31, 2006

Collecchio, 5/12/06

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Board of Directors, Board of Statutory Auditors and Independent Auditors

Board of Directors

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

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

Board of Statutory Auditors

Chairman	Alessandro Dolcetti
Statutory Auditors	Enzio Bermani Mario Magenes

Independent Auditors

PricewaterhouseCoopers S.p.A.

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Company and Group Financial Highlights

(in millions of euros)	**Group**	
	Cumulative at 3/31/05 (pro forma)	**Cumulative at 3/31/06**
SALES REVENUES	868.0	953.2
Other revenues		7.1
TOTAL NET REVENUES		960.3
Purchases, services and miscellaneous costs		(770.9)
Labor costs		(116.2)
EBITDA	61.8	73.2
AS A % ON NET REVENUES	*7.1*	*7.7*

	12.31.05	**3.31.06**
Loans payable to banks and other lenders	871.0	789.9
Loans payable to subsidiaries	3.5	3.3
Other financial assets	(2.5)	(2.2)
Cash and cash equivalents	(502.7)	(424.0)
NET INDEBTEDNESS	369.3	367.0
NUMBER OF EMPLOYEES	15,587	15,905

(in millions of euros)	**Parmalat S.p.A.**	
	Cumulative at 3/31/05 (pro forma)	**Cumulative at 3/31/06**
SALES REVENUES	240.5	249.0
Other revenues		5.4
TOTAL NET REVENUES		254.4
Purchases, services and miscellaneous costs		(210.1)
Labor costs		(26.9)
EBITDA	14.0	17.4
AS A % ON NET REVENUES	*5.8*	*7.0*

	12.31.05	**3.31.06**
Loans payable to banks and other lenders	(17.7)	(17.2)
Loans payable to subsidiaries		(0.7)
Other financial assets	3.2	
Cash and cash equivalents	339.0	294.9
NET FINANCIAL ASSETS	324.5	277.0
NUMBER OF EMPLOYEES	2,061	2,025

Principles Of Consolidation, Valuation Criteria and Scope of Consolidation

The Consolidated Quarterly Report of the Parmalat Group at March 31, 2006 was prepared in accordance with the provisions of Consob Regulation No. 11971/1998, as amended, and is consistent with the requirements of international accounting principles on interim reporting.

The Group and the Group’s Parent Company have adopted the International Financial Reporting Standards (IFRSs), starting with the 2005 fiscal year, and chose January 1, 2004 as the IFRS transition date.

The Consolidated Financial Statements at March 31, 2006 have not been audited.

Since the assets and liabilities of the companies included in the Proposal of Composition with Creditors were transferred to Parmalat on October 1, 2005, in order to allow a better understanding of the Group’s performance, the pro forma data for the first quarter of 2005 have been restated using the same recognition and measurement criteria that were used in the preparation of this document.

No significant changes occurred in the scope of consolidation in the first quarter of 2006, as compared with the situation at December 31, 2005.

Operating Performance

Revenues and Profitability

a) Global Data

Revenues increased to 953.2 million euros in the first quarter of 2006, or 9.8% more than in the same period last year. EBITDA totaled 73.2 million euros, a gain of 11.4 million euros compared with the first three months of 2005. The ratio of EBITDA to net revenues also improved, rising to 7.7%, 0.6 percentage points better than in 2005 (7.1%).

Group Continuing Operations

I Quarter 2006 **Profitability trend %** ↑

€ Ml	**2005**	**2006**	**change**	
Net Revenues	**868,0**	**953,2**	**85,2**	*+9,8%*
EBITDA	**61,8**	**73,2**	**11,4**	
EBITDA %	*7,1*	*7,7*	*0,6 ppt*	

b) Data by Geographic Region

	First quarter of 2005			First quarter of 2006		
(in millions of euros)	**Net revenues**	**EBITDA**	**as a % of net revenues**	**Net revenues**	**EBITDA**	**as a % of net revenues**
Italy	276.6	25.7	*9.3*	286.7	25.2	*8.8*
Canada	282.7	17.7	*6.3*	301.6	19.7	*6.5*
Australia	88.0	5.9	*6.7*	111.1	8.2	*7.4*
Africa, consolidated	71.7	6.9	*9.6*	91.6	9.9	*10.8*
Spain	49.5	3.1	*6.2*	45.8	0.5	*1.0*
Portugal	19.4	1.3	*6.8*	16.6	1.3	*8.0*
Russia	9.1	0.9	*9.4*	12.8	1.6	*12.9*
Romania	2.1	0.4	*17.0*	2.5	0.8	*31.1*
Nicaragua	5.9	0.6	*9.3*	6.5	0.7	*10.0*
Cuba	0.1	0.0	*35.4*	2.2	0.9	*38.8*
Venezuela	35.5	3.3	*9.3*	43.5	6.9	*15.9*
Ecuador	0.0	(0.2)	*n.s.*	0.2	(0.1)	*n.s.*
Colombia	21.7	2.4	*10.9*	29.5	3.0	*10.3*
Others *	5.8	(6.1)	*n.s.*	2.7	(5.5)	*n.s.*
Group	**868.0**	**61.8**	***7.1***	**953.2**	**73.2**	***7.7***

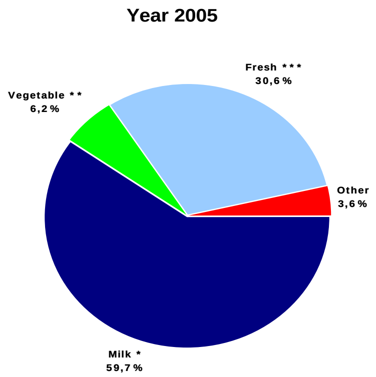
* *Other: Italcheese, holding companies and eliminations.*

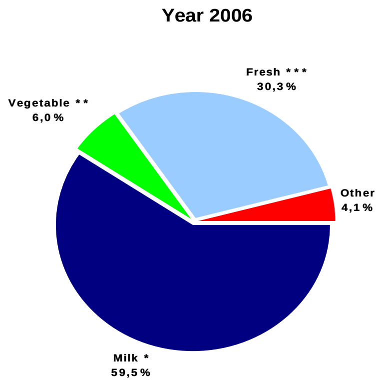
c) Data by Product Division

€ Ml	2005 Net Revenues	2005 EBITDA	2005 *EBITDA %*	2006 Net Revenues	2006 EBITDA	2006 *EBITDA %*
Milk *	517,9	39,4	*7,6*	567,5	43,9	*7,7*
Vegetable **	53,5	5,7	*10,7*	57,3	5,9	*10,3*
Fresh ***	265,7	16,3	*6,1*	289,2	23,8	*8,2*
Other	30,9	0,3	*0,9*	39,2	(0,5)	*(1,2)*
Group Continuing	**868,0**	**61,8**	***7,1***	**953,2**	**73,2**	***7,7***

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

The financial data by Product Division show that the categories that generated most of the revenues (Milk and Fresh Dairy) increased sales by 9.6% and 8.8%, respectively.





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

Holding (Parmalat SpA) Cont. Oper.

I Quarter 2006 — **Profitability trend %** ↑

€ Ml	2005	2006	change	
Net Revenues	**240,5**	**249,0**	**8,5**	*+3,5%*
EBITDA	**14,0**	**17,4**	**3,4**	
EBITDA %	*5,8*	*7,0*	*1,2 ppt*	

In the first quarter of 2006, Parmalat S.p.A. increased revenues by 3.5% compared with 2005. Specifically, it reported revenues of 249.0 million euros, up from 240.5 million euros in 2005. EBITDA rose to 17.4 million euros, or 3.4 million euros more than the 14.0 million euros earned in 2005. At March 31, 2006, the ratio of EBITDA to net revenues improved to 7.0%, 1.2 percentage points more than a year earlier (5.8%).
Holding company expenses totaled 5.0 million euros in the first three months of 2006 (5.9 million euros in 2005).

Business Units

Italy

I Quarter 2006 **Profitability trend %** ↓

€ MI	2005	2006	change	
Net Revenues	**276,6**	**286,7**	**10,2**	*+3,7%*
EBITDA	**25,7**	**25,2**	**(0,5)**	
EBITDA %	*9,3*	*8,8*	*-0,5 ppt*	

In the first quarter of 2006, revenues were 3.7% higher than in the same period last year.
At 25.2 million euros, EBITDA were slightly lower than in the first three months of 2005 (25.7 million euros). The ratio of EBITDA to net revenues was 8.8% (0.5 percentage points less than a year earlier).

The Italian market was characterized by diverging trends in its various segments. More specifically:

- UHT Milk: The milk market was relatively stable as a whole, as a decrease in demand for plain milk was offset by higher shipments of functional milk and easily digestible milk.
- Fresh Milk: positive overall trend in the Modern Trade channel, even though the Traditional Trade contracted.
- Fruit Juices: Shipments were down in all segments, but demand for fruit nectars contracted less.
- Yogurt: The market remained healthy, driven by strong demand for health products and drinkable probiotic products (Pro Activ and Danacol).

In this market environment, characterized by the trends discussed above, the continuing negative impact of the "ITX issue" and strong promotional pressure by competitors, the Group's performance should be viewed favorably. In addition, the projects completed during the first quarter of 2006 (launch of new functional products and relaunching and/or repositioning of existing products) will provide a foundation for future gains in revenues and profits.

Specifically:

- The overall result in the UHT Milk segment was positive. An outstanding performance by specialty milks (Zymil and Omega 3 in particular, thanks to advertising campaigns that included TV ads) produced an improvement in the total sales mix.
- In the Fresh Milk segment, the Group was able to retain its market share, as microfiltered Zymil steadily increased its market penetration.
- Cream and Béchamel: both products performed well.
- The Group lost market share in the Yogurt segment, as it scaled back promotional programs compared with 2005 and with the main competitors, who pursued policies characterized by aggressive advertising spending and new product launches.
- In the Fruit Beverage segment, the trend was negative for Santàl. Adverse weather conditions and a less aggressive promotional schedule than in 2005 had a strong negative impact. Sales were also affected by the less than optimum shelf-space position given to these products after the ITX controversy.

At the manufacturing level, consumption and expenses were in line with expectations. The closure of the Padua plant was completed in accordance with the scheduled agreed upon with the unions.
In the first quarter of 2006, a new PET line went on stream at the Piana di Monteverna factory. The new line is already running at full capacity, relieving pressure on the Rome PET lines.

Spain

I Quarter 2006 **Profitability trend %** ↓

€ Ml	2005	2006	change	
Net Revenues	**49,5**	**45,8**	**(3,7)**	*-7,5%*
EBITDA	**3,1**	**0,5**	**(2,6)**	
EBITDA %	*6,2*	*1,0*	*-5,2 ppt*	

As the trend that characterized the closing months of 2005 continued, the Spanish operations reported revenues of 45.8 million euros in the first quarter of 2006, for a decrease of 3.7 million euros from the 49.5 million euros booked in the same period last year. EBITDA were down by 2.6 million euros compared with the first three months of 2005, falling from 3.1 million euros last year to 0.5 million euros this year. The ratio of EBITDA to net revenues contracted from 6.2% to 1.0% (-5.2 percentage points). Unit sales to noncaptive customers were 11.8% lower than in 2005.

The main reasons for this negative performance include the following:

- The steadily growing strength gained by private labels;
- Certain manufacturing issues that affected products packaged in glass containers in the first half of the year;
- A still too high overhead both in manufacturing and distribution.

On a more positive note, key products such as flavored milk (Cacaolat) were able to hold their market share virtually unchanged.

The definition of a new plan to grow and relaunch the Spanish operations is now in the final completion phase. The plan will call for the implementation of major programs in the manufacturing and distribution areas.

Portugal

I Quarter 2006 **Profitability trend %** ↑

€ Ml	2005	2006	change	
Net Revenues	**19,4**	**16,6**	**(2,8)**	*-14,4%*
EBITDA	**1,3**	**1,3**	**0,0**	
EBITDA %	*6,8*	*8,0*	*1,2 ppt*	

Cumulative revenues at March 31, 2006 were 14.4% lower than a year earlier (16.6 million euros, compared with 19.4 million euros in 2005). EBITDA were 1.3 million euros, about the same as at March 31, 2005, but the ratio of EBITDA to net revenues improved from 6.8% to 8.0% (+1.2 percentage points).

An analysis of the operating results by product category shows that Santàl-branded fruit juices performed poorly compared with the previous year.
However, this negative development was offset at the EBITDA level by increased sales of Ucal-branded products, a reduction in the raw-material cost component and a decrease in spending for advertising and promotions.

Russia

I Quarter 2006			**Profitability trend %**	↑

€ Ml	**2005**	**2006**	**change**	
Net Revenues	**9,1**	**12,8**	**3,7**	*+40,1%*
EBITDA	**0,9**	**1,6**	**0,8**	
EBITDA %	*9,4*	*12,9*	*3,5 ppt*	

Revenues rose to 12.8 million euros in the first quarter of 2006, a gain of 40.1% compared with the same period last year (9.1 million euros). EBITDA increased to 1.6 million euros (12.9% of net revenues), or 0.8 million euros more than the 0.9 million euros earned in the first three months of 2005.

This positive performance was driven mainly by higher unit sales and, more importantly, by the successful programs implemented by this SBU (Strategic Business Unit) to make its sales force more effective and by the signing of contracts with new regional customers (wholesalers who operate where Parmalat is not present with its direct organization). This year's favorable results were achieved even though no new products have been introduced and no major advertising or promotional campaigns have yet been launched in 2006.
Raw materials accounted for a smaller percentage of product costs than in 2005.

The local currency appreciated versus the euro (+7.3%), compared with March 2005.

Romania

I Quarter 2006			**Profitability trend %**	↑

€ Ml	**2005**	**2006**	**change**	
Net Revenues	**2,1**	**2,5**	**0,4**	*+19,4%*
EBITDA	**0,4**	**0,8**	**0,4**	
EBITDA %	*17,0*	*31,1*	*14,1 ppt*	

In the first quarter of 2006, revenues were up significantly, rising to 2.5 million euros, or 19.4% more than in the same period last year (2.1 million euros). EBITDA totaled 0.8 million euros (31.1% of revenues), for a gain of 0.4 million euros over the amount reported in the first three months of 2005 (0.4 million euros).

Unit sales of fruit juices, which account for most of the Business Unit's sales, increased by 9.0% compared with the first quarter of 2005.
This gain in unit sales and a more rational use of promotional and advertising investments produced significantly higher EBITDA.

The local currency (leu) appreciated by 3.8% versus the euro, compared with the exchange rate for the first three months of 2005.

Canada

I Quarter 2006 **Profitability trend %** ↑

€ Ml	2005	2006	change	
Net Revenues	**282,7**	**301,6**	**19,0**	*+6,7%*
EBITDA	**17,7**	**19,7**	**2,1**	
EBITDA %	*6,3*	*6,5*	*0,3 ppt*	

Revenues totaled 301.6 million euros in the first quarter of 2006, for a gain of 6.7% over the same period a year earlier (282.7 million euros). EBITDA increased by 2.1 million euros, rising from 17.7 million euros at March 31, 2005 to 19.7 million euros at the end of March 2006. The ratio of EBITDA to net revenues was 6.5% (6.3% in 2005).

Overall unit sales were down, compared with the first three months of 2005, as the number of business days available for deliveries and billing was smaller this year (one week less) than last year and union issues affected a production facility for about a week.
These negative factors were more than offset by a favorable shift in pricing and product mix and by a strong performance in the fermented product segment (especially cheese).

Compared with 2006, the Canadian dollar appreciated by 13.6% versus the euro.

Nicaragua

I Quarter 2006 **Profitability trend %** ↑

€ Ml	2005	2006	change	
Net Revenues	**5,9**	**6,5**	**0,5**	*+9,0%*
EBITDA	**0,6**	**0,7**	**0,1**	
EBITDA %	*9,3*	*10,0*	*0,8 ppt*	

In the first quarter of 2006, revenues grew to 6.5 million euros, or 0.5 million euros more than in the same period last year (5.9 million euros). At 0.7 million euros (10.0% of revenues), EBITDA were 0.1 million euros higher than at March 31, 2005.

Total unit sales were down, compared with the first three months of 2005, due mainly to a two-day strike by sales personnel and the failure to secure export licenses for UHT milk from the governments of El Salvador and Costa Rica.
The main reasons for the improvement in EBITDA compared with the first quarter of 2005 are an increase in sales of products with a high value added (such as cream and fruit juices), a reduction in advertising investments and an improvement in manufacturing efficiency compared with 2005.

Compared with March 2005, the local currency (cordoba) appreciated by 3.7% versus the euro.

Cuba

I Quarter 2006 **Profitability trend %** ↑

€ Ml	2005	2006	change	
Net Revenues	**0,1**	**2,2**	**2,1**	*+1691,9%*
EBITDA	**0,0**	**0,9**	**0,8**	
EBITDA %	*35,4*	*38,8*	*3,4 ppt*	

Revenues totaled 2.2 million euros and EBITDA amounted to 0.9 million euros in the first three months of 2006. The only invoices produced by this SBU (all to Parmalat S.p.A.) were issued in January.

The Cuban affiliate produces fruit juice concentrates. The reason for the remarkable improvement over the results reported last year is due to the fact that, in 2005, tornados destroyed the fruit crop almost completely and the company's production facilities remained idle.

Compared with March 2005, the U.S. dollar, which is the SBU's reporting currency, appreciated by 8.3% versus the euro.

Venezuela

I Quarter 2006 **Profitability trend %** ↑

€ Ml	2005	2006	change	
Net Revenues	**35,5**	**43,5**	**8,0**	*+22,6%*
EBITDA	**3,3**	**6,9**	**3,6**	
EBITDA %	*9,3*	*15,9*	*6,7 ppt*	

Revenues were up 22.6% compared with the first quarter of 2005 (43.5 million euros at March 31, 2006, compared with 35.5 million euros a year earlier). EBITDA increased by 3.6 million euros, rising from 3.3 million euros in the first three months of 2005 to 6.9 million euros in the same period this year, when the EBITDA figure was equal to 15.9% of net revenues (+6.7 percentage points).

Most product segments performed well, with sharp gains in unit sales and profitability. However, this was not the case for those products that, like pasteurized milk, are regulated by the government through the imposition of price controls. While these products are unprofitable, they must be part of the product portfolio to allow sales of more profitable products from the refrigerated line (fruit juices, tea, yogurt and fermented milk).
The best performers were: condensed milk, juices (especially the products bought by more upscale customers), tea, yogurt, fermented milk and cheese.

The growth potential of the Venezuelan operations is limited by the lack of raw milk.

Compared with March 2005, the local currency (bolivar) appreciated by 1.0% versus the euro.

Colombia

I Quarter 2006 **Profitability trend %** ↓

€ Ml	2005	2006	change	
Net Revenues	**21,7**	**29,5**	**7,7**	*+35,7%*
EBITDA	**2,4**	**3,0**	**0,7**	
EBITDA %	*10,9*	*10,3*	*-0,6 ppt*	

In the first three months of 2006, revenues totaled 29.5 million euros, up a strong 35.7% over the 21.7 million euros booked in the same period last year. At 3.0 million euros, EBITDA were 0.7 million euros higher than at March 31, 2005 (2.4 million euros). The ratio of EBITDA to net revenues was 10.3% (10.9% in the first quarter of 2005).

Higher unit sales to non-captive customers, which increased by 18.4% compared with 2005, are the main reason for this year's positive performance.

The Colombian peso appreciated by about 12.0% versus the euros.

Ecuador

I Quarter 2006 **Profitability trend %** →

€ Ml	2005	2006	change	
Net Revenues	**0,0**	**0,2**	**0,2**	*ns*
EBITDA	**(0,2)**	**(0,1)**	**0,1**	
EBITDA %	*n.s.*	*n.s.*	*0,0 ppt*	

In 2005, the Ecuadorian SBU suspended temporarily its manufacturing and distribution operations. These operations resumed in 2006, but the SBU is still facing some difficulties in reestablishing contacts with milk suppliers and distributors.

Australia

I Quarter 2006 **Profitability trend %** ↑

€ Ml	2005	2006	change	
Net Revenues	**88,0**	**111,1**	**23,1**	*+26,3%*
EBITDA	**5,9**	**8,2**	**2,3**	
EBITDA %	*6,7*	*7,4*	*0,7 ppt*	

Revenues increased to 111.1 million euros in the first quarter of 2006, for a gain of 26.3% compared with the same period last year (88.0 million euros). EBITDA, which were up by 2.3 million euros (from 5.9 million euros to 8.2 million euros), were equal to 7.4% of net revenues.

Total unit sales grew by 9.9% compared with the first three months of 2005, as contracts for the sale of pasteurized milk that were signed in the first quarter of 2005 were in effect for the entire period this year.
Unit sales of yogurt were 25.4% higher than in 2005, due mainly to an outstanding performance by the Vaalia (yogurt) and Pauls (dessert) brands.
Volatility in the price of petroleum products continued to have a negative effect on distribution and transportation costs.
In the first quarter of 2006, the Australian dollar appreciated by 3.6% versus the euro.

Africa

I Quarter 2006 **Profitability trend %** ↑

€ Ml	2005	2006	change	
Net Revenues	**71,7**	**91,6**	**19,9**	*+27,8%*
EBITDA	**6,9**	**9,9**	**3,0**	
EBITDA %	*9,6*	*10,8*	*1,2 ppt*	

Revenues grew by a healthy 27.8% in the first quarter of the year, rising from 71.7 million euros in 2005 to 91.6 million euros this year. As a result, EBITDA improved to 9.9 million euros, equal to 10.8% of net revenues (+1.2 percentage points compared with 2005).

South Africa
Unit sales to non-captive customers were 9.3% higher than in 2005.
The positive performance of the South African SBU in the first three months of 2006 was due in part to the higher unit sales and revenues generated by cheese products, UHT milk and yogurt.
However, unit sales of beverage products were down. This product category was adversely affected by a delay in the launch of "ICE TEA," which began to produce results only in the last month of the quarter.
The results reported for the second half of 2005 and the first quarter of 2006 benefited from the expansion of the South African economy, which is continuing to enjoy strong growth.
The local currency (rand) appreciated by 6% versus the euro, compared with the exchange rate in force in the first quarter of 2005.

Other African Countries
Overall, revenues were 15% higher than in the first three months of 2005.
Some of these countries have begun to increase their customs duties.

Financial Performance

Performance of the Group
At the end of March 2006, the Group's net financial position showed minimal change from the beginning of the year, with net indebtedness totaling 369.3 million euros at December 31, 2005 and 367.0 million euros at March 31, 2006.

Several factors explain for this lack of change.
The operating units generated cash flow totaling 41.7 million euros. These resources were held by the Group's Parent Company and by many of the foreign subsidiaries, but the net liquid assets held by the Canadian subsidiaries decreased. This reduction was due mainly to the cyclical nature of the Canadian operations, which increase their inventories in the first quarter of the year but don't generate incremental liquidity until the second half of the year. In the first three months of 2006, the net result of these cyclical factors was to require the utilization of about 13.3 million euros of the cash flow generated by the operating units.

Preferential and prededuction claims satisfied in the first quarter of 2006 amounted to 62.4 million euros. Legal costs totaled 23.1 million euros.
The Spanish subsidiary sold a building in Madrid and collected the first installment of the purchase price (45.0 million euros). It also incurred restructuring costs of 2.3 million euros.

Net financial expense amounted to about 18.0 million euros and the conversion of local currency amounts into euros helped reduce net indebtedness by 21.4 million euros. Of the total amount, 4.5 million euros is attributable to the double conversion of indebtedness denominated in U.S. dollars, first into the local currency and then into euros. It would not have been beneficial to establish currency risk hedges for this indebtedness, which is held by the Venezuelan companies.

Borrowings owed to banks and other lenders decreased from 871.0 million euros at December 31, 2005 to 789.9 million euros at March 31, 2006.
This decrease occurred because some of the foreign Group companies repaid a portion of their bank debt ahead of schedule during the first quarter of 2006. Specifically, the Spanish subsidiary used some of the proceeds from the sale of a building to repay bank credit lines ahead of schedule.

The following indebtedness was repaid during the first three months of 2006:

Country	**Currency**	**Amount repaid, in millions – local currency**
Canada	CAD	22.0
Australia	AUD	6.7
South Africa	ZAR	12.6
Spain	EUR	39.8
Portugal	EUR	2.3

In two countries (Portugal and Austria), an improvement of the parameters included in the loan agreements to measure balance sheet strength and profitability lowered the risk profile of the local Group companies, which produced an automatic reduction of the spread paid on the reference rates.

In the first quarter of 2006, the Group was in compliance with all of the financial covenants contained in the various loan agreements.

The indebtedness of the Russian subsidiaries was restructured on March 31, 2006 using a medium-term financing facility provided by a local bank that is part of a European group. This financing facility is consistent with the guidelines followed by the Group in all other countries. Specifically, the choice of borrowing part in rubles and part in U.S. dollars (for the portion owed by the company that generates its cash flow in U.S. dollars) minimizes exposure to currency risks. In addition, the reimbursement period has been structured in a manner that will allow the borrower companies to meet their obligations, so that no guarantee had to be provided by the Group's Parent Company. Instead, the loans were collateralized by the borrowers.

The process of refinancing the debt of the Canadian companies got under way during the period.

Performance of the Group's Parent Company

The financial assets held by the Group's Parent Company decreased from 324.5 million euros at December 31, 2005 to 277.0 million euros at March 31, 2006.

Despite this net change, cash flow from operations totaled 38.0 million euros, reflecting in part the reinstatement of standard payment terms by suppliers, starting in the closing quarter of 2005.

By the end of March, the program to repay suppliers with prededuction or preferential claims had been completed in accordance with the procedures and timing set forth in the court decision that approved the Proposal of Composition with Creditors. Consequently, starting in April, there will be no further outlays for this purpose, removing a burden that has had a major negative impact on the net financial position of Parmalat S.p.A. and the Group during the past six months.
The completion of the abovementioned program required an outlay of 62.4 million euros in the first quarter of 2006. Preferential indebtedness of 11.1 million euros owed to a financial institution was restructured in accordance with a five-year repayment plan, and an additional 5.7 million euros in preferential indebtedness was either offset or restructured.

Legal expenses paid during the first quarter of 2006 amounted to 23.1 million euros.

Nonrecurring cash inflows included 1.6 million euros generated by a tax ruling in favor of Dutch Group companies, which was explained in the 2005 Report on Operations; 0.7 million euros from the exercise of warrants; and 0.4 million euros in interest income.

A portion of the liquid assets amounting to 205.9 million euros was invested in treasury securities. The return on the balance was optimized in accordance with a prudent cash management strategy.

Personnel

Group Staffing and Union Relations
In the first quarter of 2006, the Group continued to implement reorganization initiatives that were consistent with the unification and streamlining process set forth in the Group Restructuring Program and, in Italy, complied with the Framework Agreement executed in November 2005.
The table below provides a breakdown of the Group's personnel by geographic region at March 31, 2006 and a comparison with the data at December 31, 2005.

Total Number of Employees by Geographic Region

Region	31 March 2006	31 December 2005	31 December 2004 (pro-forma)
	Number of employees of companies CONSOLIDATED LINE BY LINE	Number of employees of companies CONSOLIDATED LINE BY LINE	Number of employees of companies CONSOLIDATED LINE BY LINE
Italy	2,767	2,797	2,898
Rest of Europe	2,760	2,640	2,775
North America	3,072	2,834	2,850
Central and South America	3,671	3,621	4,088
Rest of the world	3,635	3,695	3,746
Total	15,905	15,587	16,357

During the first three months of 2006, the Group expanded its staff slightly (+318 employees) compared with the beginning of the year, due to an increase in seasonal contracts, particularly at the Spanish ice-cream production facilities of Clesa Helados. The staffing increase experienced in North America (Parmalat Dairy and Bakery Inc.) reflects seasonal contracts and part-time contracts, which previously were not included in the total.

Organization and Development
The Group's corporate organization, as defined following the appointment of the Chief Executive Officer of Parmalat S.p.A. and the election of a new Board of Directors, did not change during the first three months of 2006.
The only significant development was the resignation of Guido Angiolini from the post of Chief Financial Officer and his replacement by Pierluigi De Angelis.

During the first quarter of 2006, the Group continued to pursue projects in the area of Human Resources Management and Development, implementing at the local level the policies and procedures developed at the Group's headquarters, focusing in particular on those dealing with Employee Evaluation and Performance and the Management Incentive Program.
Thanks to the adoption of the first of these two policies, the Group has developed assessments of key personnel (country managers and first-line resources), enabling it to use its human resources more effectively, to pursue targeted development policies and to adopt compensation policies that are more easily controllable and take into account the capabilities of individual employees.

In addition, the implementation of the Management Incentive Program enabled the Group to progress from an existing situation characterized by varying incentive plans or the total lack of such plans to a uniform compensation policy that is consistent with market conditions.

The following Policies are in the process of being developed: Sexual Harassment in the Workplace, Equal Opportunities, Family Relations Within the Company, Replacement Plans, Recruiting and Selection, and Training.

The Group continued to implement various training programs, leaving local HR managers ample discretion to implement them in a manner that is consistent with the objectives and the specific personnel training needs of their companies.

Legal Disputes and Contingent Liabilities at March 31, 2006

New Claims Against Bank of America Are Allowed
Within the framework of the lawsuit filed by the Extraordinary Commissioner of Parmalat S.p.A. in AS and Parmalat Finanziaria S.p.A. in AS against various companies of the Bank of America Group in the United States, responding to new claims filed by the Extraordinary Commissioner and the motion to dismiss filed in response by Bank of America, the Federal Court of New York handed down a decision allowing some of the new claims, including the one calling for the enforcement of the U.S. anticorruption statutes, which allow the award of treble damages reimbursements.

Protection Under Section 304
The court protection against actions by creditors available to the Parmalat Group under the U.S. bankruptcy law (Section 304 of Chapter 11) was extended to June 2, 2006.

Regional Administrative Court of Latium — Citibank Complaint
On October 7, 2004, Citibank filed a complaint with the Regional Administrative Court of Latium asking the Court to annul the Restructuring Program of the Parmalat Group and award damages. However, following the approval of the Proposal of Composition with Creditors, Citibank's interest in pursuing this action ended. This was confirmed by Citibank at a hearing held on March 9, 2006. Consequently, Citibank asked that the case pending before the Regional Administrative Court be dismissed. With regard to these developments, Parmalat S.p.A. has denied the information contained in an ANSA news bulletin issued at 3:16 PM on March 9, 2006, pointing out that Citibank was not victorious in civil proceedings in which it claimed damages of 500 million euros. Previously, the Citibank Group had been included among the creditors of Parmalat S.p.A. in AS, with claims totaling 81.4 million euros, and among those of the Parmalat Group companies included in the Proposal of Composition with Creditors, with claims totaling 354.6 million euros.

Bank Hapoalim (Switzerland) — Order of Attachment Against Parmalat International SA
On March 13, 2006, Bank Hapoalim AG, a Swiss bank headquartered in Zurich, served Parmalat International SA in liquidation, also a Swiss company, with an order of attachment granted by the Lower Court Judge for the District of Lugano. This attachment concerns the receivables owed to Parmalat S.p.A. by Parmalat International SA in liquidation and assets belonging to Parmalat S.p.A. held by the Swiss bank that requested the order of attachment. Bank Hapoalim's action is based on an alleged claim of US$15 million, which was excluded from the liabilities of Parmalat S.p.A. in AS and is currently the subject of a challenge filed before the Court of Parma. This claim stems from guarantees that Parmalat S.p.A. is alleged to have provided on promissory notes issued by Wishaw Trading SA to an Italian bank and which ended up in the hands of the Swiss banks after a series of endorsements. Parmalat is opposing the order of attachment and asking that the Bank Hapoalim attachment be lifted.

U.S. Judge Upholds Parmalat's Right to Sue the Group's Former Independent Auditors for Damages at the International Level
The Federal Court of the District of New York, before which Parmalat filed an action against the former independent auditors of Parmalat in the United States (Deloitte & Touche and Grant Thornton), granted Parmalat's key motions to pursue actions for damages against the abovementioned global auditing firms, not just in Italy but internationally. The U.S. judge denied most of the motions filed by Grant Thornton and Deloitte & Touche. Specifically, the Court ruled that, in addition to suing the Italian affiliates of the abovementioned global auditing firms, Parmalat can pursue actions against their parent companies and the U.S. affiliates of Grant Thornton and that it can file actions for damages against Deloitte Touche Tohmatsu, the international parent company of Deloitte & Touche.

Ariete Fattoria Latte Sano / City of Rome
In a decision handed down on February 20, 2006, the Regional Administrative Court of Latium ordered the City of Rome to pay damages to Ariete in an amount to be negotiated between the parties at a later date. The sentence detected that City of Rome in some way illegally sold the majority of the shares of Centrale del Latte di Roma S.p.A. to Cirio S.p.A. taken over by Eurolat S.p.A. which is controlled by Parmalat. The

declaration of the above mentioned agreement-to-sell's cancellation might cause possible future proceedings. Parmalat is asking the Council of State to set aside the abovementioned decision and will ask for a urgent protective action so that the effects of the sentence can be suspended until a decision is taken on that matter.

Events Occurring After March 31, 2006

Actions to Void in Bankruptcy: Constitutionality Challenges Devoid of Merit
On April 4, 2006, the Italian Constitutional Court ruled that the constitutionality challenges raised by the Court of Parma in connection with the actions to void in bankruptcy filed by the Extraordinary Commissioner of Parmalat S.p.A. in AS in accordance with the Marzano Law were devoid of merit.

Jurisdictional Conflict
On May 2, 2006, the European Court of Justice (ECJ) issued a ruling on a jurisdictional conflict between Italian and Irish bankruptcy courts in which it ordered the Irish court to review the issues that created the conflict and decide in accordance with the guidelines provided by the ECJ.

Clarifications About Actions for Damages
Responding to an article published in the April 18, 2006 issue of *Il Sole 24 Ore* (entitled "Parmalat and the Supreme Court Issue") by a lawyer who is representing several banks before the Italian Supreme Court, the Company made it clear that the decision of the Supreme Court that was reviewed in the abovementioned article deals with the issue of unlawful use of credit. In the actions filed by Parmalat, the issue upon which the lawsuits are based is that the defendant banks conspired to hasten the Group's financial collapse. Consequently, the references made to Parmalat in the abovementioned article are off the mark.

Allocation of Shares
As a result of the process of crediting Parmalat shares to the creditors of the Parmalat Group, the Company's share capital increased by 5,429,506 euros, rising from 1,626,569,512 euros to 1,631,999,018 euros. This increase reflects the conversion into shares of 120,707 warrants, as well as the verification of unsecured claims and the conversion of preferential claims into unsecured claims, which resulted in the award of a total of 5,308,799 shares. The status of the share allocation process is as follows: 78,341,805 shares, equal to 4.8% of the share capital, are still held on deposit by Parmalat S.p.A. A breakdown of these shares is as follows:
• 26,847,687 shares, equal to 1.6% of the share capital, are owned by commercial creditors who have been identified by name. These shares are held by Parmalat S.p.A. as intermediary through the Monte Titoli centralized securities clearing system (compared with 22,983,527 shares at March 21, 2006);
• 51,494,118 shares, equal to 3.2%, are registered in the name of Fondazione Creditori Parmalat and comprise the following:
- 120,000 shares, which represent the initial capital of Parmalat S.p.A. (unchanged since March 21, 2006);
- 51,374,118 shares, equal to 3.2% of the share capital, which are attributable to creditors who have not yet been identified by name (compared with 57,439,073 shares at March 21, 2006).

Extraordinary Shareholder's Meeting
The Extraordinary Shareholder's Meeting scheduled on April 29, 2006 for the third call was not held due to the lack of a quorum. The meeting was being asked to discuss and vote on the following Agenda:
- Integration of the by-laws for the implementation of the provisions of Law 262/05 concerning the methods for the appointment of chartered accountants.
- Proposal to increase the share capital by a maximum of Euro 95 million reserved for the exercise of warrants, as per Art. 5 of the by-laws.

Outlook for the Group’s Operations

For the year as a whole, given the results achieved in the first quarter, the Company expects to report higher EBITDA and net profit than in 2005, while holding its net financial position at its current level.