



## Semiannual Report at June 30, 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, will be 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,  
South Africa, Swaziland, Venezuela, Zambia

### Presence Through Licensees

Brazil, Chile, China, Mexico, Dominican Republic,  
U.S.A., Hungary, Uruguay

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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)

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

Statutory Auditors  
Enzio Bermani  
Mario Magenes

**Independent Auditors** PricewaterhouseCoopers S.p.A.





# Financial Highlights

## Income Statement Highlights

(amounts in millions of euros)

GROUP	FIRST HALF 2007	FIRST HALF 2006 (RESTATED) <sup>1</sup>
- NET REVENUES	1,810.3	1,761.8
- EBITDA	163.2	157.5
- EBIT (*)	283.6	87.0
- PROFIT (LOSS) FOR THE PERIOD	244.3	17.0
- NET OPERATING MARGIN (%)	15.6	4.9
- NET MARGIN (%)	13.4	1.0
- INTEREST COVERAGE (%)	n.m.	4.9
<b>COMPANY</b>		
- NET REVENUES	426.9	427.7
- EBITDA	34.9	32.0
- EBIT (*)	190.5	(7.1)
- PROFIT (LOSS) FOR THE PERIOD	198.2	2.0
- NET OPERATING MARGIN	43.4	n.m.
- NET MARGIN	45.2	n.m.
- INTEREST COVERAGE	n.m.	n.m.

## Balance Sheet Highlights

(amounts in millions of euros)

GROUP	6/30/07	12/31/06
- NET FINANCIAL ASSETS	58.9	(170.0)
- ROI (%) (**)	25.6	13.6
- ROE (%) (**)	22.6	9.9
- EQUITY/ASSETS	0.6	0.5
- DEBT/EQUITY RATIO	(0.0)	0.1
- OPERATING CASH FLOW PER SHARE	0.03	0.05
<b>COMPANY</b>		
- NET FINANCIAL ASSETS	570.2	341.4
- ROI (%) (**)	39.9	14.5
- ROE (%) (**)	19.5	6.7
- EQUITY/ASSETS	0.8	0.8
- DEBT/EQUITY RATIO	(0.3)	(0.2)
- OPERATING CASH FLOW PER SHARE	0.06	(0.0)

(\*) In the comparison with the corresponding data for 2006, the EBIT for the first half of 2007 benefited from the contribution of proceeds from actions for damages and actions to void.

(\*\*) Indices computed using annualized income statement data and averages of the balance sheet data at beginning and end of period.

<sup>1</sup> Starting with the annual financial statements at December 31, 2006, the Group changed the accounting classification it assigns to certain types of trade promotions it provides to retail chains. This change was implemented to provide a presentation that was consistent with best industry practices. As a result of this reclassification, trade promotions, which previously were booked as distribution costs, are being deducted from sales revenues. The corresponding data for the first half of 2006 were reclassified accordingly. Moreover, as a result of the sale of all of the Group's Spanish operations, the data for the first half of 2006 have been restated reclassifying all income statement items attributable to the above mentioned companies under "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 the first half of 2007 are summarized below:

	Common Shares	Warrants
Securities outstanding at 6/30/07	1,649,404,711*	76,149,556**
Closing price on 6/29/07	3.137	2.134
Capitalization	5,174,182,578.407	162,503,152.504
High for the period (in euros)	3.515 February 2, 2007	2.51 February 2, 2007
Low for the period (in euros)	3.04 March 21, 2007	2.05 March 21, 2007
Average price in June (in euros)	3.19	2.18
Highest daily trading volume	63,026,792 May 31, 2007	1,187,025 February 2, 2007
Lowest daily trading volume	2,927,416 March 30, 2007	18,548 April 25, 2007
Average trading volume in June	15,106,016***	82,030

\* Shares outstanding at June 29, 2007

\*\* Warrants outstanding at June 29, 2007

\*\*\* 0.9% of the share capital

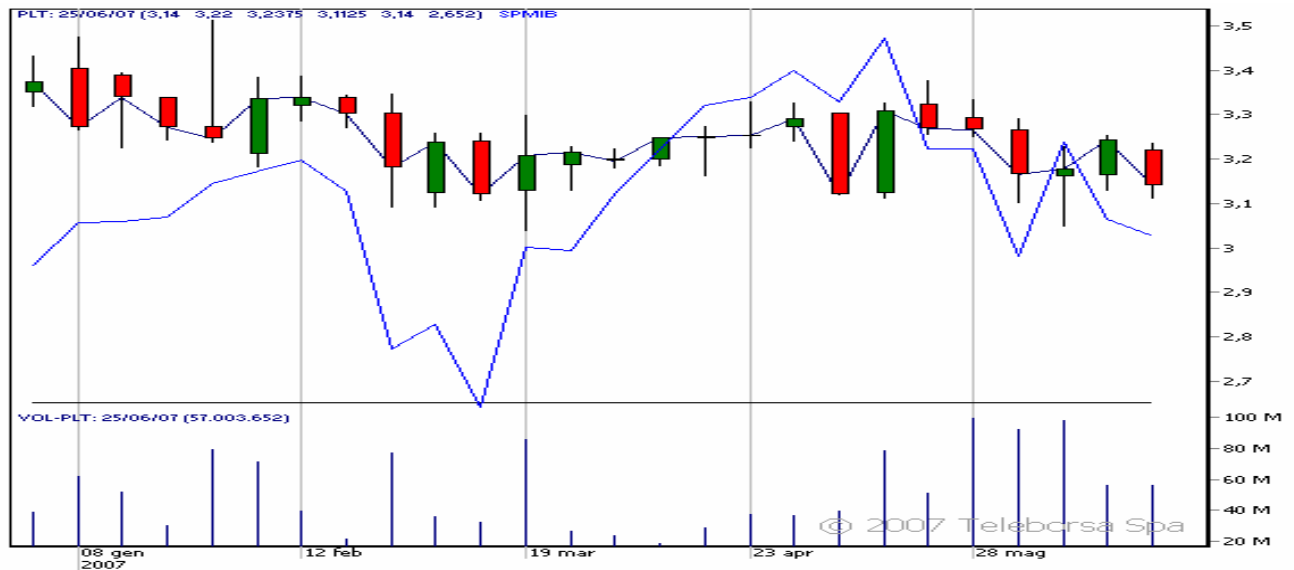
## Performance of Parmalat's Shares

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

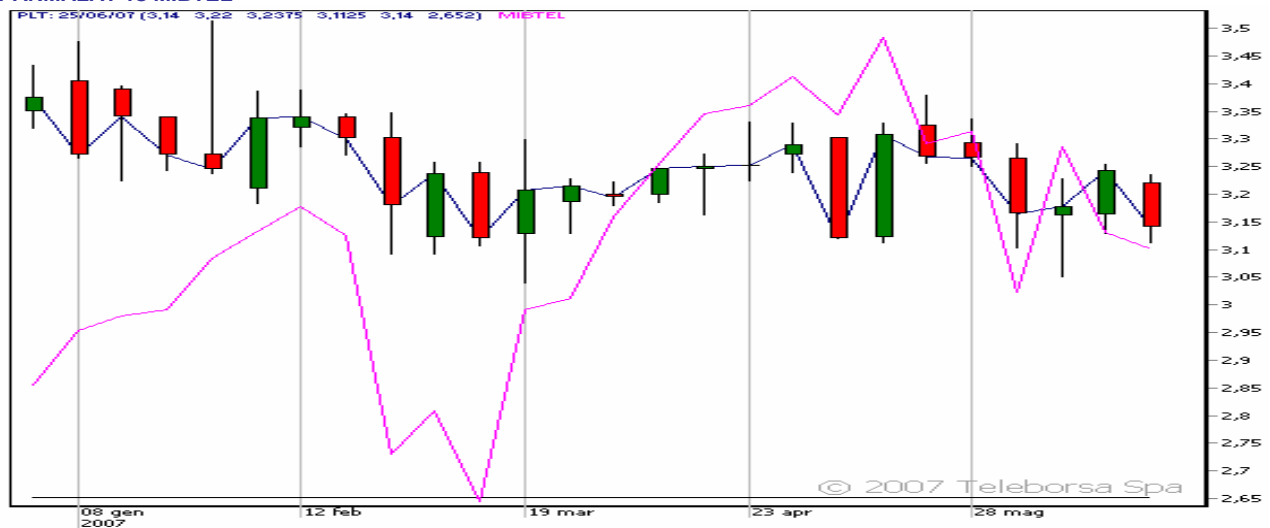
Because the market views Parmalat's shares as securities with a high volatility component, related mainly to the expected outcome of various legal actions to void in bankruptcy and other actions pursued by the Company, any changes in price, while reflecting the overall trend of the market indices, tend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

The Parmalat shares have been included in the DJ STOXX 600 Index since March 2006 and in the MSCI World Index since June 1, 2007.

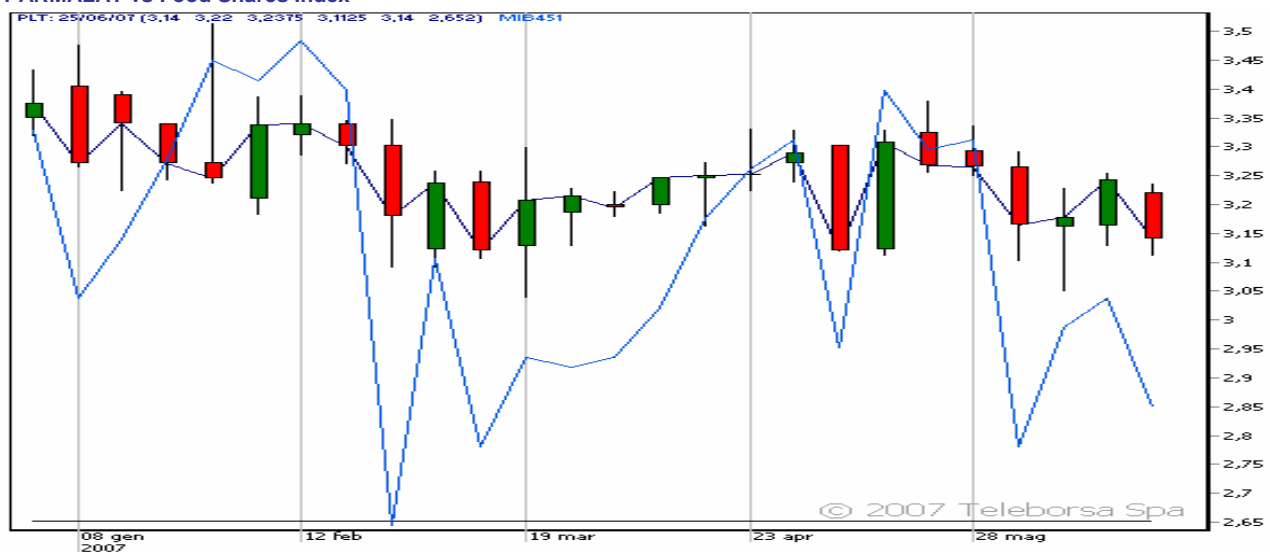
### PARMALAT vs S&PMIB



### PARMALAT vs MIBTEL



### PARMALAT vs Food Shares Index



## 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 August 30, 2007):

Shareholders	Number of shares	%
Société Generale Asset Mng UK Ltd	48,540,624	2.938
Capital Research and Management	46,641,900	2.823
Fir Tree Inc	43,753,261	2.649
Lehman Brothers Holding Inc.	37,327,286	2.260
Stark Offshore Management LLC	33,137,846	2.006
<b>Total</b>	<b>209,400,917</b>	<b>12.676</b>

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 (September 3rd, 2007), the Company's share capital increased by 2,549,576 euros. Consequently, the share capital, which totaled 1,649,404,711 euros at June 30, 2007, currently amounts to 1,651,954,287 euros.

Specifically, 35,593,011 shares, equal to 2.2% of the share capital, are still held on deposit by Parmalat S.p.A. A breakdown of these shares is as follows:

- 13,568,574 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;
- 22,024,437 shares, equal to 1.3% 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.;
  - 21,904,437 shares, equal to 1.3% 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 April 28, 2007, acting pursuant to Article 5 of the Bylaws, approved a motion to increase from 80 million euros to 95 million euros the share capital available for the conversion of outstanding warrants.

As a result, the Company's total approved share capital amounts to 2,025 million euros, including 95 million euros available for the conversion of outstanding warrants. The tranches into which the share capital is divided are "permeable."

## 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](http://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.

A total of 46,878,194 Global Depositary Receipts and 107,501 Global Depositary Warrants were outstanding at June 29, 2007.

# Review of Operating and Financial Performance

## Parmalat Group

**Net revenues** totaled 1,810.3 million euros, or 48.5 million euros more (+2.8%) than the 1,761.8 million euros reported at June 30, 2006. Restated to eliminate the impact of the appreciation of the euro versus main currencies (95.2 million euros) and of the changes in the scope of consolidation caused essentially by the inclusion in the Group of Newlat S.p.A. and Carnini S.p.A. (87.5 million euros, including the intercompany sales) and the disposal of Italcheese S.p.A. (approximately 10 million euros), net revenues increased 5.3%. Higher unit sales for all product categories in South Africa (+7.8%), made possible by a strong local economy and better market penetration, coupled with an increase in shipments of fruit juices in Italy and Venezuela and (+17.6% and +12.9%, respectively) and a rise in unit sales of cheese in Canada (+10.5%), account for this improvement.

**EBITDA** grew to 163.2 million euros, compared with 157.5 million euros in the first six months of 2006, for a gain of 5.7 million euros (+3.6%). Restated to eliminate the impact of the appreciation of the euro versus main currencies (9.1 million euros) and of the changes in the scope of consolidation caused essentially by the inclusion in the Group of Newlat S.p.A. and Carnini S.p.A. (3.3 million euros), EBITDA totaled 169.0 million euros, for a year-over-year gain of 11.5 million euros (+7.3%). This improvement is mainly the result of a more favorable product mix, with a greater preponderance of products with a high value added, and of a reduction in operating costs. This reduction was achieved despite a worldwide rise in the price paid for raw milk, which could be recovered only in part by increasing list prices.

**EBIT** rose to 283.6 million euros, for a gain of 196.6 million euros compared with the 87.0 million euros earned in the first half of 2006. The 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) and others (2.1 million euros), partially offset by 6.6 million euros in additional legal costs for actions to void and actions for damages and 4.9 million euros in restructuring charges, account for this improvement.

**The net profit for the period** totaled 244.3 million euros, or 227.3 million euros more than the 17.0 million euros booked in the first six months of 2006. If the result for the first half of 2007 is restated to eliminate the impact of the proceeds generated by actions to void and actions for damages (222.6 million euros), the gain earned on the sale of the Spanish operations (31.2 million euros; 32.7 million euros in the Parent Company's financial statements), the additional legal costs for actions to void and actions for damages (6.6 million euros), the restructuring charges (4.9 million euros) and the current income taxes due on the proceeds from the actions for damages filed against Deloitte & Touche S.p.A. and Dianthus S.p.A., Merrill Lynch and others (42.9 million euros), the net profit for the first half of 2007 amounts to 44.9 million euros, for a gain of 27.9 million euros, which is attributable primarily to a reduction in average borrowing costs and an increase in the invested liquid assets held by the Group's Parent Company.

At 2,219.5 million euros, **net invested capital** is slightly lower compared with December 31, 2006, when it amounted to 2,221.7 million euros.

**Net borrowings** improved significantly during the first half of 2007, with the financial position switching from indebtedness of 170 million euros to net financial assets totaling 58.9 million euros, for a net positive change of 228.9 million euros compared with December 31, 2006. This gain reflects primarily the collection of a "Receivable for settlements of actions to void and actions for damages" owed by Banca Nazionale del Lavoro (112 million euros); the collection of 166.3 million euros upon the settlement of actions filed against Deloitte & Touche S.p.A. and Dianthus S.p.A. (107.2 million euros, including legal fees), the Banca Popolare di Milano Group (25 million euros), Banca delle Marche S.p.A. (22 million euros), ING Bank (8 million euros), Banca Monte Parma S.p.A. (2 million euros), others (2.1 million euros) and the deconsolidation of the Spanish operations (12.2 million euros). These positive factors were offset in part by the distribution of

dividends totaling 43.4 million euros (41.2 million euros attributable to the Group's Parent Company), the loss of value of the euro versus other currencies (14.2 million euros) and the purchases from minority shareholders of equity interests in various subsidiaries (OAO Belgorodskij Molochnij Kombinat, Parmalat Romania SA and Boschi Luigi & Figli S.p.A.) for a total of 8.3 million euros.

The Company's **shareholders' equity** totaled 2,249.1 million euros, up from 2,014.1 million euros at December 31, 2006. The increase of 235 million euros is the net result of the net profit for the period (243.5 million euros), a capital increase of 7.0 million euros and the translation of the financial statements of companies with reporting currencies different from the euro (25.7 million euros), less a dividend distribution of 41.2 million euros.



## Parmalat Group

### RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in million euros)

	First half 2007	First half 2006 restated (**)	First half 2006 (*)
<b>TOTAL NET REVENUES</b>	<b>1,823.9</b>	<b>1,776.1</b>	<b>1,982.0</b>
Revenues from operations	1,810.3	1,761.8	1,967.2
Other revenues	13.6	14.3	14.8
<b>OPERATING EXPENSES</b>	<b>(1,654.0)</b>	<b>(1,615.8)</b>	<b>(1,819.2)</b>
Purchases, services and miscellaneous costs	(1,435.1)	(1,401.7)	(1,581.9)
Labor costs	(218.9)	(214.1)	(237.3)
<b>Subtotal</b>	<b>169.9</b>	<b>160.3</b>	<b>162.8</b>
Writedowns of receivables and other provisions	(6.7)	(2.8)	(3.0)
<b>EBITDA</b>	<b>163.2</b>	<b>157.5</b>	<b>159.8</b>
Depreciation, amortization and writedowns of non-current assets	(45.3)	(44.0)	(49.0)
Other revenues and expenses:			
- Legal fees for actions to void and actions for damages	(31.9)	(25.3)	(25.3)
- Restructuring costs	(4.9)	-	(7.2)
- Miscellaneous revenues and expenses	202.5	(1.2)	(1.5)
<b>EBIT</b>	<b>283.6</b>	<b>87.0</b>	<b>76.8</b>
Financial income	31.3	15.3	16.7
Financial expense (-)	(26.0)	(47.3)	(54.3)
Interest in profit (loss) of companies valued by the equity method		1.3	1.3
Other income from (charges for) equity investments	2.6		
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>291.5</b>	<b>56.3</b>	<b>40.5</b>
Income taxes	(74.7)	(25.1)	(24.1)
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>216.8</b>	<b>31.2</b>	<b>16.4</b>
Net profit (loss) from discontinuing operations	27.5	(14.2)	0.6
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>244.3</b>	<b>17.0</b>	<b>17.0</b>
Minority interest in net (profit) loss	(0.8)	(2.9)	(2.9)
Group interest in net profit (loss)	243.5	14.1	14.1
<b>Continuing operations:</b>			
<b>Basic earnings per share</b>	<b>0.1480</b>	<b>0.0087</b>	<b>0.0087</b>
<b>Diluted earnings per share</b>	<b>0.1427</b>	<b>0.0084</b>	<b>0.0084</b>

(\*) Approved by the Board of Directors on September 13, 2006.

(\*\*) The differences compared with the financial statements approved at the Board of Directors on September 13, 2006 are discussed in the section of the Notes to the Financial Statements entitled "Restatements Applied to the Income Statement at June 30, 2006."

## Parmalat Group

### RECLASSIFIED CONSOLIDATED BALANCE SHEET

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
<b>NON-CURRENT ASSETS</b>	<b>1,994.4</b>	<b>2,158.5</b>
Intangibles	1,279.6	1,290.5
Property, plant and equipment	625.5	728.1
Non-current financial assets	49.9	99.3
Deferred-tax assets	39.4	40.6
<b>AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES</b>	<b>24.1</b>	<b>24.2</b>
<b>NET WORKING CAPITAL</b>	<b>668.6</b>	<b>545.4</b>
Inventories	382.8	348.3
Trade receivables	511.0	530.0
Other current assets	500.9	406.6
Trade payables (-)	(499.9)	(521.0)
Other current liabilities (-)	(226.2)	(218.5)
<b>INVESTED CAPITAL NET OF OPERATING LIABILITIES</b>	<b>2,687.1</b>	<b>2,728.1</b>
<b>PROVISIONS FOR EMPLOYEE BENEFITS (-)</b>	<b>(120.1)</b>	<b>(122.1)</b>
<b>PROVISIONS FOR RISKS AND CHARGES (-)</b>	<b>(323.1)</b>	<b>(359.5)</b>
<b>PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS</b>	<b>(24.4)</b>	<b>(24.8)</b>
<b>NET INVESTED CAPITAL</b>	<b>2,219.5</b>	<b>2,221.7</b>

#### Covered by:

<b>SHAREHOLDERS' EQUITY</b>	<b>2,278.4</b>	<b>2,051.7</b>
Share capital	1,649.4	1,641.5
Reserve for creditor challenges, contested liabilities and claims of late-filing creditors convertible exclusively into share capital	224.0	224.9
Other reserves	36.1	(44.5)
Retained earnings (Loss carryforward)	96.1	(0.3)
Profit (Loss) for the period	243.5	192.5
Minority interest in shareholders' equity	29.3	37.6
<b>NET BORROWINGS</b>	<b>(58.9)</b>	<b>170.0</b>
Loans payable to banks and other lenders	637.3	694.2
Loans payable to investee companies	5.3	5.4
Other financial assets (-)	(475.2)	(207.8)
Cash and cash equivalents (-)	(226.3)	(321.8)
<b>TOTAL COVERAGE SOURCES</b>	<b>2,219.5</b>	<b>2,221.7</b>

(a) The schedule that reconciles the result and shareholders' equity at June 30, 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 THE FIRST HALF OF 2007

<i>(in millions of euros)</i>	<b>First half 2007</b>	<b>2006 Full year</b>
<b>Net borrowings at beginning of period</b>	<b>170.0</b>	<b>369.3</b>
Changes during the period:		
- Cash flow from operating activities	(56.5)	(51.2)
- Cash flow from investing activities	58.5	102.7
- Cash flow from settlements	(237.4)	(44.5)
- Cash flow from divestitures and sundry items	(22.8)	(185.3)
- Dividend payments	43.4	
- Exercise of warrants	(7.0)	
- Miscellaneous items	(9.1)	
- Impact of changes in the scope of consolidation	(12.2)	36.3
- Currency translation impact	14.2	(57.3)
Total changes during the period	(228.9)	(199.3)
<b>Net (borrowings) financial assets</b>	<b>(58.9)</b>	<b>170.0</b>

### BREAKDOWN OF NET FINANCIAL POSITION

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
<b>Net borrowings</b>		
Loans payable to banks and other lenders	637.3	694.2
Loans payable to investee companies	5.3	5.4
Other financial assets (-)	(475.2)	(207.8)
Cash and cash equivalents (-)	(226.3)	(321.8)
<b>Total</b>	<b>(58.9)</b>	<b>170.0</b>

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

<i>(in millions of euros)</i>	<b>Cash and cash equivalents</b>	<b>Gross indebtedness</b>	<b>Net indebtedness</b>
<b>Balance at beginning of period</b>	<b>(321.8)</b>	<b>491.8</b>	<b>170.0</b>
Cash flow from operating activities	(56.5)		(56.5)
Cash flow from investing activities	58.5		58.5
New borrowings	(35.6)	35.6	0.0
Loan repayments	90.0	(90.0)	0.0
Investments in current financial assets and sundry assets	265.6	(265.6)	0.0
Cash flow from settlements	(237.4)		(237.4)
Cash flow from divestitures and sundry items	(22.8)		(22.8)
Dividend payments	43.4		43.4
Exercise of warrants	(7.0)		(7.0)
Miscellaneous items		(9.1)	(9.1)
Impact of changes in the scope of consolidation	0.7	(12.9)	(12.2)
Currency translation impact	(3.4)	17.6	14.2
<b>Balance at end of period</b>	<b>(226.3)</b>	<b>167.4</b>	<b>(58.9)</b>



## Parmalat S.p.A.

**Net revenues** totaled 426.9 million euros, roughly in line with the 427.7 million euros reported at June 30, 2006.

**EBITDA** grew to 34.9 million euros, up 2.9 million euros (+9.1%) from the 32.0 million euros reported in the first six months of 2006. This increase reflects primarily the positive effect of a better sales mix, with a higher presence of products with greater value added, and the control of costs. These positive factors offset the impact of a worldwide rise in the cost paid for raw milk, which could be recovered only in part by increasing list prices.

**EBIT** rose to 190.5 million euros, for a gain of 197.6 million euros compared with the first half of 2006, when EBIT were negative by 7.1 million euros. The 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) and others (2.1 million euros), less 6.6 million euros in additional legal costs for actions to void and actions for damages and 1.0 million euros in restructuring charges, account for this improvement.

The **net profit for the period** grew to 198.2 million euros, or 196.2 million euros more than the 2.0 million euros earned in the first six months of 2006. If the bottom line is restated to eliminate the impact of the proceeds generated by actions to void and actions for damages (222.6 million euros), the gain earned on the sale of the Spanish operations (32.7 million euros; 31.2 million euros in the consolidated financial statements), the additional legal costs for actions to void and actions for damages (6.6 million euros), the restructuring charges (1.0 million euros), the provisions for risk of a lower valuation of some equity investments (15.8 million euros) and the current income taxes due on the proceeds from the actions for damages filed against Deloitte & Touche S.p.A. and Dianthus S.p.A, Merrill Lynch and others (42.9 million euros), the net profit for the first half of 2007 amounts to 9.2 million euros, for a gain of 7.2 million euros.

At 1,544.8 million euros, **net invested capital** was 64.9 million euros less than at December 31, 2006 (1,609.7 million euros). A 48.6-million-euro reduction in receivables for settlements of actions to void and actions for damages and a 16.6-million-euro addition to provisions for risks account for most of this decrease.

The level of **net financial assets** improved dramatically during the first six months of 2006, as the financial position improved from 341.4 million euros to 570.2 million euros, for a positive change of 228.8 million euros compared with December 31, 2006. This gain reflects primarily the collection of a "Receivable for settlements of actions to void and actions for damages" owed by Banca Nazionale del Lavoro (112 million euros); the collection of 166.3 million euros upon the settlement of actions filed against Deloitte & Touche S.p.A. and Dianthus S.p.A. (107.2 million euros, including legal fees), the Banca Popolare di Milano Group (25 million euros), Banca delle Marche S.p.A. (22 million euros), ING Bank (8 million euros), Banca Monte Parma S.p.A. (2 million euros), and others (2.1 million euros) and the deconsolidation of the Spanish operations (12.2 million euros). These positive factors were offset in part by the distribution of dividends totaling 41.2 million euros and the purchases from minority shareholders of equity interests in various subsidiaries (OAO Belgorodskij Molochnij Kombinat, Parmalat Romania SA and Boschi Luigi & Figli S.p.A.) for a total of 8.3 million euros.

The Company's **shareholders' equity** totaled 2,115.0 million euros, up from 1,951.1 million euros at December 31, 2006. The increase of 163.9 million euros is the net result of the net profit for the period (198.2 million euros) and a capital increase of 7.0 million euros, less a dividend distribution of 41.2 million euros.

# Parmalat S.p.A.

## RECLASSIFIED INCOME STATEMENT

(in millions of euros)

	First half 2007	First half 2006 restated (**)	First half 2006 (*)
<b>TOTAL NET REVENUES</b>	<b>438.5</b>	<b>442.7</b>	<b>519.5</b>
Sales Revenues	426.9	427.7	504.5
Other revenues	11.6	15.0	15.0
<b>OPERATING EXPENSES</b>	<b>(400.1)</b>	<b>(410.2)</b>	<b>(487.0)</b>
Purchases, services and miscellaneous costs	(349.2)	(355.9)	(432.7)
Labor costs	(50.9)	(54.3)	(54.3)
<b>Subtotal</b>	<b>38.4</b>	<b>32.5</b>	<b>32.5</b>
Writedowns of receivables and other provisions	(3.5)	(0.5)	(0.5)
<b>EBITDA</b>	<b>34.9</b>	<b>32.0</b>	<b>32.0</b>
Depreciation, amortization and writedowns of non-current assets	(15.5)	(9.4)	(9.4)
Other revenues and expenses			
- Legal fees for actions to void and actions for damages	(31.9)	(25.3)	(25.3)
- Restructuring costs	(1.0)	0.0	0.0
- Additions to provision for losses of investee companies	(6.9)	(5.3)	(5.3)
- Miscellaneous revenues and expenses	210.8	0.9	0.9
<b>EBIT</b>	<b>190.5</b>	<b>(7.1)</b>	<b>(7.1)</b>
Financial income	16.6	5.7	5.7
Financial expense (-)	(1.8)	(3.0)	(3.0)
Income from (charges for) equity investments	9.0	7.6	7.6
<b>PROFIT (LOSS) BEFORE TAXES AND THE RESULT FROM DISCONTINUING OPERATIONS</b>	<b>214.2</b>	<b>3.2</b>	<b>3.2</b>
Income taxes	(48.1)	(1.8)	(1.8)
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>166.1</b>	<b>1.4</b>	<b>1.4</b>
Net profit (loss) from discontinuing operations	32.1	0.6	0.6
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>198.2</b>	<b>2.0</b>	<b>2.0</b>

(\*) Approved by the Board of Directors on September 13, 2006.

(\*\*) The reclassifications compared with the financial statements approved by the Board of Directors on September 13, 2006 are discussed in the section entitled "Restatements Applied to the Income Statement at June 30, 2006."

# Parmalat S.p.A.

## RECLASSIFIED BALANCE SHEET

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
NON-CURRENT ASSETS	<b>1,461.7</b>	<b>1,605.4</b>
Intangibles	476.6	483.6
Property, plant and equipment	139.1	138.0
Non-current financial assets	826.3	964.5
Deferred-tax assets	19.7	19.3
AVAILABLE-FOR-SALE ASSETS, NET OF CORRESPONDING LIABILITIES	<b>0.0</b>	<b>7.5</b>
NET WORKING CAPITAL	<b>373.8</b>	<b>269.4</b>
Inventories	42.4	36.1
Trade receivables	226.3	225.7
Other current assets	422.6	298.5
Trade payables (-)	(204.1)	(204.0)
Other current liabilities (-)	(113.4)	(86.9)
INVESTED CAPITAL NET OF OPERATING LIABILITIES	<b>1,835.5</b>	<b>1,882.3</b>
PROVISIONS FOR EMPLOYEE BENEFITS (-)	<b>(37.8)</b>	<b>(40.6)</b>
PROVISIONS FOR RISKS AND CHARGES (-)	<b>(230.5)</b>	<b>(209.2)</b>
PROVISION FOR LIABILITIES ON CONTESTED PREFERENTIAL AND PREDEDUCTION CLAIMS	<b>(22.4)</b>	<b>(22.8)</b>
NET INVESTED CAPITAL	<b>1,544.8</b>	<b>1,609.7</b>
<b>Covered by:</b>		
SHAREHOLDERS' EQUITY	<b>2,115.0</b>	<b>1,951.1</b>
Share capital	1,649.4	1,641.5
Reserve for creditor challenges, contested liabilities and claims of late-filing creditors convertible exclusively into share capital	224.0	224.9
Other reserves	43.4	(11.6)
Retained earnings (Loss carryforward)	0.0	(29.3)
Profit (Loss) for the period	198.2	125.6
NET BORROWINGS	<b>( 570.2)</b>	<b>( 341.4)</b>
Loans payable to banks and other lenders	11.7	12.5
Loans payable to Group companies	2.3	2.3
Other financial assets (-)	(478.5)	(215.4)
Cash and cash equivalents (-)	(105.7)	(140.8)
TOTAL COVERAGE SOURCES	<b>1,544.8</b>	<b>1,609.7</b>

## Parmalat S.p.A.

### STATEMENT OF CHANGES IN NET FINANCIAL POSITION IN THE FIRST HALF OF 2007

<i>(in millions of euros)</i>	<b>First half 2007</b>	<b>2006 Full year</b>
<b>Net borrowings at beginning of period</b>	<b>(341.4)</b>	<b>(324.5)</b>
Changes during the period:		
- Cash flow from operating activities	(51.9)	31.6
- Cash flow from investing activities	27.2	57.8
- Cash flow from settlements	(237.4)	(44.5)
- Cash flow from divestitures and sundry items	(3.3)	(60.1)
- Dividend payments	41.2	0.0
- Exercise of warrants	(7.0)	(1.8)
- Miscellaneous items	2.4	0.1
Total changes during the period	(228.8)	(16.9)
<b>Net borrowings at end of period</b>	<b>(570.2)</b>	<b>(341.4)</b>

### BREAKDOWN OF NET FINANCIAL POSITION

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
<b>Net borrowings</b>		
Loans payable to banks and other lenders	11.7	12.5
Loans payable to investee companies	2.3	2.3
Other financial assets (-)	(478.5)	(215.4)
Cash and cash equivalents (-)	(105.7)	(140.8)
<b>Total</b>	<b>(570.2)</b>	<b>(341.4)</b>

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

<i>(in millions of euros)</i>	<b>Cash and cash equivalents</b>	<b>Gross indebtedness</b>	<b>Net indebtedness</b>
<b>Balance at beginning of period</b>	<b>(140.8)</b>	<b>(200.6)</b>	<b>(341.4)</b>
Cash flow from operating activities	(51.9)		(51.9)
Cash flow from investing activities	27.2		27.2
New borrowings	(0.9)	(0.9)	0.0
Loan repayments	2.9	(2.9)	0.0
Investments in current financial assets and sundry assets	264.3	(264.3)	0.0
Cash flow from settlements	(237.4)		(237.4)
Cash flow from divestitures and sundry items	(3.3)		(2.9)
Dividend payments	41.2		41.2
Exercise of warrants	(7.0)		(7.0)
Miscellaneous items		2.4	2.4
<b>Balance at end of period</b>	<b>(105.7)</b>	<b>(464.5)</b>	<b>(570.2)</b>



# 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

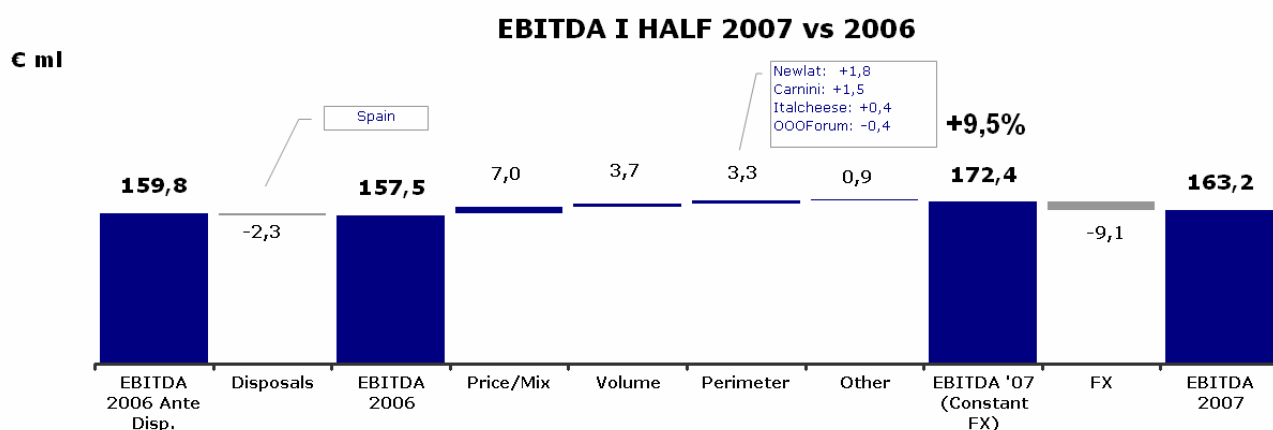
In the first half of 2007, consolidated net revenues increased to 1,810.3 million euros, for a gain of 2.8% compared with June 30, 2006. EBITDA, which grew to 163.2 million euros, or 5.7 million euros more than the previous year, were equal to 9.0% of revenues, a percentage slightly higher than a year ago.

The Group's performance in the first six months of 2007 was affected by a decrease in the profitability of the Venezuelan operations and 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 and, in some areas, by a growing trend toward the transformation of raw milk into powdered milk.

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>1.761,8</b>	<b>1.810,3</b>	<b>48,5 +2,8%</b>
<b>EBITDA</b>	<b>157,5</b>	<b>163,2</b>	<b>5,7</b>
<i>EBITDA %</i>	<i>8,9</i>	<i>9,0</i>	<i>0,1 ppt</i>

Parmalat Group operates almost exclusively in local markets where it produces and sells. The export activity is extremely limited and not significant. Consequently, the exchange rates fluctuations do not affect the Group's currency balance, but simply generate currency translation differences.

**Changes in foreign currency exchange rates** used for translation purposes (compared with the average exchange rates for the first half of 2006) reduced revenues by 95.2 million euros (5.4% of revenues) and EBITDA by 9.1 million euros (5.8% of EBITDA). The appreciation of the euro versus the Canadian and South African currencies accounts for most of the change. (See table in paragraph "Exchange Rates Used to Translate Financial Statements").



## b) Data by Geographic Region

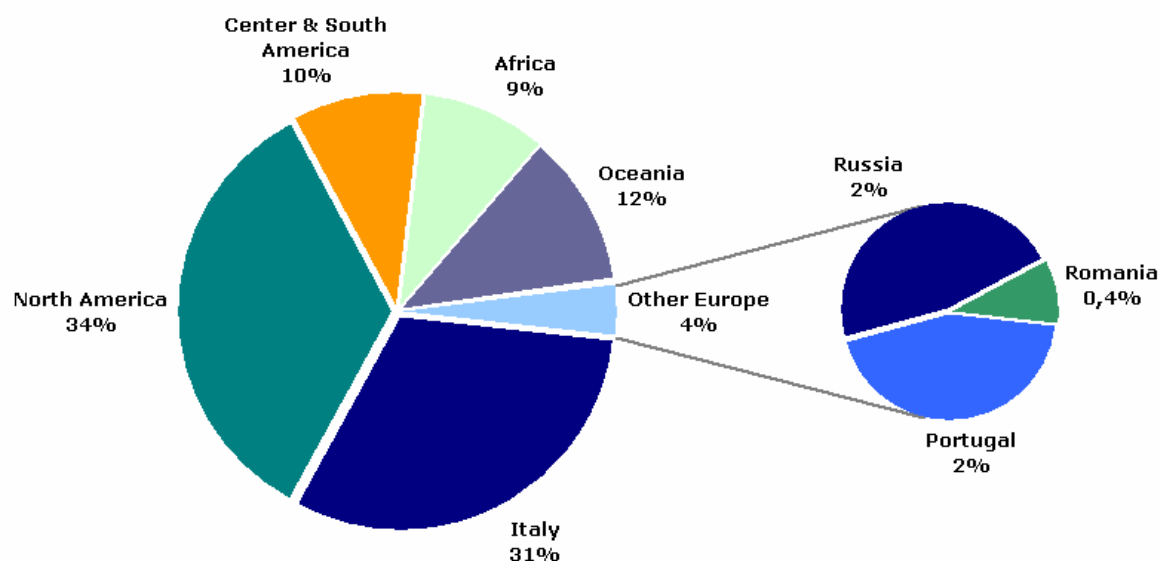
Areas						
2006			I Half Year	2007		
Revenues	EBITDA	EBITDA %		Revenues	EBITDA	EBITDA %
<b>499,1</b>	<b>48,1</b>	<b>9,6</b>	<b>Italy</b>	<b>558,9</b>	<b>55,9</b>	<b>10,0</b>
<b>62,3</b>	<b>9,0</b>	<b>14,5</b>	<b>Other Europe</b>	<b>72,4</b>	<b>11,1</b>	<b>15,3</b>
26,3	3,8	14,6	Russia	33,9	5,4	16,0
30,7	4,1	13,3	Portugal	31,5	3,7	11,6
5,2	1,1	21,7	Romania	7,0	2,0	28,1
<b>647,6</b>	<b>54,1</b>	<b>8,4</b>	<b>Canada</b>	<b>625,1</b>	<b>57,7</b>	<b>9,2</b>
<b>161,1</b>	<b>22,7</b>	<b>14,1</b>	<b>Center &amp; South America</b>	<b>179,4</b>	<b>15,5</b>	<b>8,7</b>
89,0	14,5	16,3	Venezuela	103,2	6,4	6,2
54,9	5,5	10,0	Colombia	58,8	7,2	12,2
13,2	2,0	14,9	Nicaragua	12,3	1,0	8,3
1,0	(0,3)	n.s.	Ecuador	2,9	0,2	n.s.
3,6	1,0	28,4	Cuba	2,1	0,7	34,4
<b>175,9</b>	<b>19,4</b>	<b>11,0</b>	<b>Africa</b>	<b>168,2</b>	<b>17,9</b>	<b>10,7</b>
<b>209,2</b>	<b>15,0</b>	<b>7,2</b>	<b>Australia</b>	<b>209,2</b>	<b>14,7</b>	<b>7,0</b>
<b>6,7</b>	<b>(10,9)</b>	<b>n.s.</b>	<b>Other *</b>	<b>(2,9)</b>	<b>(9,5)</b>	<b>n.s.</b>
<b>1.761,8</b>	<b>157,5</b>	<b>8,9</b>	<b>Group</b>	<b>1.810,3</b>	<b>163,2</b>	<b>9,0</b>

Areas represent the consolidated countries

(\*) Includes Holding, Other no core Companies, extra Area eliminations

The Group's profitability improved slightly (+0.1 percentage points) compared with the first half of 2006, thanks to the positive contribution provided by operations in Canada, Italy, Russia and Romania and a reduction in holding company costs.

### Revenues by Area



### c) Data by Product Division

€ ml	I Half '06			I Half '07		
	Revenues	EBITDA	EBITDA %	Revenues	EBITDA	EBITDA %
Milk (1)	1.034,2	83,4	8,1	1.079,8	82,5	7,6
Fruit Based Drinks (2)	110,4	15,2	13,8	127,2	25,7	20,2
Milk Derivatives (3)	577,1	59,3	10,3	574,9	58,0	10,1
Other <sup>(4)</sup>	40,2	(0,5)	(1,2)	28,4	(2,9)	(10,3)
<b>Group</b>	<b>1.761,8</b>	<b>157,5</b>	<b>8,9</b>	<b>1.810,3</b>	<b>163,2</b>	<b>9,0</b>

(1) Includes Milk, Cream and Bechamel

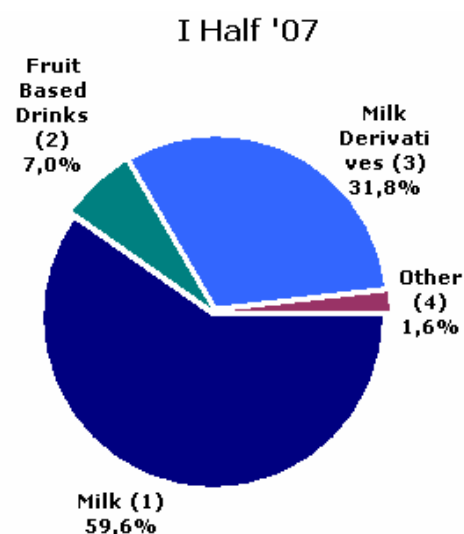
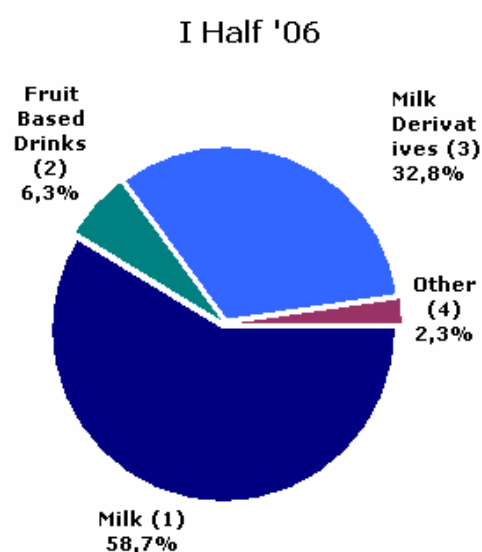
(2) Fruit juices and Tea

(3) Includes Yogurt, Dessert, Cheese

(4) Includes Others Products and Holding

The profitability of the Milk Division was severely penalized by the negative performance of the Venezuelan operations and by an increase in the cost of raw milk.

### Net Revenues by Product Division



(1) Includes Milk, Cream and Bechamel

(2) Fruit juices and Tea

(3) Includes Yogurt, Dessert, Cheese

(4) Includes Others Products and Holding

## d) Capital Expenditures

### Parmalat Group

*Synthesis of Capital Expenditure of Parmalat Group at June the 30st (excluding land and buildings).*

Value in € ml	I Half Year 2006		I Half Year 2007	
	value	% on total	value	% on total
<b>Italy</b>	<b>8,7</b>	<b>26,1%</b>	<b>14,4</b>	<b>34,8%</b>
<b>Other Europe</b>	<b>7,2</b>	<b>21,7%</b>	<b>3,1</b>	<b>7,5%</b>
Russia	0,7	2,2%	2,3	5,6%
Portugal	0,3	1,0%	0,6	1,4%
Romania	0,5	1,4%	0,2	0,5%
Spagna	5,7	17,2%		
<b>Canada</b>	<b>4,4</b>	<b>13,1%</b>	<b>7,5</b>	<b>18,1%</b>
<b>Center &amp; South America</b>	<b>3,5</b>	<b>10,5%</b>	<b>3,6</b>	<b>8,6%</b>
Venezuela	0,9	2,6%	1,6	3,8%
Colombia	1,0	3,1%	1,8	4,4%
Nicaragua	1,2	3,6%	0,1	0,3%
Ecuador	0,4	1,3%		
Cuba	0,0	0,0%	0,0	0,1%
<b>Africa Consolidated</b>	<b>6,0</b>	<b>18,0%</b>	<b>3,8</b>	<b>9,2%</b>
<b>Australia</b>	<b>3,5</b>	<b>10,6%</b>	<b>8,3</b>	<b>20,2%</b>
<b>Other Companies *</b>			<b>0,7</b>	<b>1,6%</b>
<b>Group</b>	<b>33,3</b>	<b>100%</b>	<b>41,3</b>	<b>100%</b>

\* Boschi Luigi & Figli Spa

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

### Italy

Projects completed during the first half of 2007 included deployment of a line to package pasteurized milk in PET bottles and modification of two lines to accommodate the production of microfiltered and Omega-3 pasteurized milk, startup of a line to manufacture HDPE bottles for UHT milk and a line to manufacture UHT milk carry-out containers, and, lastly, installation of two new production lines (fruit juices in 1000 ml and 750 ml containers) in anticipation of increased summer demand and overhaul of two existing PET lines. Additional projects, some of which are still in progress, focused on streamlining production and improving quality, such as the modernization of the Ragusa plant.

### Canada

During the first half of 2007, the Canadian SBU carried out a series of investment projects designed to modernize its factories and facilities, increase production capacity (capital expenditures in this area include the installation of a new yogurt packaging line) and comply with new regulatory requirements. Projects at the plants in Brampton, Rakely, Mitchell and Victoriaville accounted for the bulk of the investments. Additional investments were used to modernize the distribution fleet, carry our research and development projects and launch new products.

### Australia

In the first half of 2007, capital expenditures were used to improve the efficiency of manufacturing and distribution operations. In addition, work continued on a project launched in 2006 to increase the capacity of some plants.

## Africa

The African SBU focused its capital expenditures on improving cheese production capacity with projects at factories in Bonnievale (packaging and refrigeration equipment) and Stellenbosch (modernization of the packaging line) that are still in progress. Other projects included construction of a warehouse for finished products (scheduled for completion in 2008) and installation of a new Tetra Pak filling system at the Port Elizabeth plant (scheduled for completion later this year).

## Venezuela

During the first half of 2007, the largest capital expenditures were earmarked for the Miranda and Quenaca plants, focusing in particular on improving manufacturing processes and upgrading the fruit juice bottling facilities with the goal of increasing production capacity.

## Other Countries in Europe

### Russia

The SBU used its capital expenditures to improve the efficiency and production capacity of its facilities, strengthen its distribution organization (purchases of new vehicles) and comply with new regulations. Specifically, projects at the Ekaterinburg factory included building a new warehouse to store finished products, overhauling the facility to manufacture sterile products and purchasing a new aseptic tank. Work carried out at the Bolgorod plant to expand production facilities included purchasing equipment to fill cases and palletize fruit juices and UHT milk, a sterilizer, a palletizer and an aseptic tank for cream and flavored milk.

### Portugal

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

### Romania

The capital investment carried out by the Romanian SBU during the first six months of 2007 included increasing the production capacity of the PET line, which was achieved by purchasing new equipment and a shrink-wrap system (scheduled for installation in July), completing building construction (slated for the fall) and buying a new boiler.

## Other Countries in South America

### Colombia

During the first half of 2007, the Colombian SBU invested to increase the production capacity and improve the efficiency of its facilities. Investments to launch new products are scheduled for 2008.

### Nicaragua

The Nicaraguan SBU used its capital expenditures to increase production capacity (purchase of pasteurized milk production equipment), comply with new regulations and modernize its accounting and financial organization.



## Parent Company (Parmalat S.p.A)

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>427,7</b>	<b>426,9</b>	<b>(0,8)</b> -0,2%
<b>EBITDA</b>	<b>32,0</b>	<b>34,9</b>	<b>2,9</b>
<i>EBITDA %</i>	<i>7,5</i>	<i>8,2</i>	<i>0,7 ppt</i>

Revenues for the first half of 2007 were roughly in line with the amount reported at June 30, 2006 (+1.6% compared with the previous year, if considered net of bulk items). EBITDA, which are net of a charge of 3.0 million euros (due both to the closing of licensees and the writedown of certain positions), totaled 34.9 million euros, up from 32.0 million euros in the first six months of 2006 (+2.9 million euros).

At June 30, 2007, holding company expenses were 9.8 million euros, compared with 10.4 million euros in the same period last year.

The main developments that characterized the first half of 2007 included the following:

- Increase in unit sales and market shares;
- Improved sales mix thanks to higher unit sales of juices and specialty milk;
- Sharp increase in the cost of milk-based raw materials;
- Launch of functional juices (Santàl 5 colors) and expansion of the functional milk line.

\*\*\*

During the first half of 2007, the Company's research and development activities focused on the development of new products, working in cooperation with universities and research centers. The amounts invested were not significant.

## Business Units

### Italy

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>499,1</b>	<b>558,9</b>	<b>59,8</b> +12,0%
<b>EBITDA</b>	<b>48,1</b>	<b>55,9</b>	<b>7,7</b>
EBITDA %	9,6	10,0	0,4 ppt

The data for the first half of 2007 benefited from the consolidation of Newlat and Carnini, which contributed about 87.5 million euros to net revenues, including intra-Group transactions, and about 3.3 million euros to EBITDA. For the sake of a clearer comparison, data restated on a comparable consolidation basis are provided below.

#### Italy perimeter 2006

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>499,1</b>	<b>499,6</b>	<b>0,4</b> +0,1%
<b>EBITDA</b>	<b>48,1</b>	<b>52,6</b>	<b>4,4</b>
EBITDA %	9,6	10,5	0,9 ppt

While net revenues were little changed compared with the first half of 2006, unit sales and revenues, net of bulk items, showed an increase.

As explained when reviewing the performance of the Group's Parent Company, the SBU's profitability gain was made possible by a better sales mix, with a greater contribution provided by fruit juices and products with a high value added, and by cost reductions.

Tensions on the supply side of the raw milk market produced increases in purchasing costs that could be recovered only in part by increasing list prices.

#### Market and Products

During the first half of 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, has been served exclusively by brand producers.

The milk market is substantially mature, with extremely low or even negative growth rates, while the fruit juice (+1.4% on a volume basis) and yogurt (+4.5% on a volume basis) are still growing, with average sales prices on the increase (Source: Nielsen/Iri on Total Italy).

In the UHT milk segment, Parmalat retained the leadership position, boosting its market share to more than 34%, or almost 2 percentage points more than in the first half of 2006. Owing primarily to the contribution of specialty milk, sales were up 23.5% compared with the first six months of 2006. Sales of specialty milk are starting to account for a significant portion (30% on a volume basis and 40% on a revenue basis) of total sales. In the first half of 2007, the SBU's market share value in this segment increased to 13.8%, for a gain of 2 percentage points compared with the same period last year (Source: Nielsen S+I+LS).

In the fresh milk segment, despite the inroads made by private labels, Parmalat was able to hold its market share steady compared with the first half of 2006 and retain the market leadership. In addition, it enjoyed a sharp increase in the sale of functional products.

In the market for fruit-based beverages, Santal continued to regain market share, posting a sales increase of 17.6% (*S+I+S source IRI*), compared with a gain of 1.6% for the market as a whole. Thanks to this performance, in June, Santal became the market leader with a share of 14.3%. A more effective distribution organization and faster rotation are the main reasons for this improvement. In June, the SBU launched the new Santal 5 colors line, with a boost of sales in the second half of the year.

The Parmalat Group also performed well in the yogurt market, with sales to customers in the modern channel rising by 11% compared with the first half of 2006 (*Source: Nielsen S+I+LS*), thanks to strong demand for Parmalat (+24%) and Kyr (+16%) branded products.

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

Products	Market Share (value)
UHT milk	34,3%
Pasteurized milk <sup>(*)</sup>	28,8%
UHT cream	30,3%
Bechamel	48,9%
Yogurt	5,7%
Fruit-base drinks	12,8%

*Source: AC Nielsen - Modern Trade*

*(\*) Internal revaluation with "Assolatte" data*

### Raw Materials and Packaging

During the first half of 2007, the Italian market for milk and all dairy products was adversely affected by rising world demand for powdered milk and drought conditions in the main milk-producing countries (New Zealand and Australia), the introduction of export duties in Argentina and the suspension of exports from India. As a result, in order to meet rising demand, the emerging countries turned to the European market to meet their needs, which, once the inventories of powdered milk had been used up, caused out-of-control price increases in the supply of raw milk, most of which was processed into powdered milk to increase profits. At the same time, Europe suspended all incentives on exports of milk-based products.

Italy, which imports about 45% of the milk it uses, was strongly affected by the turbulence in the international markets, which is not expected to abate over the short term.

### Manufacturing Organization

The Italian SBU operates 15 manufacturing facilities. Nine of these facilities are owned by Parmalat SpA and are used 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 and the remaining two facilities are owned by Latte Sole Spa, which uses them primarily to produce UHT milk, pasteurized milk, cheese and cream.



## Other Countries in Europe

### Russia

€ ml	I H 06	I H 07	Change	
<b>Revenues</b>	<b>26,3</b>	<b>33,9</b>	<b>7,6</b>	<b>+28,9%</b>
<b>EBITDA</b>	<b>3,8</b>	<b>5,4</b>	<b>1,6</b>	
<i>EBITDA %</i>	<i>14,6</i>	<i>16,0</i>	<i>1,5 ppt</i>	

The Russian ruble lost 2.0% of its value compared with the exchange rate applied in the first half of 2006. The negative impact of this change on revenues and EBITDA was 0.7 million euros and 0.1 million euros, respectively.

Total unit sales were up 27.8% compared with the first six months of 2006. Specifically, shipments of UHT milk, which account for 34% of sales, increased by 28.4% compared with 2006, with sales of pasteurized milk and fruit juices rising by 7.6% and 41.7%, respectively, over the same period last year.

The positive trend that started in 2006 is continuing, producing gains 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.

#### Market and Products

The UHT market is dominated by two big players (Wimm Bill Dann and Unimilk), while in the fruit juice segment four major players account for 80% of the market.

Dairy products are sold under the Parmalat and Biely Gorod brands and fruit juices are sold under the Santal and 4 Seasons brands. Imported products generate high profit margins and strengthen Parmalat's image, setting it apart from its competitors.

#### Raw Materials and Packaging

In Russia, milk is a scarce resource and its price is heavily conditioned by availability on the local market and by conditions in the international markets. During the first half of 2007, the cost of raw milk increased by 5.5% compared with the same period last year.

The price of fruit concentrates was also up, due to a reduction in supply caused by drought conditions in the producing countries and rising demand in the international markets.

#### Manufacturing Organization and Capital Expenditures

The Russian SBU has two manufacturing facilities located in Belgorod and Urallat (near Ekaterinburg).

In 2007, the sharp increase in sales compared with the previous year created significant problems for the SBU's manufacturing and logistics organization, making it necessary to plan 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.

## Portugal

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>30,7</b>	<b>31,5</b>	<b>0,8</b> +2,6%
<b>EBITDA</b>	<b>4,1</b>	<b>3,7</b>	<b>(0,4)</b>
<i>EBITDA %</i>	<i>13,3</i>	<i>11,6</i>	<i>-1,7 ppt</i>

Overall, unit sales decreased by 1.2% compared with the first half of 2006. Specifically, shipments of fruit juices were down 15.4%, while those of UHT milk, which accounts for 58% of total unit sales, increased by 7.3%. At the same time, unit sales of UHT cream were 9.4% less than in the first six months of 2006.

The revenues generated by sales of Santal fruit juices continued to decrease (-13% compared with the previous year) but this shortfall was offset by growing demand for UCAL chocolate-flavored milk.

### Market and Products

The Portuguese SBU operates through three main brands: Parmalat, Santal and UCAL, which are represented in all distribution channels. Distribution through the Modern channel generated 43% of net revenues, traditional distribution channels accounted for an additional 36% and other distribution channels, such as discount retail chains, contributed the remaining 21%.

The Portuguese SBU is implementing a strategy based on expanding sales of such high value-added items as béchamel, cream and chocolate-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 chocolate-flavored milk (which account for about 30% of the SBU's total revenues) have been increasing. In January, consistent with a strategy of developing functional products, Parmalat Portugal added four new types of high-quality milk with a high nutritional value to its Ucal São Lourenço line. In addition, it is working to reposition Parmalat branded milk, focusing on products with a high value added. The SBU's market share was 2% on a volume basis and 3% on a revenue basis (*Source: AC Nielsen INA AM 07*).
- **Fruit juices:** The SBU's competitive position in this segment that accounts for 19% of its revenues weakened due to growth by private labels and the introduction of an innovative product by Compal, its main market competitor. However, the new beverages launched in January in the 250 ml format are beginning to produce positive results. The SBU's market share was 5% on a volume basis and 4% on a revenue basis (*Source: AC Nielsen INA INCIM AM 07*).
- **Cream and béchamel:** These products are sold under the Parmalat brand. Competition is fairly strong in this segment as well and competition from private labels has been steadily increasing.

### Raw Materials and Packaging

During the first half of 2007, the price paid to purchase raw milk increased by about 6% compared with the same period last year. Further increases are expected in the second half of the year.

### Manufacturing Organization

All items sold by Parmalat Portugal are manufactured at the Águas de Moura plant, except for products imported from Italy and some items that are produced by co-packers.

## Romania

€ ml	I H 06	I H 07	Change	
<b>Revenues</b>	<b>5,2</b>	<b>7,0</b>	<b>1,8</b>	<b>+33,6%</b>
<b>EBITDA</b>	<b>1,1</b>	<b>2,0</b>	<b>0,8</b>	
<i>EBITDA %</i>	<i>21,7</i>	<i>28,1</i>	<i>6,4 ppt</i>	

The local currency (new leu) increased in value by 5.9% compared with the exchange rate applied in the first half of 2006. The positive impact of this change on revenues and EBITDA was 0.4 million euros and 0.1 million euros, respectively.

Unit sales of fruit juices, which accounted for 94% of total sales, were up 45.2% compared with the first half of 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 September 2006, it began to import UHT milk from Hungary, but sales of this product are still marginal. In the second half of 2007, it will add to its product line several types of functional milk imported from Italy.

### 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), Santal and Tymbar (Maspex). Other significant players include Fruttia (European Drinks) and importers of Rauch, Pfanner and Granini branded products. Competitors have been very aggressive in this market and in 2007, with Romania joining the European Union, competitive pressure increased even more with the entry of new players.

Parmalat Romania is present in all three segments of the fruit juice market (100% juices, nectars and still drinks) and in the tea segment. It is the leader in the juice segment and one of the top five competitors in the nectar segment, but lags in the JNSD segment.

The SBU's overall market share is 3.8% on a volume basis and 6.9% on a revenue basis, which reflects its ability to sell at higher prices than its competitors in the premium segment of the market.

### Raw Materials

Following the entry of Romania in the European Union and the elimination of customs duties, many raw materials became less expensive than in the first six months of 2006, except for orange concentrate, which increased in price in the international markets as well.

### 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 two lines for fruit juices packaged in cardboard containers (one is being decommissioned), a filling line for juices sold in glass bottles and a PET bottling line, which went on stream in 2006.

## Canada

<i>€ ml</i>	<b>I H 06</b>	<b>I H 07</b>	<b>Change</b>
<b>Revenues</b>	<b>647,6</b>	<b>625,1</b>	<b>(22,5)</b> -3,5%
<b>EBITDA</b>	<b>54,1</b>	<b>57,7</b>	<b>3,6</b>
<i>EBITDA %</i>	<i>8,4</i>	<i>9,2</i>	<i>0,9 ppt</i>

The local currency (Canadian dollar) decreased in value by 7.8% compared with the exchange rate applied in the first half of 2006. The negative impact of this change on revenues and EBITDA was 48.5 million euros and 4.5 million euros, respectively. However, toward the end of the period the exchange rate appeared to have bottomed out and is expected to rebound in the second half of the year.

In order to provide a better understanding of the SBU's performance, the table below shows the data restated using the local currency.

<i>Local currency ml</i>	<b>I H 06</b>	<b>I H 07</b>	<b>Change</b>
<b>Revenues</b>	<b>906,4</b>	<b>942,7</b>	<b>36,3</b> +4,0%
<b>EBITDA</b>	<b>75,8</b>	<b>87,0</b>	<b>11,3</b>
<i>EBITDA %</i>	<i>8,4</i>	<i>9,2</i>	<i>0,9 ppt</i>

Overall, unit sales were 1.2% higher than in the first half of 2006, but shipments of pasteurized milk, which account for 58% of the SBU's total sales volume, were down 1.3%.

Compared with the first six months of 2006, unit sales were up 10.5% for cheese but decreased by 1.9% 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 yogurt and types of milk with a higher value added (Premium).

### Market 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 Group are reviewed below:

- The dairy industry is regulated, with restrictions and tariffs on imported dairy products;
- Raw milk prices are regulated and no alternative sources of supply are available;
- 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 four major distributors (LCL, Metro, Sobey's and Safeway), which are often 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 all market operators. However, increased competition among the major players and the growth of private labels contributed to reducing margins during the first half of 2007.

The main reasons for the improved performance of the Canadian SBU in the first six months of 2007 compared with the same period last year include a more favorable sales mix, the success of aggressive marketing campaigns and of new packaging solutions, and the price increases implemented to absorb a rise in raw material costs. In addition, programs introduced to optimize recipes, packaging and processes helped reduce costs.

The SBU's main product categories include the following:

- Milk. Parmalat is one of the three top players in the milk market, with a share of 20.3%. The SBU's position is mainly the result of strong growth in the premium milk segment, a positive performance by its functional milks (Omega-3, Calcium and Lactaid), an intensive television advertising campaign and the launch of a new product called Vitalité.
- Yogurt. The Canadian SBU is the market leader in English-speaking Canada with the Astro brand. The positive results achieved in the first half of 2007 reflect the impact of aggressive marketing programs implemented to support the launch of Astro BioBest Omega-3 and relaunch Astro Fat Free Zero and were made possible by strong sales of the SBU's other functional yogurt products.
- 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 52.6% share, and ranks second in the natural cheese segment, with a share of 18.9%.
- 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 19.5% market share.

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

Products	Market Share (volume)
Milk	20,3%
Yogurt*	29,1%
Natural Cheese	18,9%
Butter	19,5%
Margarine	13,1%

*Source: AC Nielsen - 9 June 2007*

*\* English Canada*

### Manufacturing Organization

The Canadian SBU has 19 production facilities, 5 distribution centers and is a partner in several copacking facilities. Yogurt is manufactured at plants in Rakely, 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, Thornloe, Victoriaville and Winchester.

## Central and South America

### Venezuela

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>89,0</b>	<b>103,2</b>	<b>14,2 +16,0%</b>
<b>EBITDA</b>	<b>14,5</b>	<b>6,4</b>	<b>(8,0)</b>
<i>EBITDA %</i>	<i>16,3</i>	<i>6,2</i>	<i>-10,0 ppt</i>

The local currency (bolivar) decreased in value by 8.1% compared with the exchange rate applied in the first half of 2006. The negative impact of this change on revenues and EBITDA was 8.4 million euros and 0.5 million euros, respectively.

Overall, unit sales increased by 6.7% compared with the first six months of 2006, with individual gains of 12.9% for fruit juices (which account for 43% of the total sales volume) and 14.4% for yogurt. On the other hand, shipments were down 2.5% for cheese, 7.5% for pasteurized milk and 18.3% for condensed milk.

The SBU's profitability decreased compared with the first half of 2006 due to an increase in the cost of raw milk, the controls imposed on the sales prices of powdered and liquid milk and a higher incidence of fixed industrial costs caused by a delay in the sale of the Barquisimeto and Machiques factories, which was supposed to take place early in 2007 and is still pending. Presently, fruit juices are the engine that is driving the SBU's progress.

#### Market and Products

Compared with the first six months of 2006, the Venezuelan SBU increased its revenue market share in the powdered milk segment; held steady its share of the condensed milk, pasteurized milk and yogurt segments; and, despite the launch of Santal Energy, lost market share in the fruit juice segment due to the arrival of new competitors.

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

Products	Market Share (value)
Fruit Juices	22%
Condensed milk	38%
Pasteurized milk	23%
Dairy products	39%
Powder milk	9%
Yogurt	24%

*Source: ACNielsen (Apr-Jun 2007)*

#### Raw Materials and Packaging

The increase in the cost of raw milk compared with 2006 is chiefly the result of unfavorable weather conditions and the price controls imposed by the Venezuelan government.

In addition, as a result of rising demand from Asia, the price of powdered milk has also skyrocketed, rising by 120% compared with the first half of 2006.

#### Manufacturing Organization

The SBU's manufacturing organization includes five main production facilities.

## Colombia

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>54,9</b>	<b>58,8</b>	<b>4,0</b> +7,2%
<b>EBITDA</b>	<b>5,5</b>	<b>7,2</b>	<b>1,7</b>
<i>EBITDA %</i>	<i>10,0</i>	<i>12,2</i>	<i>2,2 ppt</i>

The local currency (peso) appreciated in value by 2.5% compared with the exchange rate applied in the first half of 2006. The positive impact of this change on revenues and EBITDA was 1.5 million euros and 0.2 million euros, respectively.

Overall, unit sales decreased by 5.6% compared with the first half of 2006, with shipments of pasteurized milk, which account for 82% of the total sales volume, down 2.5%. Unit sales of UHT, which are equal to 6% of total sales, fell by 14.6% compared with 2006, while those of powdered milk, which represent 5% of total unit sales, contracted by 19.8% over the same period.

### Market and Products

In the Colombian dairy market, unit sales decreased compared with the first six months of 2006 due to a scarcity of raw milk caused by the drought and the limited inventories available during the first half of 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 Medellín and Cali.

The Colombian SBU intends to focus its production on items with a higher value added. Accordingly, it invested heavily in advertising during the first half of 2007. During the second quarter, the SBU launched Fresco, pasteurized milk sold in a tetrapak container with which it hopes to gain significant market share and compete with Alqueria, one of the leaders in the Colombian market.

### 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, Cali, Medellín, Barranquilla and Cerete. Powdered milk is manufactured in Chia, Medellín and Cerete.

## Nicaragua

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>13,2</b>	<b>12,3</b>	<b>(0,9)</b> -6,6%
<b>EBITDA</b>	<b>2,0</b>	<b>1,0</b>	<b>(0,9)</b>
<i>EBITDA %</i>	<i>14,9</i>	<i>8,3</i>	<i>-6,7 ppt</i>

The local currency (cordoba) decreased in value by 13.5% compared with the exchange rate applied in the first half of 2006. The negative impact of this change on revenues and EBITDA was 1.7 million euros and 0.1 million euros, respectively.

The overall sales volume was down 13.2% compared with the previous year. Specifically, shipments of pasteurized milk, which accounts for 68% of the SBU's total sales, were about the same as in the first half of 2006, as was the case for pasteurized cream, which is the product with the highest profit margin. Unit sales of fruit juices increased by 18% compared with the first six months of 2006.

### 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 represents a very small segment in Nicaragua 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.

A review of the Nicaraguan SBU's product portfolio is provided 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% in 2006). 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%. During the first half of 2006, there was an across-the-board decrease in consumer demand due to an increase in sales prices.

### 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 operates a production facility in Managua and distribution centers in Managua, Sebaco and Leon. It carried out capital investment programs to increase production capacity.



## Ecuador

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>1,0</b>	<b>2,9</b>	<b>1,9</b> <i>ns</i>
<b>EBITDA</b>	<b>(0,3)</b>	<b>0,2</b>	<b>0,5</b>
<i>EBITDA %</i>	<i>(27,7)</i>	<i>6,1</i>	<i>33,8 ppt</i>

This SBU, now under Colombian management, is again operating normally. Its biggest challenge will be regaining the confidence of the main distribution channels and customers. The outlook for the second half of 2007 is positive.

### 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.

Production activity is concentrated almost exclusively in the area of basic pasteurized milk. Starting in the second half of 2007, the Ecuadorian SBU will shift its production toward items with greater value added, such as yogurt, powdered and condensed milk and Zymil.

### Manufacturing Organization

The Ecuadorian SBU operates a factory in Lasso. A second production facility is currently mothballed.

## Cuba

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>3,6</b>	<b>2,1</b>	<b>(1,5)</b> <i>-42,7%</i>
<b>EBITDA</b>	<b>1,0</b>	<b>0,7</b>	<b>(0,3)</b>
<i>EBITDA %</i>	<i>28,4</i>	<i>34,4</i>	<i>6,0 ppt</i>

The SBU's reporting currency (U.S. dollar) decreased in value by 8.1% compared with the exchange rate applied in the first half of 2006. The negative impact of this change on revenues and EBITDA was 0.2 million euros and 0.1 million euros, respectively.

Thus far, Parmalat SpA has been the only customer of this SBU, which produces fruit concentrates.

## Africa

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>175,9</b>	<b>168,2</b>	<b>(7,7)</b> -4,4%
<b>EBITDA</b>	<b>19,4</b>	<b>17,9</b>	<b>(1,4)</b>
<i>EBITDA %</i>	<i>11,0</i>	<i>10,7</i>	<i>-0,4 ppt</i>

The reporting currency of the main African Business Unit (South African rand) decreased in value by 22.7% compared with the exchange rate applied in the first half of 2006. The negative impact of this change on revenues and EBITDA was 34.4 million euros and 3.3 million euros, respectively.

The consolidated unit sales of the African SBU Africa were up 7.5% compared with the first half of 2006. Shipments of UHT milk, which account for 51% of the SBU total sales, increased by 8.0%.

Compared with the first six months of 2006, sales grew by 12.9% for fruit juices (13% of total sales), decreased by 21.1% for pasteurized milk (7% of total sales) and rose by 16.9% for cheese (8% of total sales) and by 19.0% for yogurt (8% of total sales).

The African market is growing strongly in all product segments. Growth is occurring not just in South Africa, which still accounts for 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.

The price of raw milk has increased sharply, as has been the case in most of the countries of the world where Parmalat operates.

## South Africa

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>158,8</b>	<b>151,3</b>	<b>(7,4)</b> -4,7%
<b>EBITDA</b>	<b>17,2</b>	<b>14,5</b>	<b>(2,8)</b>
<i>EBITDA %</i>	<i>10,8</i>	<i>9,6</i>	<i>-1,3 ppt</i>

The table below shows the financial highlights of the main Business Unit (South Africa) stated in the local currency:

Local currency ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>1.233,2</b>	<b>1.442,3</b>	<b>209,1</b> +17,0%
<b>EBITDA</b>	<b>133,8</b>	<b>137,7</b>	<b>4,0</b>
<i>EBITDA %</i>	<i>10,8</i>	<i>9,6</i>	<i>-1,3 ppt</i>

Total unit sales increased by 7.8% compared with the first half of 2006. Specifically, shipments of UHT, which account for 54% of total sales, grew by 12.2% over the same period last year. The positive results reported by this SBU continue to benefit from strong sales in the cheese segment, with shipments rising 17.5% year over year.

Compared with the first six months of 2006, unit sales increased by 7.5% for fruit juices and 20.4% for yogurt.

The price of raw milk has increased sharply, as has been the case in most of the countries of the world where Parmalat operates.

Compared with 2006, the SBU increased prices for UHT milk, yogurt and desserts and raised them even more for cheese, butter and powdered milk.

New products launched during the first half of 2007 included Parmalat Full Cream and Low Fat Milk, which are especially designed for the HoReCa market (Hotel, Restaurant, Catering).

### Market and Products

The price increases (about 9% on average) implemented by the African SBU during the first half of 2007 in response to a rise in the cost of raw milk have not yet been fully absorbed by the market, with consumers showing reluctance to accept increases after three years of substantially stable prices.

During the first six months of 2007, the fruit juice operations produced results that were below expectations due to an increase of about 50% in the cost of some ingredients. This situation should improve during the second half of the year, following the launch of a new UHT fruit juice with high value added. Despite the problems outlined above, Parmalat SA continues to grow faster than the market as a whole. The table that follows shows the market shares of the African SBU in the various product segments:

Products	Market Share (volume)
Fruit Juices	11,3%
Cheese, Butter and Milk powder	30,6%
Cream and Milk	17,9%
Yogurt and Dessert	14,9%

*Source: BMI (export included)*

### **Raw Materials and Packaging**

In addition to the existing difficulties in securing supplies of raw milk, milk production in the African market is expected to decrease further by about 4%. The resulting shortfall will be difficult to make up with imports due to the scarcity of raw materials in the international markets and to an unfavorable exchange rate.

Parmalat SA reached an agreement with South Africa's largest dairy farmers' cooperative for the supply of raw milk at a preset price for all of the second half of 2007. At the end of the year, the price of raw milk is expected to increase by 26.9% compared with the same period a year earlier.

In addition to raw milk, energy costs (coal especially) increased by 15% during the first six months of 2007 and are expected to rise by a further 8% by the end of the year.

### **Manufacturing Organization**

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

## Australia

€ ml	I H 06	I H 07	Change
<b>Revenues</b>	<b>209,2</b>	<b>209,2</b>	<b>0,0</b> +0,0%
<b>EBITDA</b>	<b>15,0</b>	<b>14,7</b>	<b>(0,3)</b>
<i>EBITDA %</i>	<i>7,2</i>	<i>7,0</i>	<i>-0,1 ppt</i>

Unit sales were down 6.4% compared with the first half of 2006, which a decrease of 7.6% for shipments of pasteurized milk, which account for 79% of total unit sales.

The main reasons for this reduction in business volume include strong competition from discount brands and aggressive entry of major Australian distributors in the UHT milk market with private labels that caused a significant reduction in sales prices.

The SBU focused its efforts on improving the sales mix with the introduction of products with a high value added. Unit sales were down 3.0% for UHT milk, held steady with last year for yogurt and decreased by 9.6% for desserts.

The strategic initiatives launched by the SBU (particularly regarding purchasing and product recipes) have been generally successful and are expected to produce results during the second half of the year.

The local currency (Australian dollar) increased in value by 0.6% compared with the exchange rate applied in the first half of 2006. The positive impact of this change on revenues and EBITDA was 1.3 million euros and 0.1 million euros, respectively.

### Market and Products

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. However, sales of these products have not yet made up the shortfall in sales of Parmalat branded basic milk.

Compared with the first half of 2006, sales grew 2.5% and 8.7%, respectively, for fresh pasteurized milk and flavored milk and increased by 11% for Vaalia brand yogurt. Shipments of Parmalat brand desserts continued at a healthy level, even though they failed to match the level reached in the first six months of 2006 due to the decision to exit the less profitable market segments.

In the fresh pasteurized milk and pasteurized flavored milk segments 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.

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

Products	Market Share (value)
Fresh pasteurized milk	16,1%
UHT milk	5,4%
Fresh flavoured milk	21,5%
UHT flavoured milk	31,5%
Yogurt	12,1%
Dessert dairy*	29,5%

*Source: Dairy Australia Industry May 2007 YTD*

*\* Aztec (Modern Trade) May 2007 YTD*

### Raw materials and Packaging

The performance of the Australian SBU was affected by the sharp rise that occurred in the price of raw milk as a result of the shortage caused by a major drought, particularly in Queensland (the region that supplies the raw material for UHT milk), and of the limited supplies available in the international markets, which produced fierce competition to obtain the available milk.

The SBU plans to compensate for this development by increasing sales prices and expects that other market players will do the same.

### 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.

## Financial Performance

### Financial Position of the Group and Its Main Companies

The Group's net financial position continued to improve during the first half of 2007, with the balance changing from indebtedness of 170 million euros to net financial assets totaling 58.9 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 conditions under which the Group is being provided financing are consistent with market terms, in terms both of interest paid and interest earned, as management pursues a policy designed to maintain the financial flexibility needed to support the Group's operating and growth objectives.

This policy is being carried out in lockstep with a strategy to manage financial risks, including the risks inherent in managing the remaining indebtedness, and maintain balanced foreign exchange position. As a result of these efforts, the Group has virtually no exposure to foreign exchange risks, except for the those related to the translation of financial statements.

At June 30, 2007, the Group's liquid assets totaled 701.5 million euros (576.0 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 14.4 million euros, 10.5 million euros of which were attributable to Parmalat Spa. The increase in financial income, compared with the first half of 2006, is attributable in roughly equal part 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 642.6 million euros at June 30, 2007, due mainly to the ability of the Group's operation to generate sufficient cash flow to pay down indebtedness.

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

At the end of first half of 2007, the Group's net financial position showed an improvement of 228.9 million euros, with the balance changing from indebtedness of 170 million euros at December 31, 2006 to net financial assets totaling 58.9 million euros at June 30, 2007, net of a negative foreign exchange effect of 14.2 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 158.6 million euros at June 30, 2007.

The cash flow from operations, net of changes in net operating working capital and after capital expenditures and income tax payments, amounted to 39.1 million euros.

Net cash flow from non-recurring transactions totaled 7.1 million euros. This amount is the net result of proceeds of 22.8 million euros generated by the disposal of non-strategic non-current assets, including 4.9 million euros received upon the sale of two Portuguese subsidiaries (FIT and Italagro), less outlays 11.2 million euros for purchases of equity investments and 4.5 million euros for the payment of unsecured liabilities by Boschi Luigi & Figli S.p.A. The 11.2 million euros used to purchase equity investments include 8.1 million euros paid 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 2.4 million euros invested by Parmalat Australia Ltd. to acquire a majority interest in a distribution company.

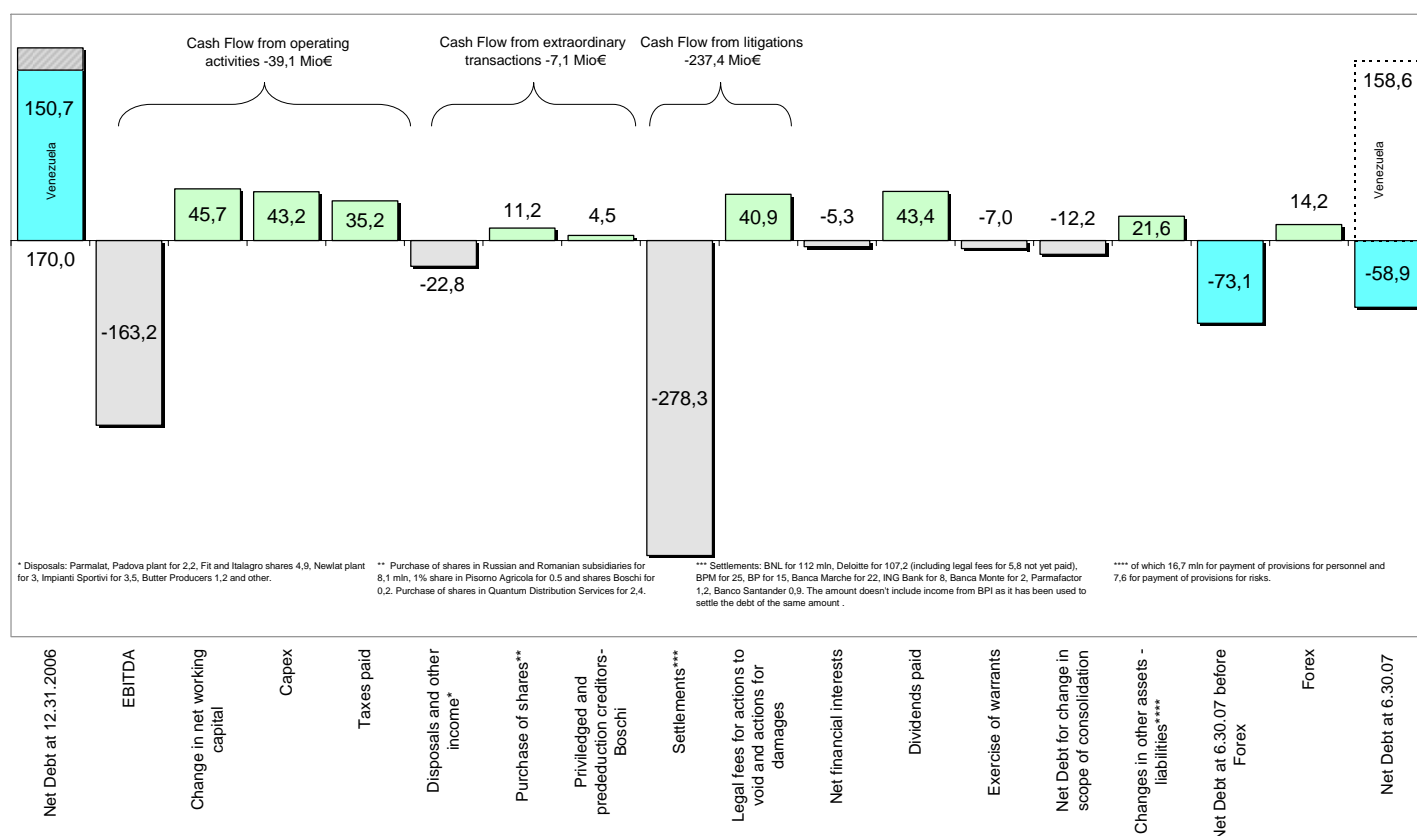
Cash from litigation settlements totaled 237.4 million euros, which is the net result of legal costs amounting to 40.9 million euros and proceeds of 278.3 million euros generated by settlements reached during the first half of 2007. In addition, at June 30, 2007, the Group held receivables totaling 63.6 million euros related to settlement agreements that had been already executed but had not yet generated a cash inflow (Banca Monte Parma, Deloitte & Touche and Merrill Lynch).

Other items included net financial income of 5.3 million euros, dividend payments totaling 43.4 million euros, proceeds of 7.0 million euros from the exercise of warrants, a net change of 21.6 million euros in other assets and liabilities and a positive effect of 12.2 million euros from the deconsolidation of the Spanish subsidiaries.

Debt service, including both principal and interest, totaled 90.0 million euros. Of this amount, about 51.4 million euros were repaid by the Canadian subsidiary.

Significant events occurring after June 30, 2007 that had a material impact on the Group's net financial position included the collection of 187.8 million euros generated by the sale of the Spanish companies on July 4, 2007 and the collection of 28.7 million euros generated by the sale of the business operations of Boschi Luigi & Figli S.p.A. on July 2, 2007.

### Consolidated Cash Flow Jan 1 - Jun 30, 2007





## 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 it to receive capital grants or subsidized financing. During the first half of 2007, the Group collected about 1 million euros. At June 30, 2007, the capital grants receivable totaled about 21 million euros for projects scheduled for completion by 2008.

## 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.

## Risk Management

Consistent with a policy of monitoring, reducing and transferring the operating risks that are inherent in its industrial and commercial activities, the Group has established an insurance system based on master policies that are negotiated and executed at the headquarters level and primary risk local policies. The latter provide immediate coverage, which is supplemented with master policies when the magnitude of the damage exceeds the local coverage. The individual Group companies are responsible for negotiating and executing policies that are available only at the local level, such as automobile liability insurance.

Following the streamlining of the policies portfolio, particularly in Italy, that was carried out in 2006, the contractual terms of the master policies improved significantly in the first half of 2007. Specifically, premiums were reduced and the coverage included a more extensive range of issues, particularly in the different aspects of civil liability. Coverage was updated steadily during the first six months of 2007 in response to changes in the Group's structure.

The Group continues to benefit from a 50-million-euro line of insurance sureties provided by a pool of insurance companies specifically in connection with the collection of VAT refunds.

Lastly, risks involved specifically by financial activities are handled by the Group focusing on the four separate areas reviewed below.

### Credit Risk

Parmalat is not exposed to significant credit risk with regard to financial instruments, since all of its liquidity is deposited with banks that are rated "investment grade" and invested in short-term treasury securities.

Commercial risk is monitored at the country level. In addition, appropriate lines have been negotiated with top quality credit insurance companies, in accordance with the practice followed by foreign suppliers.

### Liquidity and Solvency Risk

During the first half of 2007, the Group continued to review its liquidity risk on a regular basis to monitor the level of solvency of the individual companies and identify actions that may have to be implemented to avoid the risk of default. Throughout the period, all of the companies that refinanced their indebtedness were in full compliance with the financial covenants of their loan agreements. Moreover, the positive change in the structure of the Group's indebtedness described earlier in this Report produced a significant reduction in its financial risk profile, which resulted in a reduction of the spreads applied under the terms of financing facilities.

### Foreign Exchange Risk

During the first half of 2007, the Group again chose not to hedge the foreign exchange exposure that derives from the translation of the net financial position balances of its foreign subsidiaries.

The risk of foreign exchange fluctuations with an impact on the income statement, which is related to the translation into the local currency (and then into euros) of indebtedness denominated in U.S. dollars, affects only the Venezuelan companies. During 2006, there were no currency translation issues in this area because the exchange rate of the local currency to the U.S. dollar held steady. In any case, it would be impossible to hedge this risk at this point, since the indebtedness of the Venezuelan companies has still not been restructured.

For the other Group companies, their albeit limited exposure to the foreign exchange risk is hedged with simple hedging instruments, such as forward contracts.

### Interest Rate Risk

Parmalat manages the interest rate risk by balancing a portion of its fixed-rate debt exposure with variable-rate debt positions. The Australian and Canadian subsidiaries hedge their positions with interest rate swaps, which they executed when they refinanced their indebtedness. The hedge used by the Canadian companies is a cross-currency interest rate swap, which provides a currency hedge for the portion of the debt denominated in U.S. dollars.

\* \* \*

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

\* \* \*

Transactions among Group companies or with related parties were neither atypical or 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 Spa and the Group.

## Tax Issues

Starting from 2007, Parmalat SpA and some of its subsidiaries chose to avail themselves of the option of filing a national consolidated tax return in accordance with Articles 117 to 129 of the Uniform Tax Code. The Italian Group companies have chosen this alternative to maximize the tax benefits available under the relevant provisions of the Tax Code.

## Streamlining the Corporate Chain of Control

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

- optimizing the dividend flow from the operating companies to the Parent Company;
- eliminating non-operating companies, also in order to provide greater clarity and transparency;

The results achieved as of today are:

- a drastic reduction in the number of Group companies, which decreased to 130 at December 31, 2006 (124, excluding delta perimeter), down from 171 at December 31, 2005. On the date when this Semiannual Report was approved, the Group consisted of 116 companies (93, excluding delta perimeter)

## Human Resources

During the first six months of 2007, the Group continued to implement programs to reorganize its operations.

The table below provides a breakdown by geographic region of the employees of Group companies that were consolidated line by line at June 30, 2007 and a comparison with the data at December 31, 2006.

<b>Total payroll by geographic region*</b>		
<b>Geographic region</b>	<b>June 30, 2007</b>	<b>December 31, 2006</b>
Italy	3,032	3,197
Canada	3,008	2,961
Australia	1,475	1,452
Africa	2,180	2,225
Europe excluding Italy	1,377	2,530
Central and South America	3,699	3,730
<b>Employees relating to available-for-sale assets</b>	<b>277</b>	
<b>Total</b>	<b>15,048</b>	<b>16,095</b>

\* Employees of companies consolidated line by line.

The divestiture of Parmalat España S.A., which had about 1,300 employees, is the main reason for the sharp payroll reduction compared with December 31, 2006.

In all of the countries where the Parmalat Group operates, payrolls were mostly unchanged, with the exception of Russia and Canada, where the slight increase reflects the start of the summer campaigns, and Venezuela, where the decrease is due to the closure of the Machiques and Barquisimeto factories and the related reduction of the employees who worked there.

The "Employees relating to available-for-sale assets" refers to Boschi Luigi & Figli S.p.A., in Italy, whose sale has been finalized at the beginning of the second half of 2007.

## Corporate Governance

The corporate organization of the Parmalat Group is based on the so-called “conventional model,” which is based on corporate governance bodies that include the Shareholders’ Meeting, the Board of Directors (supported by Board Committees) and the Board of Statutory Auditors.

The corporate governance model also includes the allocation of specific powers and the delegation of jurisdictional authority; the enactment of internal control procedures, of a Code of Conduct and of an Internal Dealing Code; and the adoption of an Organization, Management and Control Model pursuant to Legislative Decree No. 231/01, which is binding on all members of the organization: Directors, Statutory Auditors and employees.

Insofar as compliance with Legislative Decree No. 231/01 is concerned, after adopting its own Organization, Management and Control Model in November 2006, Parmalat S.p.A. promoted the adoption of individual organizational models by its Italian subsidiaries and developed conduct guidelines for the Group’s main foreign subsidiaries.

In addition, on July 25, 2007, the Company appointed a Corporate Accounting Documents Officer, as required by Law No. 262/05, as amended. Also in this area, the Company is implementing a project that specifically addresses the need of defining, when applicable, the special operating procedures required pursuant to Article 154-*bis*, Section 5, of the Uniform Financial Code.

## Key Events of the First Half 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 Independientes 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.

### Eurofood IFSC LTD – A Decision by the Regional Administrative Court of Latium Is Set Aside

On January 26, 2007, the Council of State upheld the appeal filed by Bank of America NA and Eurofood IFSC Limited.

### 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. The amount was already recognized in previous financial statements.

### Completion of the acquisition of the OAO Belgorodskij Molochnij Kombinat and Parmalat Romania SA subsidiaries

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 were executed.

As a result, the interests held by Parmalat S.p.A. in OAO Belgorodskij Molochnij Kobinat 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.

#### **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 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.

#### **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. Bank Hapoalim AG appealed this decision.

#### **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 Transformacao 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.

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

Parmalat completed the sale of all of its Spanish operations to Lacteos Siglo XXI (Nueva Rumasa Group). The only condition required for the effectiveness and implementation of the sales agreement was the approval of the transaction by the Spanish antitrust authorities, which was issued on June 22, 2007.

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.

### **Parmalat Prevails in Its Appeal Against Citigroup.**

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. The proceedings are continuing in New Jersey, which is the venue originally selected by Parmalat.

### **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 from 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. Afterwards, ABN AMRO appealed this decision.

### **Parmalat Securities Litigation — Order of the Federal Court of 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 standard U.S. procedure. Parmalat S.p.A. is challenging this order.



## Events Occurring After June 30, 2007

### **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 only condition required for the contract's effectiveness and subsequent implementation is the approval of the Italian antitrust authorities.

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.

### **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.

Parmalat S.p.A. (Assumptor) has indicated that the obligations in question are not among those it has agreed to assume under the terms of the Composition with Creditors.



## Outlook for the Balance of 2007

The outlook results for the first half of 2007 were in line with expectations, despite a less than positive performance by the Venezuelan operations, confirming that the growth and consolidation trend enjoyed by the Parmalat Group is continuing in terms both of revenues and profitability of EBITDA.

Targets for growth are in line with expectations, despite the continuous increase in the price of raw milk (both powdered and liquid), in part offset by an adjustment in pricing policy, excluding the delta perimeter of Boschi and Spain of approximately 15 million euros, and the Venezuela effect of approximately 7 million euros.







**Parmalat S.p.A.**  
**Financial Statements at June 30, 2007**



## Balance Sheet

Note	(in euros)	6/30/07	12/31/06
<b>NON-CURRENT ASSETS</b>		<b>1,461,770,539</b>	<b>1,605,321,426</b>
(1)	Goodwill	233,794,145	233,794,145
(2)	Trademarks with an undefined useful life	180,600,000	180,600,000
(3)	Other intangibles	62,257,470	69,158,165
(4)	Property, plant and equipment	139,098,703	137,992,047
(5)	Investments in associates	556,361,317	686,989,503
(6)	Other non-current financial assets	269,916,442	277,532,280
	<i>incl. intra-Group loans receivable</i>	<i>268,528,017</i>	<i>276,142,884</i>
(7)	Deferred-tax assets	19,742,462	19,255,286
<b>CURRENT ASSETS</b>		<b>1,275,581,960</b>	<b>916,582,148</b>
(8)	Inventories	42,425,322	36,081,647
(9)	Trade receivables	226,298,699	225,660,938
	<i>incl. intra-Group receivables</i>	<i>31,191,005</i>	<i>36,075,095</i>
(10)	Other current assets	430,830,699	307,973,826
	<i>incl. intra-Group loans receivable</i>	<i>8,213,406</i>	<i>9,421,027</i>
(11)	Readily available financial assets	470,329,379	206,048,721
(12)	Cash and cash equivalents	105,697,861	140,817,016
(13)	<b>Available-for-sale assets</b>	<b>0</b>	<b>7,481,702</b>
<b>TOTAL ASSETS</b>		<b>2,737,352,499</b>	<b>2,529,385,276</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>2,115,080,241</b>	<b>1,951,042,595</b>
(14)	Share capital	1,649,404,711	1,641,527,456
(15)	Reserve for creditor challenges and claims of late-filing creditors convertible into share capital	224,024,118	224,879,726
	Statutory reserve	4,227,367	0
(16)	Shares subscribed through the exercise of warrants	112,579	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 period	198,226,441	125,611,154
<b>NON-CURRENT LIABILITIES</b>		<b>300,252,063</b>	<b>282,938,169</b>
(20)	Long-term borrowings	9,509,506	10,326,271
(21)	Deferred-tax liabilities	25,476,091	20,457,222
(22)	Post-employment benefits	37,784,315	40,600,247
(23)	Provisions for risks and charges	205,035,286	188,765,150
(24)	Provision for contested preferential and pre deduction claims	22,446,865	22,789,279
<b>CURRENT LIABILITIES</b>		<b>322,020,195</b>	<b>295,404,512</b>
(25)	Short-term borrowings	4,544,343	4,554,433
(26)	Trade payables	204,092,233	203,972,270
	<i>incl. intra-Group payables</i>	<i>27,698,096</i>	<i>24,150,642</i>
(27)	Other current liabilities	72,141,039	82,134,385
	<i>incl. intra-Group loans payable</i>	<i>2,322,716</i>	<i>2,332,806</i>
(28)	Income taxes payable	41,242,579	4,743,424
<b>Liabilities directly attributable to available-for-sale assets</b>		<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,737,352,499</b>	<b>2,529,385,276</b>

## Income Statement

Note	(in euros)	First half 2007	First half 2006 restated (**)	First half 2006 (*)
	<b>REVENUES</b>			
(29)	Sales revenues	426,938,573	427,743,365	504,547,365
	<i>incl. amount with related parties</i>	<i>28,144,607</i>	<i>26,529,725</i>	<i>26,529,725</i>
(30)	Other revenues	11,622,246	14,968,397	14,968,397
	<i>incl. amount with related parties</i>	<i>3,284,147</i>	<i>3,970,275</i>	<i>3,970,275</i>
	<b>Total revenues</b>	<b>438,560,819</b>	<b>442,711,762</b>	<b>519,515,762</b>
(31)	Cost of sales	286,737,989	294,330,021	304,734,116
	<i>incl. amount with related parties</i>	<i>33,144,244</i>	<i>46,700,000</i>	<i>46,700,000</i>
(32)	Distribution costs	92,300,359	89,025,112	164,502,175
	<i>incl. amount with related parties</i>	<i>6,763,381</i>	<i>6,500,000</i>	<i>6,500,000</i>
(33)	Administrative expenses	40,085,878	35,672,832	26,595,674
(34)	Other (income)/expense	(224,795,619)	208,688	208,688
	Restructuring costs	1,000,000	0	0
(35)	Legal fees paid in actions for damages and actions to void in bankruptcy	31,899,364	25,310,842	25,310,842
(36)	Charge for losses of associates	20,858,214	5,328,757	5,328,757
	<b>EBIT</b>	<b>190,474,634</b>	<b>(7,164,490)</b>	<b>(7,164,490)</b>
(37)	Financial income	16,561,404	5,680,298	13,303,472
	<i>incl. amount with related parties</i>	<i>1,569,406</i>	<i>1,358,763</i>	<i>8,971,937</i>
(37)	Financial expense	(1,816,868)	(2,998,708)	(2,998,708)
(37)	Income from (charges for) equity investments	9,012,154	7,623,174	0
	<i>incl. amount with related parties</i>	<i>7,485,249</i>	<i>7,263,174</i>	<i>0</i>
	<b>PROFIT (LOSS) BEFORE TAXES AND RESULT FROM DISCONTINUING OPERATIONS</b>	<b>214,231,324</b>	<b>3,140,274</b>	<b>3,140,274</b>
(38)	Income taxes for the period	48,137,894	1,800,860	1,800,860
	<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>166,093,430</b>	<b>1,339,414</b>	<b>1,339,414</b>
(39)	Profit (Loss) from discontinuing operations	32,133,011	641,328	641,328
	<i>incl. amount with related parties</i>			
	<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>198,226,441</b>	<b>1,980,742</b>	<b>1,980,742</b>

(\*) Approved by the Board of Directors on September 13, 2006.

(\*\*) The reclassifications compared with the financial statements approved at the Board of Directors on September 13, 2006 are discussed in the section entitled "Restatements Applied to the Income Statement at June 30, 2006."



## Cash Flow Statement

(in millions of euros)

	First half 2007	First half 2006
<b>OPERATING ACTIVITIES</b>		
Profit (Loss) from continuing operations	166,093	1,339
Depreciation, amortization and writedowns	15,454	11,968
Additions to provisions	71,834	9,633
Non-cash (income) charges	(1,745)	5,874
(Gains) Losses on divestitures	30,934	
Cash charges relating to legal fees for actions to void and actions for damages	31,899	25,300
Cash income from settlements	(160,554)	
Non-cash income from settlements	(62,093)	
<b>Cash flow from operating result before changes in working capital</b>	<b>91,822</b>	<b>54,114</b>
<i>Change in net working capital and provisions</i>		
Operating working capital	(39,915)	(6,583)
Payment of other preferential and prededuction liabilities		(62,364)
<b>Total change in net working capital and provisions</b>	<b>(39,915)</b>	<b>(68,947)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>51,907</b>	<b>(14,833)</b>
<b>INVESTING ACTIVITIES</b>		
Capital investments in:		
- <i>Intangibles</i>	(2,177)	(602)
- <i>Property, plant and equipment</i>	(9,834)	(7,183)
- <i>Non-current financial assets</i>	(15,234)	(7,331)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(27,245)</b>	<b>(15,116)</b>
<b>SETTLEMENTS</b>	<b>278,300</b>	<b>0</b>
<b>LEGAL FEES FOR ACTIONS TO VOID AND ACTIONS FOR DAMAGES</b>	<b>(40,918)</b>	<b>(25,300)</b>
<b>ASSET SALES</b>	<b>3,328</b>	<b>18,732</b>
<b>FINANCING ACTIVITIES</b>		
New loans, finance leases and other changes	876	11,108
Repayment of current and non-current installments of loans and finance leases	(2,873)	(3,235)
Investments in "Other current financial assets" maturing more than three months after their date of purchase	(264,281)	
Dividend distribution	(41,235)	
Exercise of warrants	7,022	1,019
Other changes in shareholders' equity		(198)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(300,491)</b>	<b>8,694</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM JAN 1ST TO JUN 30TH</b>	<b>(35,119)</b>	<b>(27,823)</b>
<b>CASH AND CASH EQUIVALENTS AT JANUARY 1, 2007</b>	<b>140,817</b>	<b>338,991</b>
<b>Increase (decrease) in cash and cash equivalents from Jan 1<sup>st</sup> to Jun 30<sup>th</sup></b>	<b>(35,119)</b>	<b>(27,823)</b>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2007</b>	<b>105,698</b>	<b>311,168</b>

Includes payments of 4,551,499 euros for income taxes and collections of 14,744,536 euros in accrued interests

## Changes in Shareholders' Equity

The table below shows the changes that affected the Company's shareholders' equity accounts during the first half of 2006 and 2007:

(in thousands of euros)	Share capital	Reserves convertible into share capital <sup>1</sup>	Other reserves					Loss carry-forward	Profit (Loss) for the period	Shareholders' equity
			Statutory reserve	Res. for dividends to challenged and condit. creditors	Res. for late-filing and contested creditors	Sundry reserves	Shares subscribed through exercise of warrants			
<b>Balance at 1/1/06</b>	<b>1,619,945</b>	<b>233,343</b>				<b>(11,726)</b>	<b>198</b>	<b>0</b>	<b>(29,338)</b>	<b>1,812,422</b>
2005 loss brought forward								(29,338)	29,338	0
Share cap. incr. (from waivers of prefer. status)	7,628									7,628
Share capital incr. (from convertible reserves)	7,731	(7,731)								0
Share capital incr. (from convertible provisions)	3,734									3,734
Allocation of shares to subscribers of 2005 warrants	198						(198)			0
Exercise of warrants	821									821
Result for the period									1,981	1,981
<b>Balance at 6/30/06</b>	<b>1,640,057</b>	<b>225,612</b>				<b>(11,726)</b>		<b>(29,338)</b>	<b>1,981</b>	<b>1,826,586</b>
<b>Balance at 1/1/07</b>	<b>1,641,527</b>	<b>224,879</b>				<b>(11,726)</b>	<b>88</b>	<b>(29,338)</b>	<b>125,611</b>	<b>1,951,041</b>
Appropriation of 2006 result			4,227	3,944	35,141	11,726		29,338	(84,376)	0
Allocation of dividends									(41,235)	(41,235)
Share capital incr. (from convertible provisions)	855	(855)								0
Allocation of shares to subscribers of 2005 warrants	88						(88)			0
Exercise of warrants	6,935						113			7,048
Result for the period									198,226	198,226
<b>Balance at 6/30/07</b>	<b>1,649,405</b>	<b>224,024</b>	<b>4,227</b>	<b>3,944</b>	<b>35,141</b>	<b>0</b>	<b>113</b>	<b>0</b>	<b>198,226</b>	<b>2,115,080</b>
<i>Note</i>	<i>(14)</i>	<i>(15)</i>	<i>(17)</i>	<i>(17)</i>	<i>(17)</i>	<i>(17)</i>	<i>(16)</i>	<i>(18)</i>	<i>(19)</i>	

<sup>1</sup> For creditor challenges and claims of late-filing creditors.

## Notes to the Financial Statements

The abbreviated separate interim financial statements of Parmalat S.p.A at June 30, 2007 were prepared in accordance with Article 81 of Consob Regulation No. 11971 of May 14, 1999, as amended. The abbreviated separate interim financial statements at June 30, 2007 were the subject of a limited audit.

In compiling the abbreviated separate interim financial statements, which were prepared in accordance with IAS 34 – Interim Financial Reporting, Parmalat S.p.A. applied the principles that are consistent with those used for the financial statements at December 31, 2006. Accordingly, they should be read together with the year-end financial statements.

Starting in October 2006, the Group changed the accounting classification it assigns to trade promotions and discounts. As a result of this change, which is consistent with best industry practices, trade promotions were reclassified as deductions from sales revenues (like discounts), with no impact on EBITDA and EBIT. As explained in the section of this Report entitled “Restatements Applied to the Income Statement at June 30, 2006,” the data for the first half of 2006 that are provided for comparative purposes have been restated accordingly.

The income statement is presented in a format with items classified “by destination,” while in the balance sheet assets and liabilities are classified as “current” or “non-current.” The cash flow statement has been prepared using the “indirect method”.

The abbreviated separate interim financial statements at June 30, 2007 are presented in euros, reference currency of Parmalat S.p.A.. They include a balance sheet, an income statement, a statement of changes in shareholders’ equity, a cash flow statement and the accompanying notes. The financial statement data listed in these notes are in millions of euros, except as noted.

### Use of Estimates

As part of the process of preparing statutory and consolidated financial statements, Directors are required to use accounting principles and methods that, in some instances, require the use of difficult and subjective valuations and estimates based on historical data and assumptions that, in each case, are deemed to be reasonable and realistic under the circumstances existing at that time. The use of these estimates and assumptions has an impact on the amounts reported on the financial statements, which include the balance sheet, the income statement and the cash flow statement, and affects the disclosures provided. The final amounts shown for the financial statement items for which the abovementioned estimates and assumptions were used may differ from the amounts shown on the financial statements due to the uncertainty that is inherent in all assumptions and the conditions upon which the estimates were based. The accounting principles that require more than others a subjective input by the Directors in the development of estimates are goodwill, depreciation and amortization, income taxes, deferred taxes, the provisions for risks and the reserves for creditor challenges and claims of late-filing creditors.

### Impairment Test

A complete determination as to whether the value of non-current assets has been impaired is carried out only in connection with the preparation of the annual financial statements, when all necessary information is available, except in cases when impairment indicators that require an immediate assessment of any impairment losses are detected.

### Business Seasonality

Sales of some of Company products are more seasonal than those of the rest of the product line, due to different buying habits and consumption patterns.

However, the geographic diversification of the Company’s sales significantly reduces this seasonal impact.

## Reclassifications Applied to the Income Statement

The table below shows the reclassifications made to the income statement for the first half of 2006.

<i>(in millions of euros)</i>	<b>First half 2006 restated</b>	<b>First half 2006 (*)</b>	<b>Reclassifi- cations</b>
<b>REVENUES</b>			
Sales revenues	427.7	504.5	(76.8)
Other revenues	15.0	15.0	0.0
<b>Total revenues</b>	<b>442.7</b>	<b>519.5</b>	<b>(76.8)</b>
Cost of sales	294.3	304.7	(10.4)
Distribution costs	89.0	164.5	(75.5)
Administrative expenses	35.7	26.6	9.1
Other (income)/expense	0.2	0.2	0.0
Legal fees paid in actions for damages and actions to void in bankruptcy	25.3	25.3	0.0
Allowance for losses of associates	5.3	5.3	0.0
<b>EBIT</b>	<b>(7.1)</b>	<b>(7.1)</b>	<b>0.0</b>
Financial income	5.7	13.3	(7.6)
Financial expense	(3.0)	(3.0)	0.0
Income (Expenses) on equity investments	7.6	0.0	7.6
<b>PROFIT (LOSS) BEFORE TAXES AND RESULT FROM DISCONTINUING OPERATIONS</b>	<b>3.2</b>	<b>3.2</b>	<b>0.0</b>
Income taxes for the period	1.8	1.8	0.0
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>1.4</b>	<b>1.4</b>	<b>0.0</b>
Profit (Loss) from discontinuing operations	0.6	0.6	0.0
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>2.0</b>	<b>2.0</b>	<b>0.0</b>

(\*) Approved by the Board of Directors on September 13, 2006.

## Reclassifications of discounts and trade promotions

Starting in October 2006, the Group changed the accounting classification it assigns to trade promotions and discounts. As a result of this change, which is consistent with best industry practices, trade promotions were reclassified as deductions from sales revenues (like discounts), with no impact on EBITDA and EBIT. As explained in the section of this Report entitled "Restatements Applied to the Income Statement at June 30, 2006," the data for the first half of 2006 that are provided for comparative purposes have been restated reducing the items "Sales revenues" and "Distribution costs" of 76.8 million euros.

## Reclassifications of costs by destination

Starting in October 2006, the Company adopted a more accurate system for the allocation of costs by destination. The data corresponding to cost of sales, distribution costs and administrative expenses for the first half of 2006 have been restated in accordance with the abovementioned system and the resulting amounts are those shown above (with no impact on the profit for the period).

## 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 June 30, 2007, the Company had positions outstanding with the companies listed below. Receivables are shown net of the corresponding allowances for doubtful accounts.

6/30/07							
Company	Country	Trade receivables	Long-term loans receivable	Short-term loans receivable	Trade payables	Loans payable	Other liabilities
Parmalat Austria GmbH	Austria		143.9				
Parmalat Holding Limited	Canada	0.6	53.6				
SATA S.r.l. in liquidation (formerly SATA S.r.l. in bankruptcy)	Italy		39.1				
Dalmata S.r.l.	Italy	0.1	19.1				
Latte Sole S.p.A.	Italy	4.2	0.1		(3.3)		
Parmalat Portugal Prod. Alim. Ltda	Portugal	4.8	4.4		(0.4)		
Curcastle Corporation NV	N. Antilles		4.3	3.3			
Boschi Luigi e Figli S.p.A.	Italy	2.2	1.2		(7.4)		
Parmalat Pacific Holding Ltd	Australia		1.4				
Parmalat Dairy & Bakery Inc.	Canada	2.0	1.3				
Newlat S.p.A.	Italy	5.3		2.0	(2.7)		
Centrale del latte Roma S.p.A.	Italy	3.3			(9.5)		
Parmalat Distribuzione Alim. S.r.l.	Italy	3.4		2.8	(2.9)		
OOO Parmalat MK	Russia	1.0					
Parmalat Romania SA	Romania	1.1					
Parmalat South Africa (PTY) Ltd	South Africa	1.1					
Carnini S.p.A.	Italy	0.5					
Other companies		1.6	0.1	0.1	(1.5)	(2.3)	
<b>Total</b>		<b>31.2</b>	<b>268.5</b>	<b>8.2</b>	<b>(27.7)</b>	<b>(2.3)</b>	

\* 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)	(2.4)	
<b>Total</b>		<b>36.1</b>	<b>276.1</b>	<b>9.4</b>	<b>(24.1)</b>	<b>(2.4)</b>	

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

First half 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				0.1
Centrale del Latte di Roma S.p.A.	Italy	6.3		6.0	16.3
Latte Sole S.p.A.	Italy	0.6		0.1	0.8
Newlat S.p.A.	Italy	10.7		0.1	12.7
Parmalat Distribuzione Alimenti S.r.l.	Italy	10.0			7.6
OOO Parmalat MK	Russia	0.8			
Parmalat Dairy & Bakery Inc.	Canada	0.4			
Parmalat Holdings Limited	Canada			0.8	
Parmalat Australia Limited	Australia	0.6			
Carnini S.p.A.	Italy	1.1			0.3
Procesadora de Leches	Colombia			1.5	
Dalmata S.r.l.	Italy			0.4	
Parmalat Portugal Produtos Alimentares Ltda	Portugal			0.1	
Impianti Sportivi Parma S.r.l.	Italy				
Citrus International Corporation SA	Cuba				2.1
Other companies		0.9		0.1	
<b>Total</b>		<b>31.4</b>	<b>0.0</b>	<b>9.1</b>	<b>39.9</b>

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 expenses and revenues for the first half of 2007 is provided below:

First half 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. in A.S.	Italy	8.3			10.8
Centrale del Latte di Roma S.p.A.	Italy	9.7		7.1	23.3
Latte Sole S.p.A.	Italy	0.5		0.1	0.7
Parmalat Distribuzione Alimenti S.r.l.	Italy	10.6			6.7
OOO Parmalat MK	Russia	0.1			
Parmalat España SA	Spain	0.7			
Parmalat Holdings Limited	Canada			0.7	
Parmalat Australia Limited	Australia	0.3			
Deutsche Parmalat GmbH in AS	Germany		2.2		3.9
Parmalat Molkerei GmbH in AS	Germany				6.0
Dalmata S.r.l.	Italy			0.3	
Parmalat Portugal Produtos Alimentares Ltda	Portugal			0.1	
Citrus International Corporation SA	Cuba			0.1	3.4
Other companies		0.3		0.5	0.4
<b>Total</b>		<b>30.5</b>	<b>2.2</b>	<b>8.9</b>	<b>55.2</b>

## Notes to the Balance Sheet – Assets

### Non-current Assets

#### (1) Goodwill

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

No impairment indicators that would require an immediate assessment of the impairment losses were detected during the first half of 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)	6/30/07	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
<i>Total other intangibles with an indefinite useful life</i>	<b>180.6</b>	<b>180.6</b>

The valuation of the trademarks was carried out by quantifying the “royalty savings” they produce, i.e., the economic benefit that can be derived from the ownership of the trademarks. Specifically, the owner of a trademark is not required to execute a licensing contract and pay royalties for the use of the trademark because it already owns the trademark rights.

No impairment indicators that would require an immediate assessment of the impairment losses were detected during the first half of 2007.

#### (3) Other Intangibles

Other intangibles of 62.3 million euros include the following:

	6/30/07	12/31/06
Other trademarks ( <i>see breakdown below</i> )	56.8	65.0
Licenses and software	5.5	4.1
<i>Total other intangibles</i>	<b>62.3</b>	<b>69.1</b>

This item includes licenses for corporate software and trademarks with a defined useful life (which can be amortized) that are being used in Parmalat’s restructured commercial operations. These trademarks are recognized at their fair value on the date of acquisition (October 1, 2005) and are amortized over five years. Trademark amortization for the first half of 2007, which amounted to 8.3 million euros, included 5 million euros attributable to the Berna and Lactis trademarks.



## Other Trademarks and Sundry Intangibles

	6/30/07	12/31/06
Berna	26.3	30.1
Lactis	8.6	9.9
Monza	4.6	5.3
Solac	3.8	4.4
Optimus	3.7	4.2
Stella	2.3	2.6
Jeunesse	2.0	2.4
Torvis	1.6	1.8
Pascolat	1.3	1.5
Dolomiti	0.8	0.9
Other trademarks and sundry intangibles	1.8	1.9
<i>Total other trademarks and sundry intangibles</i>	<b>56.8</b>	<b>65.0</b>

## Changes in Other Intangibles

	Other trademarks	Licenses and software	Total
<b>Gross carrying amount at 12/31/06</b>	<b>83.6</b>	<b>5.2</b>	<b>88.8</b>
Additions	0.1	2.2	2.3
<b>Gross carrying amount at 6/30/07</b>	<b>83.7</b>	<b>7.4</b>	<b>91.1</b>
<b>Accumulated amortization at 12/31/06</b>	<b>(18.6)</b>	<b>(1.1)</b>	<b>(19.7)</b>
<i>Amortization for the period</i>	<i>(8.3)</i>	<i>(0.8)</i>	<i>( 9.1)</i>
<i>Reclassification of accumulated amortization</i>			
<b>Accumulated amortization at 6/30/07</b>	<b>(26.9)</b>	<b>(1.9)</b>	<b>(28.8)</b>
<b>Net carrying amount at 6/30/07</b>	<b>56.8</b>	<b>5.5</b>	<b>62.3</b>

## (4) Property, Plant and Equipment

Property, plant and equipment totaled 139.1 million euros, broken down as follows:

	6/30/07	12/31/06
Land	23.8	24.4
Buildings	66.3	68.5
Plant and machinery	40.4	38.8
Industrial equipment	1.3	1.2
Other assets	6.0	5.0
Construction in progress	1.3	0.0
<i>Total property, plant and equipment</i>	<b>139.1</b>	<b>137.9</b>

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, 7.8 million euros were owed on this facility.

A breakdown of property, plant and equipment acquired under finance leases totaling 5.3 million euros is as follows:

- 1.3 million euros for buildings;
- 0.7 million euros for plant and machinery;
- 3.3 million euros for other assets.

### Changes in Property, Plant and Equipment

	<i>Land</i>	<i>Buildings</i>	<i>Plant and machinery</i>	<i>Industrial equipment</i>	<i>Other assets</i>	<i>Construction in progress</i>	<i>Total</i>
<b>Gross carrying amount at 12/31/06</b>	<b>24.5</b>	<b>72.3</b>	<b>46.0</b>	<b>1.6</b>	<b>8.5</b>	<b>0.0</b>	<b>152.9</b>
Additions		0.7	5.2	0.3	2.3	1.3	9.8
Disposals – realizable value	(0.8)	(1.5)	(0.1)		(0.2)		(2.6)
Plus/(minus)		0.1	0.1		(0.1)		0.1
Asset reclassifications							0.0
<b>Gross carrying amount at 6/30/07</b>	<b>23.7</b>	<b>71.6</b>	<b>51.2</b>	<b>1.9</b>	<b>10.6</b>	<b>1.3</b>	<b>160.3</b>
<b>Accumulated depreciation at 12/31/06</b>	<b>0.0</b>	<b>(3.8)</b>	<b>(7.2)</b>	<b>(0.4)</b>	<b>(3.6)</b>	<b>0.0</b>	<b>(15.0)</b>
Depreciation for the period		(1.5)	(3.6)	(0.3)	(1.0)		(6.4)
Change in depreciation due to divestitures		0.1			0.1		0.2
Reclassification of depreciation							0.0
<b>Accumulated depreciation at 6/30/07</b>	<b>0.0</b>	<b>(5.2)</b>	<b>(10.8)</b>	<b>(0.7)</b>	<b>(4.5)</b>	<b>0.0</b>	<b>(21.2)</b>
<b>Net carrying amount at 6/30/07</b>	<b>23.7</b>	<b>66.4</b>	<b>40.4</b>	<b>1.2</b>	<b>6.1</b>	<b>1.3</b>	<b>139.1</b>

Additions to buildings (0.7 million euros) involved projects designed to preserve Company-owned buildings. Additions to plant and machinery (5.2 million euros) reflect primarily new packaging lines for products in the beverage segment (new Santal 5 line).

Construction in progress refers primarily to ongoing costs incurred to complete new administrative offices in Collecchio.

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 556.4 million euros, is as follows:

	6/30/07	12/31/06
Subsidiaries	553.2	683.8
Affiliated companies	0.0	0.0
Other companies	3.2	3.2
<i>Total investments in associates</i>	<b>556.4</b>	<b>687.0</b>

## Changes in Investments in Associates

	Subsidiaries	Affiliated companies	Other companies	Total
<b>Carrying amount at 12/31/06</b>	<b>683.8</b>	<b>0.0</b>	<b>3.2</b>	<b>687.0</b>
Additions/Purchases	24.6			24.6
Reductions/Divestitures	(150.0)			(150.0)
Writedowns	(5.2)			(5.2)
<b>Carrying amount at 06/30/07</b>	<b>553.2</b>	<b>0.0</b>	<b>3.2</b>	<b>556.4</b>

The main components of additions to/purchases of subsidiaries (24.6 million euros) are reviewed below:

- 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 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.

- Capitalization of the subsidiaries Latte Sole S.p.A. (6.6 million euros), Arilca SA (1.6 million euros) and Sata S.r.l. in liquidation (0.5 million euros), carried out by forgiving receivables of equal amounts owed by these subsidiaries, and recapitalization of Parmalat Distribuzione Alimenti S.r.l. (3.5 million euros).

- Irrevocable forgiveness, for loss coverage purposes, of receivables owed by Saral S.r.l. in liquidation (1.4 million euros), Gelateria Parmalat S.r.l. in liquidation (1.2 million euros) and Impianti Sportivi Parma S.r.l. (0.8 million euros). These receivables had already been written off.

The decrease of 150.0 million euros in investments in subsidiaries is due to the sale of the interests held in Parmalat España SA and Compañía Agrícola y Forestal SA to Lacteos Siglo XXI s.l. (Nueva Rumasa Group), which was signed on May 16, 2007 and approved by the Spanish antitrust authorities on June 22, 2007.

Writedowns of 5.2 million euros were booked to reflect the losses incurred by Impianti Sportivi Parma S.r.l. (0.8 million euros), Saral S.r.l. in liquidation (1.4 million euros) and Gelateria Parmalat S.r.l. in liquidation (1.2 million euros), and the recognition in the income statement of the non-refundable loan (reclassified as equity investment) provided to Arilca SA (1.6 million euros).

A breakdown of the investee companies included under “Investments in associates” at June 30, 2007 is as follows:

<b>Investments in subsidiaries</b>	<b>Country</b>	<b>% interest held</b>	<b>Total value</b>
Parmalat Holding Ltd	Canada	100.0	128.3
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
Latte Sole S.p.A.	Italy	100.0	29.6
Procesadora de Leches SA	Colombia	94.8	27.9
OAO Belgorodskij	Russia	99.7	20.2
Parmalat Colombia	Colombia	91.0	15.8
Carnini S.p.A.	Italy	100.0	10.0
Boschi Luigi e Figli S.p.A.	Italy	96.8	9.8
Newlat S.p.A.	Italy	71.4	9.4
OOO Parmalat Mk	Russia	100.0	6.3
Parmalat Africa Ltd	Mauritius	4.3	6.3
Parmalat Romania SA	Romania	93.1	6.3
OOO Urallat	Russia	100.0	4.9
Parmalat Distribuzione Alimenti S.r.l.	Italy	100.0	3.5
Citrus International Corp.	Cuba	55.0	2.6
Dalmata S.r.l.	Italy	100.0	2.5
Ecuadorian Food Company	British Virgin Islands	51.0	2.0
Parmalat del Ecuador SA	Ecuador	100.0	1.7
Sata S.r.l. in liquidation	Italy	100.0	0.5
Pisorno Agricola S.r.l.	Italy	1.0	0.4
OOO Farm	Russia	100.0	0.3
Parmalat International SA in liquidation	Switzerland	96.7	0.2
Parmalat Austria Gmbh and 28 other companies			0.0
<b>Total subsidiaries</b>			<b>553.2</b>
<b>Investments in affiliated companies</b>		<b>% interest held</b>	<b>Total value</b>
Fiordilatte S.r.l. and 3 other companies	Italy		0.0
<b>Total affiliated companies</b>			<b>0.0</b>
<b>Investments in other companies</b>		<b>% interest held</b>	<b>Total value</b>
Bonatti S.p.A.	Italy	10.3	3.1
Sundry companies			0.1
<b>Total other companies</b>			<b>3.2</b>
<b>GRAND TOTAL</b>			<b>556.4</b>

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. Information about the performance of the Group can be found in the consolidated financial statements.

## (6) Other Non-current Financial Assets

Other non-current financial assets totaled 269.9 million euros. A breakdown is as follows:

	6/30/07	12/31/06
Loans receivable from subsidiaries	268.5	276.1
Loans receivable from others	1.4	1.4
<i>Total other non-current financial assets</i>	<b>269.9</b>	<b>277.5</b>

The decrease compared with December 31, 2006 reflects primarily the following entries: reclassification to equity investments of a loan owed by the Latte Sole S.p.A. subsidiary (6.6 million euros), underwriting of a capital increase carried out by the SATA S.r.l. subsidiary (0.5 million euros) with the same method and repayment of the first installment of the unsecured loan owed by Boschi Luigi & Figli S.p.A. under Extraordinary Administration (0.4 million euros).

Loans receivable from subsidiaries include the balance of a receivable owed by SATA S.r.l. in bankruptcy (now Sata S.r.l.) amounting to 39.1 million euros.

The amount shown for this receivable represents 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. has become 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 29, 2007, once the liquidation status is revoked within 60 days from the date of the Partners' Meeting convened to approve the balance sheet, which is expected to occur by September 15, 2007, all of the remaining assets of SATA S.r.l. in liquidation, which include an investment in Pisorno Agricola S.r.l. and valuable land in the Latium region, will be brought under the control of Parmalat S.p.A.

## Changes in Other Non-current Financial Assets

	<i>Loans receivable from subsidiaries</i>	<i>Loans receivable from others</i>	<i>Total</i>
<b>Net carrying amount at 12/31/06</b>	<b>276.1</b>	<b>1.4</b>	<b>277.5</b>
New loans/Adjustments	0.7		0.7
Repayments/Waivers/Conversions	(20.9)		(20.9)
Adjustment to the provision for writedowns for foreign exchange differences	3.4		3.4
Addition to the provision for writedowns	(0.7)		(0.7)
Utilization/Reversal of the provision for writedowns	9.9		9.9
<b>Net carrying amount at 06/30/07</b>	<b>268.5</b>	<b>1.4</b>	<b>269.9</b>

The amount shown for Repayments/Waivers/Conversions includes mainly recapitalizations that are described in greater detail in the note to Investments in associates (Latte Sole S.p.A., Arilca SA, Sata S.r.l. in liquidation and Parmalat Distribuzione Alimenti S.r.l.).

Virtually the entire amount of the net foreign exchange gains (3.4 million euros) refers to a receivable denominated in Canadian dollars owed by the Parmalat Holding Limited subsidiary.

## (7) Deferred-tax Assets

Deferred-tax assets amounted to 19.7 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 6/30/07	Balance at 12/31/06	Tax amount set aside	Utilizations	Balance at 6/30/07
Provision for restructuring	33%	8.4	3.1		(0.3)	2.8
Provision for cos. under EA	33%	0.5	0.4		(0.2)	0.2
Provision for prize contests	37.25%	0.6	0.9	0.2	(0.9)	0.2
Maintenance expenses	37.25%	12.9	6.5	1.3	(3.2)	4.6
Prov. for invent. writedowns	37.25%	1.2	0.3	0.1		0.4
Tax-deductible amortization of trademarks	37.25%	12.9	2.6	2.2		4.8
Other items	33%	10.5	3.9		(0.5)	3.4
Sundry items	37.25%	9.1	1.6	2.5	(0.8)	3.3
<b>TOTAL</b>		<b>56.1</b>	<b>19.3</b>	<b>6.3</b>	<b>(5.9)</b>	<b>19.7</b>

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 42.4 million euros, is as follows:

	6/30/07	12/31/06
Raw materials, auxiliaries and supplies	24.9	22.9
Work in progress and semifinished goods	0.0	0.0
Finished goods	20.2	15.4
Provision for inventory writedowns	(2.7)	(2.2)
<b>Total inventories</b>	<b>42.4</b>	<b>36.1</b>

### Changes in Inventories

	Raw materials, auxiliaries and supplies	Work in progress and semifinished goods	Finished goods and merchandise	Total
<b>Carrying amount at 12/31/06</b>	<b>22.9</b>	<b>0.0</b>	<b>15.4</b>	<b>38.3</b>
Increases/(Decreases)	2.0	0.0	4.8	6.8
<b>Gross carrying amount at 6/30/07</b>	<b>24.9</b>	<b>0.0</b>	<b>20.2</b>	<b>45.1</b>
Carrying amount of the provision for inventory writedowns at 12/31/06	(1.9)		(0.4)	(2.3)
(Additions to)/Utilizations of provision	(0.6)		0.2	(0.4)
<b>Carrying amount of provision for inventory writedowns at 6/30/07</b>	<b>(2.5)</b>	<b>0.0</b>	<b>(0.2)</b>	<b>(2.7)</b>
<b>Net carrying amount at 6/30/07</b>	<b>22.4</b>	<b>0.0</b>	<b>20.0</b>	<b>42.4</b>

The change in inventories reflects primarily advance purchases of milk carried out in anticipation of price increases and to secure sufficient inventories to guarantee production continuity.

## (9) Trade Receivables

Trade receivables amounted to 226.3 million euros. A breakdown is provided below:

	6/30/07	Increases/ (Decreases) of receivables	(Increases)/ Decreases of allowance	12/31/06
Gross trade receivables – Customers	334.6	7.7		326.9
Gross trade receivables – Subsidiaries	34.9	(6.3)		41.2
Allowance for doubtful accounts – customers	(139.5)		(2.2)	(137.3)
Allowance for doubtful accounts – subsidiaries	(3.7)		1.4	(5.1)
<i>Total trade receivables</i>	<b>226.3</b>	<b>1.4</b>	<b>( 0.8)</b>	<b>225.7</b>

Overall, net trade receivables were little changed compared with December 31, 2006. The trade receivables from customers are partially affected by the sale of the remaining inventory of tomato products (3.1 million euros).

## (10) Other Current Assets

Other current assets amounted to 430.8 million euros. A breakdown is as follows:

	6/30/07	12/31/06
Loans receivable from subsidiaries	8.2	9.4
Miscellaneous receivables	420.5	296.9
Accrued income and prepaid expenses	2.1	1.7
<i>Total other current assets</i>	<b>430.8</b>	<b>308.0</b>

A breakdown of Miscellaneous receivables is as follows:

	6/30/07	12/31/06
Amount receivable for settlements of actions to void in bankruptcy and actions for damages	63.6	127.0
Amount receivable from the tax authorities for VAT	72.9	79.3
Estimated tax payments and income taxes withheld	67.2	67.2
Amount receivable from the Ministry of Farm Policies	15.5	15.5
Accrued interest on VAT refunds receivable	1.4	1.4
Advances to suppliers and sales agents	6.4	0.8
Receivables for asset sales	188.7	0.0
Sundry receivables	4.8	5.7
<i>Total miscellaneous receivables</i>	<b>420.5</b>	<b>296.9</b>

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 June 30, 2007 includes the amounts owed by Banca Monte Parma (33 million euros, not yet collected), Deloitte & Touche (1.5 million euros, not yet collected) and Merrill Lynch (29.1 million euros collected in July 2007).

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).

Receivables for asset sales of 188.7 million euros include 187.8 million euros owed by Lacteos Siglo XXI s.l. for the purchase of the Group's Spanish operations (collected in July 2007) and a balance of 0.9 million euros owed by Centro Lattiero Caseario Latte Verona for the sale of Interlatte Srl (collected in July 2007).

The balance shown for Miscellaneous receivables is net of an allowance for doubtful accounts amounting to 7.8 million euros, which has been set aside to cover potential collection risks. The net balance shown above is deemed to be fully collectible.

#### (11) Readily Available Financial Assets

The balance of 470.3 million euros includes the following:

	6/30/07	12/31/06
Treasury bills	162.5	159.2
Reverse repurchase agreements	120.0	45.0
Bank time deposits	185.1	0.0
Accrued interest	2.7	1.8
<i>Total readily available financial assets</i>	<b>470.3</b>	<b>206.0</b>

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 date of purchase. The change compared with December 31, 2006 (+264.3 million euros) reflects the collection of proceeds generated by transactions executed during the first half of 2007.

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
<b>Treasury bills</b>	<b>162.5</b>	62.5	1/31/07	8/15/07	3.78%
		50.0	5/31/07	10/31/07	4.04%
		50.0	6/29/07	11/30/07	4.09%
<b>Reverse repurchase agreements</b>	<b>120.0</b>	70.0	3/1/07	9/3/07	3.97%
		50.0	3/6/07	9/17/07	3.96%
<b>Bank time deposits</b>	<b>185.1</b>	110.0	1/25/07	7/25/07	3.85%
		30.0	4/30/07	8/30/07	4.06%
		25.1	6/6/07	11/6/07	4.20%
		20.0	6/18/07	11/19/07	4.33%



## (12) Cash and Cash Equivalents

Cash and cash equivalents totaled 105.7 million euros, broken down as follows:

	6/30/07	Increases (Decreases)	12/31/06
Cash in banks	105.1	(35.3)	140.4
Cash and securities on hand	0.6	0.2	0.4
<i>Total cash and cash equivalents</i>	<b>105.7</b>	<b>(35.1)</b>	<b>140.8</b>

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 decrease of cash in banks reflects the payment in June 2007 of a dividend approved by the Shareholders' Meeting (41.2 million euros) offset in part by the collection of the proceeds generated by the exercise of warrants (7.0 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

Available-for-sale Assets totaled 0.0 million euros. A breakdown of the changes is shown in the table below:

	6/30/07	Change in available- for-sale assets	12/31/06
<b>Pomì Division</b>			
Raw materials	0.0	(0.2)	0.2
Finished goods	0.0	(7.3)	7.3
<i>Total available-for-sale assets</i>	<b>0.0</b>	<b>(7.5)</b>	<b>7.5</b>

This account had practically a zero balance, reflecting 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 price owed is shown as trade receivables from outsiders). The item includes the trademarks Pomì, Pomito and Pais, included in the transaction and sold in July whose net carrying value was equal to zero.

## Notes to the Balance Sheet — Shareholders' Equity

### Summary of the Shareholders' Equity Accounts

	6/30/07	12/31/06
- Share capital	1,649.4	1,641.5
- Reserve for conversion exclusively into share capital of creditor challenges and claims of late-filing creditors	224.0	224.9
- Shares subscribed through the exercise of warrants	0.1	0.1
- Statutory reserve	4.2	0.0
- Other reserves	39.1	(11.7)
- Loss carryforward	0.0	(29.3)
- Profit (Loss) for the period	198.2	125.6
<i>Total shareholders' equity at 06/30/07</i>	<b>2,115.0</b>	<b>1,951.1</b>

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

### (14) Share Capital

The Company's share capital amounted to 1,649,404,711 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 855,608 euros; and (ii) the amount generated by the conversion of warrants, which totaled 7,021,647 euros. The share capital consists of 1,649,404,711 shares, par value 1 euro each.

The table below shows how the number of shares outstanding changed during the first half of 2007:

Number of shares	First half 2007
<b>Shares outstanding at beginning of period – par value 1 euro each</b>	<b>1,641,527,456</b>
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	855,608
Shares issued upon the conversion of warrants – par value 1 euro each	7,021,647
<b>Shares outstanding at end of period – par value 1 euro each</b>	<b>1,649,404,711</b>

### 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
<b>Total increases reserved for creditors</b>	<b>1,930.0</b>
- Shares available for the conversion of warrants	95.0
<b>Total capital increase</b>	<b>2,025.0</b>

As explained above, the Company's share capital amounted to 1,649.4 million euros at June 30, 2007. As of the writing of these Notes, it had increased by 2.5 million euros to a total of 1,651.9 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 set aside in 2006.

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

At June 30, 2007, this reserve convertible into share capital amounted to 224.0 million euros. Utilizations for the period totaled 0.9 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 previously, 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, which amounts to 0.1 million euros, refers to the warrants exercised in June 2007 (the corresponding 112,579 shares were issued in July 2007).

At June 30, 2007, there were 76,332,182 warrants outstanding. These warrants may be exercised until December 31, 2015.

#### **(17) Other Reserves**

This item, which at December 31, 2006 had a negative balance of 11.7 million euros, reflects the costs incurred to list the securities of Parmalat S.p.A., which totaled 12.7 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.

At June 30, 2007, Other reserves, which totaled 39.1 million euros, included the following: (i) 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 4.0 million euros; and (ii) 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.

#### **(18) Retained Earnings (Loss Carryforward)**

At June 30, 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 Period**

The profit earned by the Company in the first half of 2007 amounted to 198.2 million euros.

## Notes to the Balance Sheet — Liabilities

### Non-current Liabilities

#### (20) Long-term Borrowings

A breakdown of Long-term borrowings, which amounted to 9.5 million euros, is as follows:

	6/30/07	12/31/06
IRFIS – Mediocredito Regionale della Sicilia – amount due after one year	5.5	6.7
Obligations under finance leases	4.0	3.6
<i>Total long-term borrowings</i>	<b>9.5</b>	<b>10.3</b>

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 owed under outstanding finance leases. The decrease reflects the lease payments made in the first half of 2007.

#### (21) Deferred-tax Liabilities

Deferred-tax liabilities amounted to 25.4 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 the first half of 2007:

Deferred-tax liabilities	Tax rate	Temporary differences at 6/30/07	Balance at 12/31/06	Additional liabilities recognized	Utilizations	Balance at 12/31/07
Amortization of goodwill for tax purposes	37.25%	32.5	9.7	2.4		12.1
Amortization of trademarks for tax purposes	37.25%	33.1	10.4	1.9		12.3
Capitalization of leases	37.25%	0.8	0.3			0.3
Measurement of employee severance benefits in accordance with IAS 19	33.00%	2.2	0.0	0.7		0.7
<b>TOTAL</b>		<b>68.6</b>	<b>20.4</b>	<b>5.0</b>	<b>0.0</b>	<b>25.4</b>

Deferred taxes for the period are 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 Rules Governing 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 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 benefits 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 benefits 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 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 table below provides a breakdown of the Provision for employee severance benefits and shows the changes that occurred during the period.

#### Changes in the Provision for Employee Severance Benefits

	Production staff	Office staff	Management	Total
<b>Balance at 12/31/06 (A)</b>	<b>15.5</b>	<b>21.5</b>	<b>3.6</b>	<b>40.6</b>
Changes in the first half of 2007:				
- Increases	1.1	1.5	0.5	3.1
- Decreases (-)	(0.5)	(0.8)	(0.5)	(1.8)
- Other changes	(1.0)	(1.6)	(0.2)	(2.8)
- Severance benefit amounts transferred to the Italian social security administration (INPS) (-)	(0.5)	(0.7)	(0.1)	(1.3)
<b>Total changes (B)</b>	<b>(0.9)</b>	<b>(1.6)</b>	<b>(0.3)</b>	<b>(2.8)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>14.6</b>	<b>19.9</b>	<b>3.3</b>	<b>37.8</b>

The addition to the Provision for employee severance benefits includes 0.8 million euros classified as "interest costs" in accordance with IAS 19.

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

<b>Defined-benefit plans (at 12/31/06)</b>	<b>40.6</b>
Cost related to current employment	3.1
Financial expense	0.8
Contributions to the plan	(2.8)
Actuarial (gains) losses	(0.2)
Benefits paid and/or transferred	(3.7)
<b>Defined-benefit plans (at 6/30/07)</b>	<b>37.8</b>

### (23) Provisions for Risks and Charges

Provisions for risks and charges totaled 205.0 million euros. They include the items listed below:

	<b>6/30/07</b>	<b>Utilizations</b>	<b>Additions</b>	<b>12/31/06</b>
Provisions for taxes	17.5			17.5
Provision for risks on investee companies	32.0		15.8	16.2
Provision for adjust. to equity invest. in Venezuela	134.4			134.4
Provision for staff downsizing	14.3	(2.4)	1.4	15.3
Provision for INPS installment plan	0.6			0.6
Provision for prize contests	0.2	(0.1)		0.3
Provision for costs of ITX disputes	0.5			0.5
Provision for disputes with former Group cos.	3.6		0.5	3.1
Provisions for supplemental sales agents benefits	1.9	(1.1)	2.2	0.8
<i>Total provisions for risks and charges</i>	<b>205.0</b>	<b>(3.6)</b>	<b>19.9</b>	<b>188.7</b>

Net of utilizations, these provisions increased by 16.6 million euros during the first half of 2007. The largest additions included the following: 15.8 million euros to cover risk of a lower valuation of some equity investments also considering their possible disposal, 1.4 million euros for additional costs projected for staff downsizing programs, 1.0 million euros for the planned restructuring of a production facility in Lodi, and the contribution required to cover the supplemental sales agent benefits that vested during the period.

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.

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. Financial liabilities that arose prior to the crisis of the Parmalat Finanziaria Group have been contested before the U.S. courts in the appropriate venue.

### (24) Provision for Preferential and Prededuction Claims

	<b>6/30/07</b>	<b>Increases</b>	<b>Decreases</b>	<b>12/31/06</b>
Provision for preferential and prededuction claims	<b>22.5</b>		(0.3)	22.8

The decrease of 0.3 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 corresponding courts of venue.

## Current Liabilities

### (25) Short-term Borrowings

Short-term borrowings totaled 4.5 million euros. A breakdown is as follows:

	6/30/07	12/31/06
IRFIS – Mediocredito Regionale della Sicilia – amount due within one year	2.2	2.2
Indebtedness owed to subsidiaries	2.3	2.4
<i>Total short-term borrowings</i>	<b>4.5</b>	<b>4.6</b>

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.

### (26) Trade Payables

A breakdown of trade payables, which totaled 204.1 million euros, is as follows:

	6/30/07	Increases	Decreases	12/31/06
Advances	0.1	0.1		0.0
Trade payables – Suppliers	176.3		(1.2)	177.5
Liability for prize contests	0.0		(2.3)	2.3
Trade payables – Subsidiaries	27.7	3.6		24.1
<i>Total trade payables</i>	<b>204.1</b>	<b>3.7</b>	<b>(3.5)</b>	<b>203.9</b>

Trade payables were little changed compared with December 31, 2006, even though the liability for prize contests incurred during the first half of 2007 is now recognized as part of trade payables to suppliers.

### (27) Other Current Liabilities

Other current liabilities of 72.1 million euros include the following:

	6/30/07	12/31/06
Amounts owed to the tax authorities	15.8	16.7
Contributions to pension and social security institutions	10.8	7.5
Accounts payable to employees	23.7	22.4
Liabilities for payment commitments	0.0	15.0
Accounts payable to others	2.8	1.5
Accrued expenses and deferred income	19.0	19.0
<i>Total other current liabilities</i>	<b>72.1</b>	<b>82.1</b>

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) coming from 2006 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.

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.

The liabilities for payment commitments were relating to the foreseen payment of 15.0 million euros to SATA S.r.l. subsidiary; that payment has been executed in May 2007.

## **(28) Income Taxes Payable**

Income taxes payable of 41.2 million euros (4.7 million euros at December 31, 2006) reflect the Company's liability for corporate income taxes (IRES) and local taxes (IRAP) for the first half of 2007. Starting with 2007, the Company will avail itself of the option of filing a Group income tax return (so-called National Consolidated Tax Return) for itself and its principal Italian subsidiaries.

## **Guarantees and Commitments**

	6/30/07			12/31/06		
	Sureties	Collateral	Total	Sureties	Collateral	Total
Guarantees provided by outsiders on behalf of the Company	278.3	7.8	286.1	246.5	8.9	255.4
<b>Total guarantees</b>	<b>278.3</b>	<b>7.8</b>	<b>286.1</b>	<b>246.5</b>	<b>8.9</b>	<b>255.4</b>

The Guarantees provided by outsiders on behalf of the Company (278.3 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.

## **Legal Disputes and Contingent Liabilities at June 30, 2007**

The Group is a party to civil and administrative proceedings related to events that affected the companies included in the Composition with Creditors prior to their becoming eligible for Extraordinary Administration status. These disputes are described in detail in the Notes to the Semiannual Consolidated Financial Statements, which should be consulted for additional information.



## Notes to the Income Statement

### (29) Sales Revenues

Sales revenues totaled 426.9 million euros in the first half of 2007, compared with 427.4 million euros in the same period last year.

A breakdown of sales revenues is as follows:

	First half 2007	First half 2006
Gross sales and service revenues	781.3	589.0
Returns, discounts and trade promotions	(382.5)	(191.8)
Net sales to Group companies	28.1	30.5
<i>Total</i>	<b>426.9</b>	<b>427.7</b>

A breakdown of revenues by type of product is as follows:

	First half 2007	First half 2006
Milk Division	311.5	311.3
Produce Division	52.0	44.2
Fresh Dairy Division	50.7	51.9
Other products	11.8	18.8
Services	0.9	1.5
<i>Total</i>	<b>426.9</b>	<b>427.7</b>

A breakdown of revenues by geographic region is as follows:

	First half 2007	First half 2006
Italy	413.7	414.9
Other EU countries	7.2	7.3
Other countries	6.0	5.5
<i>Total</i>	<b>426.9</b>	<b>427.7</b>

### (30) Other revenues

Other revenues include the following:

	First half 2007	First half 2006
Tetra contribution	3.8	3.5
Rebilling and expense reimbursements	3.6	5.7
Royalties	1.5	1.1
Rent	0.2	0.4
Concentrated juice sales	0.0	1.6
Miscellaneous	2.5	2.7
<i>Total</i>	<b>11.6</b>	<b>15.0</b>

## Expenses

### (31) Cost of Sales

Cost of sales of 286.7 million euros includes the following:

	First half 2007	First half 2006
Raw materials and finished goods used	230.9	237.6
Services and maintenance	13.4	14.4
Personnel	25.2	26.7
Depreciation and amortization	5.2	4.4
Energy, natural gas and water	9.4	8.5
Miscellaneous	2.6	2.7
<i>Total cost of sales</i>	<b>286.7</b>	<b>294.3</b>

Raw materials and finished goods used includes 0.5 million euros in inventory writedowns.

### (32) Distribution Costs

Distribution costs amounted to 92.3 million euros, broken down as follows:

	First half 2007	First half 2006 restated
Advertising and trade promotions	20.2	18.9
Sales commissions and royalties paid	24.4	21.1
Distribution freight	15.2	16.9
Fees to licensees	12.7	13.4
Personnel	10.7	12.1
Depreciation, amortization and writedowns	7.3	4.4
Commercial services	1.8	2.2
<i>Total distribution costs</i>	<b>92.3</b>	<b>89.0</b>

### (33) Administrative Expenses

A breakdown of Administrative expenses, which totaled 40.1 million euros, is provided below:

	First half 2007	First half 2006 restated
Personnel	15.0	15.5
Auditing and certification fees	0.6	0.6
Depreciation and amortization	6.6	1.5
Purchases of materials	9.8	8.9
Outside services	5.7	6.2
Fees paid to Directors	0.6	0.6
Fees paid to the Board of Statutory Auditors	0.1	0.1
Other expenses	1.7	2.3
<i>Total administrative expenses</i>	<b>40.1</b>	<b>35.7</b>

The increase in Depreciation and amortization is mainly due to a higher amortization of the Berna and Lactis trademarks (5.0 million euros), classified as having a defined useful life after the first half of 2006 and therefore not present at June 30, 2006.

### (34) Other (income)/expense

Net other income amounted to 224.8 million euros, broken down as follows:

	First half 2007	First half 2006
Proceeds from settlements and actions to void	(222.6)	0.0
Nonoperating out-of-period income	(5.8)	(6.8)
Miscellaneous revenues and income	3.6	7.0
<i>Total other (income)/expense</i>	<b>(224.8)</b>	<b>(0.2)</b>

#### Proceeds from Settlements and Actions to Void

The proceeds from individual settlements and actions to void, and the corresponding amounts, are listed below:

- Deloitte & Touche S.p.A. and Dianthus S.p.A. 101.4 million euros
- Banca Monte Parma S.p.A. 35.0 million euros
- Merrill Lynch 29.1 million euros
- Banca Popolare di Milano Group 25.0 million euros
- Banca delle Marche S.p.A. 22.0 million euros
- ING Bank 8.0 million euros
- Miscellaneous 2.1 million euros

### (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 (31.9 million euros) retained as counsel in connection with the actions for damages and actions to void filed by the companies under extraordinary administration prior to the implementation of the Composition with Creditors, which the Company is 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 (20.9 million euros) refers to the valuations of some subsidiaries and to the risk of a lower valuation of some investments in associates, also considering their possible disposal. More detailed information is provided in Note 5.

### (37) Financial Income, Financial Expense and Income from (Charges for) Equity Investments

The tables below provide breakdowns of the financial income and expense amounts attributable to the first half of 2007.

<i>Financial income</i>	First half 2007	First half 2006
Income from readily available financial assets	4.8	2.4
Interest and other income from subsidiaries	1.6	1.4
Interest earned on bank accounts	5.7	1.0
Gain on translation of receivables/payables in foreign currencies	3.6	0.8
Other financial income	0.8	0.1
<i>Total financial income</i>	<b>16.5</b>	<b>5.7</b>

<i>Financial expense</i>	<b>First half 2007</b>	<b>First half 2006</b>
Bank interest and fees paid	0.4	0.4
Interest paid on finance leases	0.1	0.2
Loss on translation of receivables/payable in foreign currencies	0.0	1.6
Interest on late payments of pre deduction and preferential claims	0.0	0.5
Other financial expense	1.3	0.3
<b>Total financial expense</b>	<b>1.8</b>	<b>3.0</b>

<i>Income from (charges for) equity investments</i>	<b>First half 2007</b>	<b>First half 2006</b>
Dividends from subsidiaries	7.5	7.6
Gains on the sale of equity investments	1.5	0.0
<b>Total income from (charges for) equity investments</b>	<b>9.0</b>	<b>7.6</b>

### (38) Income Taxes for the period

#### *Reconciliation of the Theoretical Tax Liability to the Actual Tax Liability Shown in the Income Statement*

<i>(in thousands of euros)</i>		<b>IRES</b>	<b>IRAP</b>	<b>Total</b>
Profit (Loss) before taxes	(a)	<b>214,231</b>	<b>214,231</b>	
Difference in taxable income for IRPEG and IRAP purposes	(b)	-	<b>(173,150)</b>	
	<b>I = (a+b)</b>	214,231	41,081	
Applicable tax rate (%)	(d)	33.00	4.25	37.25
Theoretical tax liability	<b>(e) = (d) x and</b>	70,696	1,746	72,442
Tax effect of permanent differences due to writedowns	(f)	2,266		2,226
Tax effect of sundry permanent differences	(g)	(29,028)	5	(29,023)
Effect of adjustments made after filing the income tax return	(h)	2,115	338	2,453
<b>Actual income tax liability shown on the income statement at June 30, 2007</b>	<b>(i) = (e) + (f) + (g) + (h)</b>	<b>46,049</b>	<b>2,089</b>	<b>48,138</b>
<i>Actual tax rate (%)</i>		21.5	5.1	

### (39) Profit (Loss) from Discontinuing Operations

<i>Profit (Loss) from discontinuing operations</i>	<b>First half 2007</b>	<b>First half 2006</b>
<b>Pomì Line</b>		
- Net revenues	9.2	6.9
- Cost of sales	(9.8)	(6.3)
<b>Profit (Loss) from the Pomì Line</b>	<b>(0.6)</b>	<b>0.6</b>
- Income and gains from asset disposals	32.7	
<b>Total profit from discontinuing operations</b>	<b>32.1</b>	<b>0.6</b>

Income from asset disposals (32.7 million euros) include a gain of 34.8 million euros earned on the sale of the investments held in Parmalat España SA and Compañía Agrícola y Forestal SA, net of consulting fees directly attributable to this transaction (2.0 million euros) and the corresponding tax liability (0.1 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 June 30, 2007 is provided below:

	6/30/07	12/31/06
A) Cash	0.6	0.4
B) Cash equivalents and readily available financial assets:		
- Bank and postal accounts	105.1	102.2
- Treasury securities	164.0	161.0
- Reverse repurchase agreements	121.2	45.0
- Time deposits	185.1	38.2
C) Negotiable securities	0.0	0.0
<b>D) Liquid assets (A+B+C)</b>	<b>576.0</b>	<b>346.8</b>
E) Current loans receivable	8.2	9.5
F) Current bank debt	0.0	0.0
G) Current portion of non-current indebtedness	(2.2)	(2.2)
H) Other current borrowings	(2.3)	(2.4)
<b>I) Current indebtedness (F+G+H)</b>	<b>(4.5)</b>	<b>(4.6)</b>
<b>J) Current net financial position (I-E-D)</b>	<b>579.7</b>	<b>351.7</b>
K) Non-current bank debt	(9.5)	(10.3)
L) Debt securities outstanding		
M) Other non-current borrowings		
<b>N) Non-current indebtedness (K+L+M)</b>	<b>(9.5)</b>	<b>(10.3)</b>
<b>O) Current financial position (J+N)</b>	<b>570.2</b>	<b>341.4</b>

### Breakdown of Labor Costs by Nature

A breakdown is as follows:

	First half 2007	First half 2006
Cost of sales	25.2	21.7
Distribution costs	10.7	13.6
Administrative expenses	15.0	19.0
<b>Total labor costs</b>	<b>50.9</b>	<b>54.3</b>

## Number of Employees

The table below provides a breakdown by category of the Company's staff at June 30, 2007:

	At 6/30/07	Average for the first half of 2007	At 12/31/06
Executives	62	60.7	66
Middle managers and office staff	946	956.5	962
Production staff	966	960.8	955
<i>Total number of employees</i>	<b>1,974</b>	<b>1,978.0</b>	<b>1,983</b>

## Depreciation and Amortization

A breakdown is as follows:

Description	First half 2007		Total
	Amortization of intangibles	Depreciation of property, plant and equipment	
Cost of sales	0.1	5.1	5.2
Distribution costs	2.9	0.8	3.7
Administrative expenses	6.1	0.5	6.6
<b>Total</b>	<b>9.1</b>	<b>6.4</b>	<b>15.5</b>

## 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:

- sites and premises;
- data integrity;
- 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 organization chart prepared for privacy management in Parmalat S.p.A.;
- Review of the Risk Analysis activities;
- Update of the safety measure adopted to protect the processed data based on the actions taken in 2006.

## Equity Investments Held by Parmalat at June 30, 2007

Company			Share capital		Equity investment			
Name – Registered office	Type of company	Curr.	Amount	Voting shares/ interests held	No. of shares/ interests held	% of tot. No. of shares/ interests	Company's shareholders' equity	Group interest in sharehold. equity
<b>EUROPE</b>								
<b>ITALIAN SUBSIDIARIES</b>								
Boschi Luigi & Figli SPA Fontanellato (PR)	CORP	EUR	10,140,000	9,812,664	5,336,400	96.772	7,729,580	7,480,069
Carnini S.p.A. – Villa Guardia (CO)	CORP	EUR	3,300,000	5,500	5,500	100.000	6,454,547	6,454,547
Centrale del Latte di Roma SPA Rome	CORP	EUR	37,736,000	5,661,400	5,661,400	75.013	50,725,853	38,050,984
Dalmata SRL – Collecchio	LLC	EUR	120,000	1	1	100.000	3,778,397	3,778,397
Fratelli Strini Costruzioni Meccaniche. SRL in AS Fontevivo (PR)	LLC	EUR	52,000	51,000	51,000	51.000	N.A.	
Giglio SPA in liquidation Reggio Emilia	CORP	EUR	20,000,000	20,000,000	20,000,000	100.000	N.A.	
Latte Sole SPA – Collecchio (PR)	CORP	EUR	3,230,073.60	6,211,680	6,211,680	100.000	10,180,551	10,180,551
Newlat S.p.A. – Reggio Emilia	CORP	EUR	120,000	85,728	85,728	71.440	9,177,054	6,556,087
Parmalat Distribuzione Alimenti SRL – Collecchio (PR)	LLC	EUR	1,000,000	1,000,000	1,000,000	100.000	1,755,105	1,755,105
SATA SRL in liquidation Parma	LLC	EUR	500,000	500,000	500,000	100.000	N.A.	
Compagnia Finanziaria Alimenti S.r.l. in liquidation Collecchio	LLC	EUR	10,000	10,000	10,000	100.000	(93,631)	(93,631)
Pisorno Agricola S.r.l. - Parma	LLC	EUR	516,400	5,164	5,164	1.000	N.A.	
<b>ITALIAN AFFILIATED COMPANIES</b>								
Fiordilatte SRL - Parma	LLC	EUR	10,000	4,000	4,000	40.000	N.A.	
Food Receivables Corporation SRL – Collecchio (PR)	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.	
Parmacqua SRL – Sestri Levante (GE)	LLC	EUR	10,000	4,900	4,900	49.000	N.A.	
<b>OTHER ITALIAN COMPANIES</b>								
Bonatti SPA – Parma	CORP	EUR	28,813,403.88	572,674	572,674	10.256	N.A.	
CE.P.I.M SPA – Fontevivo (PR)	CORP	EUR	6,642,928.32	464,193	464,193	0.839	N.A.	
SOGEAP SPA – Parma	CORP	EUR	n.a.	n.a.	n.a.	5.050	N.A.	
Consorzio Servizi Interporto Parma						1.2	N.A.	
Tecnoalimenti S.C.p.A. – Milan	CORP	EUR				4.33	N.A.	
CFR SPA – Reggio Emilia	CORP	EUR	600,000	10,329	10,329	1.722	N.A.	
Consorzio Biologico							N.A.	
Bergamo Energia SCPA							N.A.	
Emittenti Titoli SPA							N.A.	
Investitori Associati							N.A.	
Cafindustria Emilia Romagna							N.A.	
CONAI							N.A.	
<b>AUSTRIA</b>								
Parmalat Austria GMBH – Vienna	FOR	EUR	36,336.42	1	1	100.000	- 15,597,723	- 15,597,723
<b>BELGIUM</b>								
Parmalat Belgium NV – Brussels	FOR	EUR	1,000,000	40,000	40,000	100.000	110,568,327	110,568,327

Company			Share capital		Equity investment			
Name – Registered office	Type of company	Curr.	Amount	Voting shares/ interests held	No. of shares/ interests held	% of tot. No. of shares/ interests	Company's shareholders' equity	Group interest in sharehold. equity
<b>FRANCE</b>								
Parmalat France SA in Liquidation - Bretteville-Caen	FOR	EUR	6,539,200	8,173,940	8,173,940	99.999	N.A.	
<b>GERMANY</b>								
Deutsche Parmalat GMBH in AS - Weissenhorn	FOR	EUR	4,400,000	4,400,000	4,400,000	100.000	N.A.	
<b>GREAT BRITAIN</b>								
Parmalat Food Holdings (UK) Limited –in Administration London	FOR	GBP	142,794,926	142,794,926	140,814,926	98.613	N.A.	
<b>PORTUGAL</b>								
Parmalat Portugal Prod. Alimentares Lda	FOR	EUR	11,651,450.04	11,651,450.04	11,646,450	99.957	- 4,251,168	- 4,249,340
<b>ROMANIA</b>								
La Santamara SRL – Baia Mare	FOR	RON	6,667.50	535	535	84.252	33,204	27,974
Parmalat Romania SA – Comuna Tunari	FOR	RON	26,089,760	2,427,765	2,427,765	93.054	14,137,322	13,155,344
<b>RUSSIA</b>								
OAO Belgorodskij Molocnij Kombinat - Belgorod	FOR	RUB	67,123,000	66,958,000	66,958,000	99.754	16,344,727	16,304,519
OOO Dekalat - Saint Petersburg	FOR	RUB	100,000	1	1	100.000	- 492,085	- 492,085
OOO FARM - Nizhnij Novgorod	FOR	RUB	80,891,950	80,891,950	80,891,950	100.000	4,180	4,180
OOO PARMALAT EAST – Moscow	FOR	RUB	42,147,000	5,600	5,600	100.000	- 30,107,081	- 30,107,081
OOO PARMALAT MK – Moscow	FOR	RUB	124,000	1	1	100.000	4,332,697	4,332,697
OOO PARMALAT SNG – Moscow	FOR	RUB	152,750	2	2	100.000	- 7,273,373	- 7,273,373
OOO URALLAT – Berezovsky	FOR	RUB	129,618,210	1	1	100.000	4,272,439	4,272,439
<b>SPAIN</b>								
ARILCA SA – Madrid	FOR	EUR	270,454.50	450	450	100.000	- 1,225,592	-1,225,592
<b>SWITZERLAND</b>								
Parmalat International SA in liquidation – Lugano	FOR	CHF	150,000	145	150	100.000	N.A.	
<b>HUNGARY</b>								
Parmalat Hungaria RT – Szekesfehervar	FOR	HUF	1,385,980,000	93,374,710	93,374,710	99.87	N.A.	
<b>NORTH AMERICA</b>								
<b>CANADA</b>								
Parmalat Holdings Limited – Toronto	FOR	CAD	878,479,000	878,479	878,479	100.000	523,917,865	523,917,865
<b>MEXICO</b>								
PARMALAT DE MEXICO S.A. de CV in liquidation - Jalisco	FOR	MXN	390,261,812	390,261,812	390,261,812	100.000	N.A.	
<b>CENTRAL AMERICA</b>								
<b>BRITISH VIRGIN ISLANDS</b>								
ECUADORIAN FOODS COMPANY INC - Tortola	FOR	USD	50,000	25,500	25,500	51.000	1,292,678	659,266
<b>COSTA RICA</b>								
Parmaleche de Costarica SA* - San Juan	FOR	CRC	10,000	10	10	100.000	N.A.	



Company			Share capital		Equity investment			
Name – Registered office	Type of company	Curr.	Amount	Voting shares/ interests held	No. of shares/ interests held	% of tot. No. of shares/ interests	Company's shareholders' equity	Group interest in sharehold. equity
<b>CUBA</b>								
Citrus International Corporation SA – Pinar del Rio	FOR	USD	11,400,000	627	627	55.000	8,936,428	4,915,036
<b>NICARAGUA</b>								
Parmalat Nicaragua SA - Managua	FOR	NIO	2,000,000	2,000	57	2.850	- 533,506	- 15,205
<b>SOUTH AMERICA</b>								
<b>BRAZIL</b>								
Parmalat Admin e Part do Brasil – São Paulo	FOR	BRL	1,000,000	999,999	810,348	81.035	N.A.	
PPL Participações do Brasil Ltda – São Paulo	FOR	BRL	1,271,257,235	1,271,257,235	1,260,921,807	92.660	N.A.	
<b>CHILE</b>								
Parmalat Chile SA – Santiago de Chile	FOR	CLP	13,267,315,371.60	2,096,083	2,096,083	100.00	N.A.	
<b>COLOMBIA</b>								
Parmalat Colombia Ltda - Santafè de Bogotá	FOR	COP	20,466,360,000	18,621,581	18,621,581	90.986	20,131,584	18,317,728
Procesadora De Leches SA (PROLECHE SA) – Medellín	FOR	COP	173,062,136	131,212,931	131,212,931	94.773	31,917,954	30,249,602
<b>ECUADOR</b>								
Parmalat del Ecuador SA – Quito	FOR	USD	345,343.96	8,633,599	8,633,599	100.000	- 1,567,189	- 1,567,189
<b>PARAGUAY</b>								
Parmalat Paraguay SA* - Asuncion	FOR	PYG	9,730,000,000	9,633	9,633	99.000	N.A.	
<b>URUGUAY</b>								
AIRETCAL SA – Montevideo	FOR	UYU	9,198,000	9,198,000	9,198,000	100.000	N.A.	
Parmalat Trading South America – 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.	
<b>VENEZUELA</b>								
Gelateria Parmalat de Venezuela CA - Caracas	FOR	VEB	10,000,000	1,000	1,000	10.000	N.A.	
Parmalat de Venezuela CA – Caracas	FOR	VEB	2,324,134,000	2,324,134	2,324,134	100.000	- 42,606,170	- 42,606,170
<b>AFRICA</b>								
<b>MAURITIUS</b>								
Parmalat Africa Limited – Port Louis	FOR	USD	55,982,304	55,982,304	2,421,794	4.326	59,811,038	2,589,818
<b>ASIA</b>								
<b>CHINA</b>								
Parmalat (Zhaodong) Dairy Corp. Ltd* - Zhaodong	FOR	CNY	56,517,260	53,301,760	53,301,760	94.311	N.A.	
<b>INDIA</b>								
SWOJAS ENERGY FOODS LIMITED in liquidation- Shivajinagar	FOR	INR	309,626,500	21,624,311	21,624,311	69.840	N.A.	
<b>OCEANIA</b>								
<b>AUSTRALIA</b>								
Parmalat Pacific Holding Pty Limited – South Brisbane	FOR	AUD	522,932,237	200,313,371	200,313,237	38.306	139,128,774	53,300,233

Company			Share capital		Equity investment			
Name – Registered office	Type of company	Curr.	Amount	Voting shares/ interests held	No. of shares/ interests held	% of tot. No. of shares/ interests	Company's shareholders' equity	Group interest in sharehold. equity
<b>OTHER FOREIGN COMPANIES</b>								
Netexpansion – United States	FOR					0.004	N.A.	
Parmalat Capital Finance – Malta	FOR					0.333	N.A.	
Lactona SA – Argentina	FOR					1.000	N.A.	
Union Gandarense SA – Argentina	FOR					1.000	N.A.	
Gelateria Parmalat Argentina – Argentina	FOR					0.125	N.A.	
Lactis Gorkij 2 – Russia	FOR					1.000	N.A.	
Parmalat Atlantic Fin. Corp – Cayman Islands	FOR					1.000	N.A.	





**Parmalat Group**  
**Financial Statements at June 30, 2007**



## Consolidated Balance Sheet

Note	(in millions of euros)	6/30/07	12/31/06
	<b>NON-CURRENT ASSETS</b>	<b>1,994.4</b>	<b>2,158.5</b>
(1)	Goodwill	552.9	543.8
(2)	Trademarks with an indefinite useful life	627.6	642.1
(3)	Other intangibles	99.1	104.6
(4)	Property, plant and equipment	625.5	728.1
(5)	Investments in associates	4.4	4.0
(6)	Other non-current financial assets	45.5	95.3
	<i>incl. amount with related parties</i>	39.1	42.8
(7)	Deferred-tax assets	39.4	40.6
	<b>CURRENT ASSETS</b>	<b>2,096.2</b>	<b>1,814.5</b>
(8)	Inventories	382.8	348.3
(9)	Trade receivables	511.0	530.0
(10)	Other current assets	500.9	406.6
(11)	Cash and cash equivalents	226.3	321.8
(12)	Current financial assets	475.2	207.8
(13)	<b>Available-for-sale assets</b>	<b>64.9</b>	<b>24.2</b>
	<b>TOTAL ASSETS</b>	<b>4,155.5</b>	<b>3,997.2</b>
	<b>SHAREHOLDERS' EQUITY</b>	<b>2,278.4</b>	<b>2,051.7</b>
(14)	Share capital	1,649.4	1,641.5
(15)	Reserves for creditor challenges and claims of late-filing creditors convertible exclusively into share capital	224.0	224.9
	Other reserves:		
(16)	- Reserve for currency translation differences	(7.5)	(33.2)
(17)	- Reserve for the exercise of warrants	0.1	0.1
(18)	- Cash-flow hedge reserve	0.3	0.3
(19)	- Miscellaneous reserves	139.3	(12.0)
(20)	Profit for the period	243.5	192.5
	<b>Group interest in shareholders' equity</b>	<b>2,249.1</b>	<b>2,014.1</b>
(21)	<b>Minority interest in shareholders' equity</b>	<b>29.3</b>	<b>37.6</b>
	<b>NON-CURRENT LIABILITIES</b>	<b>845.1</b>	<b>934.3</b>
(22)	Long-term borrowings	377.5	427.9
	<i>incl. amount with related parties</i>	0.8	0.1
(23)	Deferred-tax liabilities	201.9	235.2
(24)	Provisions for employee benefits	120.1	122.1
(25)	Provisions for risks and charges	121.2	124.3
(26)	Provision for preferential and prededuction claims	24.4	24.8
	<b>CURRENT LIABILITIES</b>	<b>991.2</b>	<b>1,011.2</b>
(22)	Short-term borrowings	265.1	271.7
	<i>incl. amount with related parties</i>	4.5	5.3
(27)	Trade payables	499.9	521.0
	<i>incl. amount with related parties</i>	0.4	0.5
(28)	Other current liabilities	163.0	186.0
(29)	Other payables with preferential or prededuction status	1.6	1.9
(30)	Income taxes payable	61.6	30.6
(13)	<b>Liabilities directly attributable to available-for-sale assets</b>	<b>40.8</b>	
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4,155.5</b>	<b>3,997.2</b>

## Consolidated Income Statement

Note	(in millions of euros)	First half 2007	First half 2006 restated (**)	First half 2006 (*)
<b>(31)</b>	<b>REVENUES</b>	<b>1,823.9</b>	<b>1,776.1</b>	<b>1,982.0</b>
	Sales revenues	1,810.3	1,761.8	1,967.2
	<i>incl. amount with related parties</i>		8.3	8.3
	Other revenues	13.6	14.3	14.8
	<i>incl. amount with related parties</i>		0.4	0.4
(32)	Cost of sales	(1,388.5)	(1,385.4)	(1,412.4)
	<i>incl. amount with related parties</i>		20.9	20.9
(32)	Distribution costs	(211.4)	(167.7)	(371.3)
	<i>incl. amount with related parties</i>	0.1	0.1	0.1
(32)	Administrative expenses	(106.1)	(109.5)	(87.5)
	Other income (expense):			
(33)	- Legal fees paid in actions to void and actions for damages	(31.9)	(25.3)	(25.3)
(34)	- Restructuring costs	(4.9)	-	(7.2)
(35)	- Miscellaneous income and expense	202.5	(1.2)	(1.5)
	<b>EBIT</b>	<b>283.6</b>	<b>87.0</b>	<b>76.8</b>
(36)	Financial income	31.3	15.3	16.7
	<i>incl. amount with related parties</i>		0.1	0.1
(36)	Financial expense	(26.0)	(47.3)	(54.3)
	Interest in the profit of companies valued by the equity method		1.3	1.3
(37)	Other income from (Expense for) equity investments	2.6		
	<b>PROFIT BEFORE TAXES AND RESULT FROM DISCONTINUING OPERATIONS</b>	<b>291.5</b>	<b>56.3</b>	<b>40.5</b>
(38)	Income taxes	(74.7)	(25.1)	(24.1)
	<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>216.8</b>	<b>31.2</b>	<b>16.4</b>
(39)	Profit from discontinuing operations	27.5	(14.2)	0.6
	<i>incl. amount with related parties</i>		2.2	2.2
	<b>PROFIT FOR THE PERIOD</b>	<b>244.3</b>	<b>17.0</b>	<b>17.0</b>
	Minority interest in profit	(0.8)	(2.9)	(2.9)
	Group interest in profit	243.5	14.1	14.1
	<b>Continuing Operations:</b>			
	<b>Basic earnings per share</b>	<b>0.1480</b>	<b>0.0087</b>	<b>0.0087</b>
	<b>Diluted earnings per share</b>	<b>0.1427</b>	<b>0.0084</b>	<b>0.0084</b>

(\*) Approved by the Board of Directors on September 13, 2006.

(\*\*) The reclassifications compared with the financial statements approved at the Board of Directors on September 13, 2006 are discussed in the section entitled "Restatements Applied to the Income Statement at June 30, 2006."



## Consolidated Cash Flow Statement

<i>(in millions of euros)</i>	<b>First half 2007</b>	<b>First half 2006 restated<sup>1</sup></b>	<b>First half 2006</b>
<b>OPERATING ACTIVITIES</b>			
Profit (Loss) from continuing operations	216.8	31.2	16.4
Depreciation, amortization and writedowns	45.3	43.9	48.9
Additions to provisions	115.0	46.8	53.3
Non-cash (income) charges	(10.0)	(19.0)	(19.0)
(Gains) Losses on divestitures	(3.8)	(0.2)	(0.2)
Dividends collected	(0.1)		
Cash income from settlements	(160.5)		
Cash charges relating to legal fees for actions to void and actions for damages	31.9	25.3	
Non-cash income from settlements	(62.1)		
<b>Cash flow from operating result before changes in working capital</b>	<b>172.5</b>	<b>128.0</b>	<b>99.4</b>
<i>Change in net working capital and provisions</i>			
Operating working capital	(45.7)	(27.5)	(27.5)
Payment of preferential and prededuction trade payables	0.0	(53.6)	(53.6)
Payment of other preferential and prededuction liabilities	(0.1)	(8.8)	(8.8)
Payment of unsecured claims	(4.5)		
Other assets/Other liabilities and provisions	(65.7)	(39.1)	(39.1)
<b>Total change in net working capital and provisions</b>	<b>(116.0)</b>	<b>(129.0)</b>	<b>(129.0)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>56.5</b>	<b>(1.0)</b>	<b>(29.6)</b>
<b>INVESTING ACTIVITIES</b>			
Capital investments in:			
- <i>Intangibles</i>	(2.5)	(1.1)	(1.1)
- <i>Property, plant and equipment</i>	(43.2)	(35.0)	(35.0)
- <i>Non-current financial assets</i>	(1.6)	(90.8)	(90.8)
Outlays for purchases of equity investments	(11.2)	0.0	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(58.5)</b>	<b>(126.9)</b>	<b>(126.9)</b>
<b>SETTLEMENTS</b>	<b>278.3</b>	<b>0.0</b>	<b>16.4</b>
<b>LEGAL FEES FOR ACTIONS TO VOID AND ACTIONS FOR DAMAGES</b>	<b>(40.9)</b>	<b>(25.3)</b>	
<b>ASSET SALES AND SUNDRY PROCEEDS</b>	<b>22.8</b>	<b>185.8</b>	<b>167.1</b>
<b>FINANCING ACTIVITIES</b>			
New loans, finance leases and accrued interest	35.6	9.7	17.2
Repayment of current and non-current installments of loans and finance leases	(90.0)	(90.7)	(92.6)
Investments in "Other current financial assets" maturing more than three months after their date of purchase	(265.6)	(4.9)	(4.9)
Change in shareholders' equity	0.0	4.5	2.8
Dividend distribution	(43.4)	(2.5)	
Exercise of warrants	7.0	0.8	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(356.4)</b>	<b>(83.1)</b>	<b>(77.5)</b>
<b>Impact of changes in the scope of consolidation</b>	<b>(0.7)</b>	<b>0.0</b>	
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE FIRST HALF</b>	<b>(98.9)</b>	<b>(50.5)</b>	<b>(50.5)</b>
<b>CASH AND CASH EQUIVALENTS AT JANUARY 1</b>	<b>321.8</b>	<b>502.7</b>	<b>502.7</b>
<b>Increase (decrease) in cash and cash equivalents in the first half</b>	<b>(98.9)</b>	<b>(50.5)</b>	<b>(50.5)</b>
<b>Net impact of the translation of cash and cash equivalents denominated in foreign currencies</b>	<b>3.4</b>	<b>(8.4)</b>	<b>(8.4)</b>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30</b>	<b>226.3</b>	<b>443.8</b>	<b>443.8</b>

Includes payments of 35.2 million euros for income taxes and collections of 5.3 million euros in accrued interest.

The cash flow statement for the first half of 2007 is being presented with the same format used in the same period last year.

<sup>1</sup> The reclassifications compared with the financial statements approved at the Board of Directors on September 13, 2006 are relating to the sale of all Spanish activities. Therefore, all I half 2006 comparative data have been restated reclassifying the income statement items relating to the abovementioned entities in "Result from discontinuing operations".

## Changes in Shareholders' Equity

(in millions of euros)

	Share capital	Reserve convertible into share capital <sup>1</sup>	Other reserves							Profit (Loss) for the period	Group interest in sharehold. equity	Minority interest in sharehold. equity	Total sharehold. equity
			Statutory reserve	Res. for dividends to challenges and condit. claims	Res. for late-filing and contested creditors	Reserve for translation differences	Reserve for exercise of warrants	Cash-flow hedge reserve	Sundry reserves				
<b>Balance at January 1, 2006</b>	<b>1,619.9</b>	<b>233.4</b>	-	-	-	<b>6.6</b>	<b>0.2</b>	-	<b>(11.7)</b>	<b>(0.3)</b>	<b>1,848.1</b>	<b>29.6</b>	<b>1,877.7</b>
Share capital incr. from convertible reserves	7.8	(7.8)									-	-	-
Share cap. incr. from waivers of prefer. status	7.6										7.6	-	7.6
Share capital incr. from convertible provisions	3.8										3.8	-	3.8
Allocation of shares to subscribers of 2005 warrants	0.2						(0.2)				-	-	-
Exercise of warrants	0.8										0.8	-	0.8
Appropriation of the 2005 result									(0.3)	0.3	-		-
Difference from the translation of financial statements in foreign currencies						(41.9)					(41.9)	(1.0)	(42.9)
Change in fair value of derivatives								0.7			0.7	-	0.7
Dividends												(2.5)	(2.5)
Sale of equity interest to outsiders												3.8	3.8
Profit for the period										14.1	14.1	2.9	17.0
<b>Balance at June 30, 2006</b>	<b>1,640.1</b>	<b>225.6</b>	-	-	-	<b>(35.3)</b>	-	<b>0.7</b>	<b>(12.0)</b>	<b>14.1</b>	<b>1,833.2</b>	<b>32.8</b>	<b>1,866.0</b>
<b>Balance at January 1, 2007</b>	<b>1,641.5</b>	<b>224.9</b>	-	-	-	<b>(33.2)</b>	<b>0.1</b>	<b>0.3</b>	<b>(12.0)</b>	<b>192.5</b>	<b>2,014.1</b>	<b>37.6</b>	<b>2,051.7</b>
Share capital incr. from convertible reserves	0.9	(0.9)									-	-	-
Allocation of shares to subscribers of 2006 warrants	0.1						(0.1)				-	-	-
Exercise of warrants	6.9						0.1				7.0	-	7.0
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						25.7					25.7	-	25.7
Dividends										(41.2)	(41.2)	(2.2)	(43.4)
Purchases of equity interest from outsiders												(7.2)	(7.2)
Companies removed from scope of consolidation												0.3	0.3
Profit for the period										243.5	243.5	0.8	244.3
<b>Balance at June 30, 2007</b>	<b>1,649.4</b>	<b>224.0</b>	<b>4.2</b>	<b>3.9</b>	<b>35.1</b>	<b>(7.5)</b>	<b>0.1</b>	<b>0.3</b>	<b>96.1</b>	<b>243.5</b>	<b>2,249.1</b>	<b>29.3</b>	<b>2,278.4</b>

<sup>1</sup> For creditors challenging exclusions and late-filing creditors.

## Notes to the Financial Statements

The abbreviated interim consolidated financial statements of the Parmalat Group at June 30, 2007 were prepared in accordance with Article 81 of Consob Regulation No. 11971 of May 14, 1999, as amended. The abbreviated interim consolidated financial statements at June 30, 2007 were the subject of a limited audit.

In compiling the abbreviated interim consolidated financial statements, which were prepared in accordance with IAS 34 – *Interim Financial Reporting*, the Group applied the principles that are consistent with those used for the financial statements at December 31, 2006. Accordingly, they should be read together with the year-end financial statements.

It is important to note that, in addition to the valuation criteria adopted to prepare the consolidated financial statements at December 31, 2006, 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.

Starting in October 2006, the Group changed the accounting classification it assigns to trade promotions and discounts. As a result of this change, which is consistent with best industry practices, trade promotions were reclassified as deductions from sales revenues (like discounts), with no impact on EBITDA and EBIT. As explained in the section of this Report entitled “Restatements Applied to the Income Statement at June 30, 2006”. The data for the first half of 2006 that are provided for comparative purposes in the Notes to the Income Statement are referred to the restated income statement.

The income statement is presented in a format with items classified “by destination,” while in the balance sheet assets and liabilities are classified as “current” or “non-current.” The cash flow statement has been prepared using the “indirect method”.

The abbreviated interim consolidated financial statements at June 30, 2007 are presented in euros, reference currency of the Parent Company Parmalat S.p.A.. They include a balance sheet, an income statement, a statement of changes in shareholders’ equity, a cash flow statement and the accompanying notes. The financial statement data listed in these notes are in millions of euros, except as noted.

### Use of Estimates

As part of the process of preparing statutory and consolidated financial statements, Directors are required to use accounting principles and methods that, in some instances, require the use of difficult and subjective valuations and estimates based on historical data and assumptions that, in each case, are deemed to be reasonable and realistic under the circumstances existing at that time. The use of these estimates and assumptions has an impact on the amounts reported on the financial statements, which include the balance sheet, the income statement and the cash flow statement, and affects the disclosures provided. The final amounts shown for the financial statement items for which the abovementioned estimates and assumptions were used may differ from the amounts shown on the financial statements due to the uncertainty that is inherent in all assumptions and the conditions upon which the estimates were based. The accounting principles that require more than others a subjective input by the Directors in the development of estimates are goodwill, depreciation and amortization, income taxes, deferred taxes, the provisions for risks and the reserves for creditor challenges and claims of late-filing creditors.

**Impairment Test**

A complete determination as to whether the value of non-current assets has been impaired is carried out only in connection with the preparation of the annual financial statements, when all necessary information is available, except in cases when impairment indicators that require an immediate assessment of any impairment losses are detected.

**Business Seasonality**

Sales of some of Company products are more seasonal than those of the rest of the product line, due to different buying habits and consumption patterns.

However, the geographic diversification of the Company's sales significantly reduces this seasonal impact.

## Reclassification Applied to the Income Statement at June 30, 2006

The table below shows the reclassifications made to the income statement:

(in millions of euros)	First Half 2006 Restated	Reclassifications of discounts and promotions			Reclassifications of costs by destination			Riclassifi- cations of discontinuing operations	First Half 2006 (*)
		for Group Parent Co.	for other Group cos.	Total	for Group Parent Co.	for other Group cos.	Total		
<b>REVENUES</b>	<b>1,776.1</b>	<b>(76.8)</b>	<b>(28.2)</b>	<b>(105.0)</b>				<b>(100.9)</b>	<b>1,982.0</b>
Revenues from the sale of goods	1,761.8	(76.8)	(28.2)	(105.0)				(100.4)	1,967.2
Other revenues	14.3							(0.5)	14.8
Cost of sales	(1,385.4)				10.4	(53.1)	(42.7)	69.7	(1,412.4)
Distribution costs	(167.7)	76.8	28.2	105.0	(1.3)	74.6	73.3	25.3	(371.3)
Administrative expenses	(109.5)				(9.1)	(21.5)	(30.6)	8.6	(87.5)
Other (income)/expense:									
- Legal fees paid in actions for damages and actions to void in bankruptcy	(25.3)								(25.3)
- Restructuring costs	-							7.2	(7.2)
- Sundry expenses and income	(1.2)							0.3	(1.5)
<b>EBIT</b>	<b>87.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>10.2</b>	<b>76.8</b>
Financial income	15.3							(1.4)	16.7
Financial expense	(47.3)							7.0	(54.3)
Interest in the result of companies valued by the equity method	1.3								1.3
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>56.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>15.8</b>	<b>40.5</b>
Income taxes	(25.1)							(1.0)	(24.1)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>31.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>14.8</b>	<b>16.4</b>
Profit (Loss) from discontinuing operations	(14.2)							(14.8)	0.6
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>17.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>17.0</b>
Minority interest in (profit)/loss	(2.9)								(2.9)
Group interest in profit/(loss)	14.1								14.1

(\*) Approved by the Board of Directors on September 13, 2006.

### Reclassifications of Discounts and Promotions

Starting in October 2006, the Group changed the accounting classification it assigns to trade promotions and discounts. As a result of this change, which is consistent with best industry practices, trade promotions were reclassified as deductions from sales revenues (like discounts), with no impact on EBITDA and EBIT. As a result of this change, the data for the first half of 2006 that are provided for comparative purposes have been restated, reducing "Revenues from the sale of goods" and "Distribution costs" by 105 million euros.

### **Reclassifications of costs by destination**

Starting in October 2006, the Group adopted a more accurate system for the allocation of costs by destination. The data corresponding to cost of sales, distribution costs and administrative expenses for the first half of 2006 have been restated in accordance with the abovementioned system and the resulting amounts are those shown above (with no impact on the profit for the period).

### **Reclassifications of Discontinuing Operations**

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. Consistent with this sale, the data for the first half of 2006 that are provided for comparison purposes have been restated reclassifying all income statement items attributable to the Spanish companies under "Profit (Loss) from discontinuing operations."

## Scope of Consolidation

The equity investments of 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 June 30, 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:
  - Companies that have become eligible for extraordinary administration proceedings: Parmalat Molkerei GmbH in A.S. (Germany), Deutsche Parmalat GmbH in A.S. (Germany) and F.lli Strini Costruzioni Meccaniche S.r.l. in A.S. (Italy). The Extraordinary Commissioner has developed a separate program to restructure or sell these companies, as allowed under the Marzano Law.
  - 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 (*Recuperação 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 Empreendimentos e Administração Ltda. (new name of Parmalat Empreendimentos e Administração Ltda).
  - The British company Parmalat Food Holdings UK Limited, which has filed under the Companies Creditors Arrangement Act, and its Parmalat Dairies (UK) Limited and Ault Food (UK) Limited subsidiaries. These proceedings were completed during the second half of 2007 and the companies Parmalat Food Holdings UK Limited and Parmalat Dairies (UK) Limited are currently being dissolved.
  - 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.), 9161-5286 Quebec Inc. (formerly Les Sources Perigny Inc.), 41902 Delaware Inc. (formerly EVH USA Inc.), Parmalat France SA (France), Societ  Fromag re D'Athis SA (France) and Swojas Energy Foods Limited (India).

These companies have been included in the list of the Group's equity investments because the Group owns their capital stock. However, at present, there is no expectation of a full or partial recovery of the investments in these companies upon completion of the individual bankruptcy proceedings. There is also no expectation that Parmalat S.p.A. will incur any liability in connection with these investments and there is no commitment or desire on the Company's part to cover the negative equity of these companies.

- Companies earmarked for sale or liquidation in the best available manner. These companies are: Wishaw Trading Sa (Uruguay), Parmalat Paraguay Sa (Paraguay) and Valuetuning Ltd (UK). 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:
  - Giglio Srl (Italy);
  - Marilat Srl (Italy);
  - Pisorno Agricola Srl (Italy);
  - Saral Srl (Italy);
  - Sata Srl (Italy);
  - Gelateria Parmalat Srl (Italy);
  - Satalux sa (Luxembourg);
  - Parmalat International SA (Switzerland);
  - PRM Administração e Participação do Brasil (Brazil);
  - Parmalat Trading South America (Uruguay);
  - Fruticola Santa Cruz CA (Venezuela).
- Companies in which the Parent Company holds, either directly or indirectly, an interest equal to more than 50% of the voting shares but no longer has the power to determine their financial and operating policies and benefit from their operations and their subsidiaries. These companies, which are not large in size and operate in several countries, are:
  - Airetcal SA (Uruguay);
  - Parmaleche de Costa Rica SA (Costa Rica);
  - Lacteos Americanos Lactam SA (Costa Rica);
  - Parmalat del Caribe SA (Dominican Republic);
  - Parmalat Chile SA (Chile);
  - Lacteos San Miguel SA (El Salvador);
  - Parmalat Asia Ewp Limited (Thailand);
  - Parmalat (Zhaodong) Dairy cor. Ltd (China);
  - Impianti Sportivi 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 1.1 million euros (0.5 million euros for Sata Srl, 0.4 million euros for Pisorno Agricola Srl and 0.2 million euros for Parmalat International SA);
- The receivables owed by these companies to other Group companies were written off except for 39.1 million euros due by Sata 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.



## 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)		6/30/07					
Company	Country	Trade receivables*	Financial receivables*	Other receivables*	Trade payables	Financial payables	Other payables
Impianti Sportivi Srl	Italy		-				
SATA Srl	Italy		39.1				
PPL Participacoes Ltda	Brazil					3.0	
Wishaw Trading sa	Uruguay					2.3	
Sundry items (less than €1 million)			-		0.4	-	
<b>Total</b>		-	<b>39.1</b>	-	<b>0.4</b>	<b>5.3</b>	-

\* After allowance for doubtful accounts.

(in millions of euros)		12/31/06					
Company	Country	Trade receivables*	Financial receivables*	Other receivables*	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	
<b>Total</b>		-	<b>42.8</b>	-	<b>0.5</b>	<b>5.4</b>	-

\* 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)		First half 2007				
Company	Country	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	-			-	
Deutsche Parmalat Gmbh in A.S.	Germany		-		-	
Parmalat Paraguay sa	Paraguay			-		-
Parmalat Molkerei Gmbh in A.S.	Germany				-	
Sundry items					-	0.1
<b>Total</b>		-	-	-	-	<b>0.1</b>

(in millions of euros)		First half 2006				
Company	Country	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	
<b>Total</b>		<b>8.7</b>	<b>2.2</b>	<b>0.1</b>	<b>20.9</b>	<b>0.1</b>

- Companies that are 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)		6/30/07					
Company	Country	Trade receivables*	Financial receivables*	Other receivables*	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**			1.9	
Bonlat Financing Corporation	Cayman		1,131.9**			1.9	
Parmalat S.p.A. in A.S.	Italy			1.2			
Sundry items (less than €1 million)			0.1	0.2			
<b>Total</b>		<b>13.7</b>	<b>4,700.4</b>	<b>10.2</b>	<b>0.2</b>	<b>3.8</b>	<b>-</b>

\* After allowance for doubtful accounts.

\*\* Amounts written off.

(in millions of euros)		12/31/06					
Company	Country	Trade receivables*	Financial receivables*	Other receivables*	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			
<b>Total</b>		<b>13.7</b>	<b>4,700.4</b>	<b>10.2</b>	<b>0.2</b>	<b>11.4</b>	<b>-</b>

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 June 30, 2007.

#### Percentage of Total Amounts Attributable to Transactions with Related Parties

<i>(in millions of euros)</i>	<b>Consolidated assets</b>	<b>Consolidated liabilities</b>	<b>Net indebtedness</b>	<b>Distribution costs</b>
Total consolidated amount	4,155.5	1,877.1	(58.3)	211.4
Amount with related parties	39.1	5.7	5.3	0.1
<i>Percentage of the total</i>	<i>0.9</i>	<i>0.3</i>	<i>n.m.</i>	<i>n.m.</i>

## Notes to the Balance Sheet – Assets

### (1) Goodwill

Goodwill amounted to 552.9 million euros. The changes that occurred in the first half of 2007 are listed below:

(in millions of euros)	Goodwill
<b>Balance at 12/31/06 (A)</b>	<b>543.8</b>
Changes in the first half of 2007:	
- Companies added to the scope of consolidation	0.4
- Companies removed from the scope of consolidation (-)	(1.7)
- Purchases	1.1
- Writedowns (-)	(0.8)
- Currency translation differences	10.1
<b>Total changes (B)</b>	<b>9.1</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>552.9</b>

On May 28, 2007, the Group bought a 51% interest in Quantum Distribution Services Ltd from Parmalat Australia Ltd at a price of 4.1 million Australian dollars. On the same date, Quantum Distribution Services Ltd bought the assets and liabilities associated with the milk distribution business. 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. Specifically, the price paid was allocated as follows: 1.2 million Australian dollars to property, plant and equipment and 6.8 million Australian dollars to intangibles (exclusive franchise rights).

On July 3, 2007, as a result of the exercise of a put option, the Group purchased the remaining 49% of the investee company's share capital at a price of 4.6 million Australian dollars.

The difference of 0.7 million Australian dollars between the price paid (8.7 million Australian dollars) and the net carrying amount of the acquired assets (8.0 million Australian dollars) 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.

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 were executed.

As a result, the interests held by Parmalat S.p.A. in OAO Belgorodskij Molochnij Kobinat 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 6.0 million euros.

Parmalat S.p.A. also paid 2.1 million euros for an additional 19.7% interest in Parmalat Romania SA, a Romanian subsidiary.

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 (8.1 million euros) and the book value of the acquired minority interests (7.0 million euros) be recognized as goodwill.

The writedown of 0.8 million euros refers to a reduction of the goodwill allocated to an Australian subsidiary.

A breakdown of goodwill is as follows:

(in millions of euros)	6/30/07	12/31/06
Parmalat S.p.A.	233.8	233.8
Parmalat Dairy & Bakery inc.	127.0	118.3
Parmalat Australia Ltd	68.8	66.1
Centrale del Latte di Roma S.p.A.	41.7	41.7
Parmalat South Africa pty Ltd	22.7	23.9
Parmalat Portugal Produtos Alimentares Ltda	34.2	34.2
Latte Sole S.p.A.	7.5	7.5
Other smaller companies	17.2	18.3
<b>Total</b>	<b>552.9</b>	<b>543.8</b>

No impairment indicators that would require an immediate assessment of the impairment losses were detected during the first half of 2007.

## (2) Trademarks with an Indefinite Useful Life

Trademarks with an indefinite useful life totaled 627.6 million euros. The following changes occurred in the first half of 2007:

(in millions of euros)	
<b>Balance at 12/31/06 (A)</b>	<b>642.1</b>
Changes in the first half of 2007:	
- Companies removed from the scope of consolidation (-)	(32.4)
- Currency translation differences	17.9
<b>Total changes (B)</b>	<b>(14.5)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>627.6</b>

The amount shown for companies removed from the scope of consolidation (32.4 million euros) refers to the Spanish operations sold during the first half of 2007.

Trademarks with an indefinite useful life were valued at 627.6 million euros. A breakdown is as follows:

(in millions of euros)	6/30/07	12/31/06
Parmalat (Italy)	183.1	183.1
Beatrice (Canada)	82.8	77.2
Lactantia (Canada)	68.3	63.7
Santal (Italy)	46.2	46.4
Pauls (Australia)	43.9	41.8
Centrale del Latte di Roma (Italy)	26.1	26.1
Clesa (Spain)	-	1.0
Black Diamond (Canada)	31.0	28.9
Astro (Canada)	22.9	21.4
Cacaolat (Spain)	-	19.9
Bonnita (South Africa)	14.8	15.3
Chef (Italy)	16.2	16.2
Sundry trademarks	92.3	101.1
<b>Total</b>	<b>627.6</b>	<b>642.1</b>

No impairment indicators that would require an immediate assessment of the impairment losses were detected during the first half of 2007.

### (3) Other Intangibles

Other intangibles of 99.1 million euros includes capitalized costs that are expected to produce benefits over several years incurred by Parmalat S.p.A. and its subsidiaries.

The following changes occurred in the first half of 2007:

(in millions of euros)	Trademarks with a finite life	Concessions, licenses and similar rights	Miscellaneous intangibles	Total
<b>Balance at 12/31/06 (A)</b>	<b>92.5</b>	<b>8.4</b>	<b>3.7</b>	<b>104.6</b>
Changes in 2006:				
- Cos. added to the scope of consolidation		4.1		4.1
- Cos. removed from the scope of consolidation (-)		(0.6)		(0.6)
- Additions	0.1	2.2	0.2	2.5
- Amortization (-)	(9.3)	(2.3)	(0.3)	(11.9)
- Other changes		0.1		0.1
- Reclassifications to available-for-sale assets		(0.1)		(0.1)
- Currency translation differences	0.1	0.3		0.4
<b>Total changes (B)</b>	<b>(9.1)</b>	<b>3.7</b>	<b>(0.1)</b>	<b>(5.5)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>83.4</b>	<b>12.1</b>	<b>3.6</b>	<b>99.1</b>

In addition to licenses for software and exclusive franchise rights, Other intangibles includes Italian trademarks (Berna, Lactis, Monza, Solac, Optimus, Stella, Jeunesse, Torvis, Pascolat and Dolomiti) and foreign trademarks (Vaalia and Biely Gorod) retained in the final restructuring of the Group's commercial operations.

#### (4) Property, Plant and Equipment

Property, plant and equipment totaled 625.5 million euros. A breakdown is provided below:

(in millions of euros)	Land	Buildings	Plant and machinery	Industrial equipment	Other assets	Construction in progress	Total
<b>Balance at 12/31/06 (A)</b>	<b>132.6</b>	<b>253.2</b>	<b>260.5</b>	<b>11.1</b>	<b>36.9</b>	<b>33.8</b>	<b>728.1</b>
<b>Changes in the first half of 2007</b>							
- Cos. added to the scope of consolidation					0.6		0.6
- Cos. removed from the scope of consolidation (-)	(33.8)	(33.9)	(21.7)		(4.6)	(3.1)	(97.1)
- Additions		1.9	11.9	0.5	4.9	24.0	43.2
- Disposals (-)	(0.9)	(1.5)	(0.7)	(0.1)	(1.0)		(4.2)
- Depreciation (-)		(5.9)	(22.1)	(1.3)	(5.2)		(34.5)
- Other changes		1.7	8.6	0.3	4.6	(15.3)	(0.1)
- Reclassifications to available-for-sale assets	(2.5)	(6.9)	(14.7)	(0.1)	(0.1)		(24.3)
- Currency translation differences	1.9	3.5	6.4	0.2	0.5	1.3	13.8
<b>Total changes (B)</b>	<b>(35.3)</b>	<b>(41.1)</b>	<b>(32.3)</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>6.9</b>	<b>(102.6)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>97.3</b>	<b>212.1</b>	<b>228.2</b>	<b>10.6</b>	<b>36.6</b>	<b>40.7</b>	<b>625.5</b>
- Provision for writedowns	-	(0.1)	(1.2)	-	(0.2)	-	(1.5)
- Accumulated depreciation	-	(96.1)	(425.7)	(16.3)	(84.9)	-	(623.0)

Information about the Group's investments in property, plant and equipment is provided in the "Capital Expenditures" section of the Report on Operations.

Disposals of 4.2 million euros refers mainly to sales of non-strategic real estate by Parmalat S.p.A., which generated proceeds of 2.2 million euros in the first six months of 2007.

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.

The reclassification to available-for-sale assets (24.3 million euros) refers to the business operations of Boschi Luigi & Figli S.p.A., which was sold to Boschi Food & Beverage S.p.A. in July.

A breakdown of property, plant and equipment acquired under finance leases totaling 30.1 million euros is as follows:

(in millions of euros)	6/30/07	12/31/06
Land	11.0	11.8
Buildings	8.3	11.1
Plant and machinery	4.9	14.6
Other assets	5.9	6.4
<b>Total property, plant and equipment acquired under finance leases</b>	<b>30.1</b>	<b>43.9</b>

## (5) Investments in Associates

The net carrying amount of the Group's investments in associates totaled 4.4 million euros. The table below shows the changes that occurred in the first half of 2007:

<i>(in millions of euros)</i>	Investments valued		Total
	by the equity method (affiliated companies)	at cost	
<b>Balance at 12/31/06 (A)</b>	<b>0.5</b>	<b>3.5</b>	<b>4.0</b>
Changes in the first half of 2007:			
- Additions		0.5	0.5
- Capital increase		0.5	0.5
- Dividend distribution (-)	(0.4)		(0.4)
- Disposals (-)	(0.1)	(0.1)	(0.2)
<b>Total changes (B)</b>	<b>(0.5)</b>	<b>0.9</b>	<b>0.4</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>-</b>	<b>4.4</b>	<b>4.4</b>

The main component of additions of 0.5 million euros is the purchase of a 1% interest in Pisorno Agricola Srl, in which the Group already held an indirect 99% interest through SATA Srl in liquidation.

The 0.5-million-euro capital increase refers to the investment that Parmalat S.p.A. made in Sata Srl in liquidation by forgiving a receivable of the same amount owed by the investee company.

Dividend distributions of 0.4 million euros reflects the amount paid out by Canadian Cheese Holdings Limited during the first six months of 2007.

A breakdown of Investments valued at cost is as follows:

<i>(in millions of euros)</i>	6/30/07		12/31/06	
	Net value	% interest held	Net value	% interest held
Bonatti S.p.A.	3.1	10.26%	3.1	10.26%
Sata Srl in liquidation	0.5	100%	-	100%
Pisorno Agricola Srl	0.4	100%	-	99%
Parmalat International SA in liquidation	0.2	100%	0.2	100%
Sundry investments	0.2	-	0.2	-
<b>Total</b>	<b>4.4</b>		<b>3.5</b>	



## (6) Other Non-current Financial Assets

The net carrying amount of Other non-current financial assets was 45.5 million euros. The table below shows the changes that occurred in the first half of 2007:

<i>(in millions of euros)</i>	<b>Receivables owed by</b>		<b>Other securities</b>	<b>Total</b>
	<b>investee companies (a)</b>	<b>others</b>		
<b>Balance at 12/31/06 (A)</b>	<b>42.8</b>	<b>51.8</b>	<b>0.7</b>	<b>95.3</b>
Changes in the first half of 2007:				
- Companies removed from the scope of consolidation (-)		(44.7)		(44.7)
- Increases	1.1	0.5		1.6
- Writedowns (-)	(0.6)			(0.6)
- Restatements of writedowns due to subsequent collections	1.5			1.5
- Decreases (-)	(5.2)	(1.4)		(6.6)
- Forgiveness of claim upon capital increase (-)	(0.5)			(0.5)
- Other changes		(0.5)		(0.5)
<b>Total changes (B)</b>	<b>(3.7)</b>	<b>(46.1)</b>	<b>-</b>	<b>(49.8)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>39.1</b>	<b>5.7</b>	<b>0.7</b>	<b>45.5</b>

(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 49.8 million euros are: decreases of 44.7 million euros for the removal of the Spanish companies from the scope of consolidation and 6.6 million euros for the collection during the period 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 during the first six months of 2007.

Receivables owed by investee companies of 39.1 million euros corresponds to the net receivables owed by SATA Srl in liquidation.

The amount shown for this receivable represents 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. has become 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 29, 2007, once the liquidation status is revoked within 60 days from the date of the Partners' Meeting convened to approve the balance sheet, which is expected to occur by September 15, 2007, all of the remaining assets of SATA S.r.l. in liquidation, which include an investment in Pisorno Agricola S.r.l. 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 5.7 million euros are:

- Advances provided to outsiders (2.2 million euros);
- Security deposits (1.9 million euros);
- Guarantee deposits (0.9 million euros);

Other securities of 0.7 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 39.4 million euros are shown net of offsettable deferred-tax liabilities. The changes that occurred in the first half of 2007 are shown below:

<i>(in millions of euros)</i>	
<b>Balance at 12/31/06 (A)</b>	<b>40.6</b>
Changes in the first half of 2007:	
- Companies added to the scope of consolidation	0.1
- Companies removed from the scope of consolidation (-)	(3.9)
- Increases	7.1
- Utilizations (-)	(5.3)
- Currency translation differences	0.8
<b>Total changes (B)</b>	<b>(1.2)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>39.4</b>

Increases of 7.1 million euros reflect mainly tax-deductible amortization of trademarks (2.2 million euros), recognition of tax loss carryforward amounts that the Group expects to offset against future taxable income (1.4 million euros) and maintenance expense (1.3 million euros).

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:

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
Personnel related provisions	9.2	8.7
Amortization of trademarks with a finite useful life	4.8	2.6
Maintenance expense	4.6	6.5
Writedown of property, plant and equipment	-	3.9
Provisions for staff restructuring	2.8	3.1
Recoverable tax losses	2.8	1.3
Writedown of doubtful accounts	1.9	2.3
Tax benefit from reinvesting the proceeds from the sale of a building in Madrid	-	1.7
Depreciation of plant and equipment	1.5	1.2
Provisions for risks and charges	0.9	-
Provision for ITX damages and inventory writedown	0.6	0.5
Provision for prize contests	0.2	0.9
Provision for companies under extraordinary administration	0.2	-
Sundry items	9.9	7.9
<b>Total</b>	<b>39.4</b>	<b>40.6</b>

## (8) Inventories

Inventories totaled 382.8 million euros, or 34.5 million euros more than at December 31, 2006.

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
Raw materials, auxiliaries and supplies	121.2	123.4
Work in progress and semifinished goods	3.1	1.9
Contract work in process	8.0	8.2
Finished goods and merchandise	253.7	216.4
Advances	1.5	1.8
Provision for inventory writedowns	(4.7)	(4.2)
<b>Total inventories</b>	<b>382.8</b>	<b>348.3</b>

The main changes include:

- 41 million euros attributable to the Canadian subsidiary due to the impact of seasonal factors, which cause production of raw milk to increase during the first half of the year while seasonal demand for finished goods rises toward the end of the year. A portion of the increase (about 23 million euros) refers to butter and powdered milk sold to the Canadian Dairy Commission (CDC) with a forward buyback commitment. In Canada, the CDC (the public agency that handles the allocation and management of milk quotas for the processing industry), in order to minimize the seasonality effect, agrees to absorb temporary excess production by the various manufacturers. The increase caused by these specific factors is offset by a trade payable of equal amount that reflects the abovementioned buyback commitment.
- 13.2 million euros due to the loss in value of the euro versus other currencies, the largest amounts being 13.9 million euros versus the Canadian dollar and 0.6 million euros versus the Australian dollar, offset in part by the appreciation of the euro versus the South African rand (1.1 million euros) and the Venezuelan bolivar (0.9 million euros).
- 6.3 million euros for additional purchases of raw milk carried out by Parmalat S.p.A. in anticipation of price increases.

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 reclassification to available-for-sale assets of the inventories attributable to the Boschi Luigi & Figli S.p.A. business operations, which were sold to Boschi Food & Beverage S.p.A. in July.

## (9) Trade Receivables

Trade receivables totaled 511.0 million euros, or 19.0 million euros less than at December 31, 2006:

The amount of 511.0 million euros shown for Trade receivables owed by customers is net of an Allowance for doubtful accounts amounting to 164.3 million euros. The table below shows the changes that occurred in this allowance during the first half of 2007:

<i>(in millions of euros)</i>	
<b>Balance at 12/31/06 (A)</b>	<b>164.6</b>
Changes during the first half of 2007:	
- Companies removed from the scope of consolidation (-)	(3.7)
- Additions	4.3
- Utilizations (-)	(1.2)
- Currency translation differences	0.3
<b>Total changes (B)</b>	<b>(0.3)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>164.3</b>

The decrease of 19.0 million euros in Trade receivables is mainly the net result of the following items:

- 25.6 million euros for the reclassification to available-for-sale assets of the trade receivables attributable to the Boschi Luigi & Figli S.p.A. business operations, which were sold to Boschi Food & Beverage S.p.A. in July
- 23.5 million euros for the deconsolidation of the Spanish companies;

The decrease was offset in part by the following items:

- 10.2 million euros for an increase in sales turnover by a South African subsidiary; in July, this company settled a dispute with one of its largest customers;
- 8.1 million euros due to the loss in value of the euro versus other currencies, the largest amounts being 5.8 million euros versus the Canadian dollar, 2.9 million euros versus the Australian dollar and 1.0 million euros versus the Colombian peso, offset in part by the appreciation of the euro versus the South African rand (1.4 million euros).

## (10) Other Current Assets

Other current assets amounted to 500.9 million euros, or 94.3 million euros more than at December 31, 2006:

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
Amount receivable from sale of the Spanish companies	187.8	-
Receivables for settlements in connection with actions to void in bankruptcy and actions for damages	63.6	127.0
Amount receivable from the tax authorities for VAT	114.4	118.2
Estimated tax payments	23.1	25.3
Dividend tax credits	38.2	38.2
Other amounts receivable from the tax authorities	10.7	9.7
Sundry receivables	42.9	72.6
Accrued income and prepaid expenses	20.2	15.6
<b>Total</b>	<b>500.9</b>	<b>406.6</b>

Amount receivable from sale of the Spanish companies represents the amount owed by Lacteos Siglo XXI s.l., which agreed to buy the Group's Spanish companies during the first half of 2007. The sales price was collected in July 2007.

Receivables for settlements in connection with actions to void and actions for damages reflects the amounts still owed by the banks with which the Company reached a settlement during the first six months of 2007 to end pending disputes. The total includes 33 million euros owed by Banca Monte Parma S.p.A. (not yet collected), 29.1 million euros owed by Merrill Lynch (collected in July 2007) and 1.5 million euros owed by Deloitte & Touche S.p.A. and Dianthus S.p.A. (not yet collected).

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 June 30, 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 42.9 million euros includes 19.9 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, 1 million euros for advances to employees, 0.9 million euros for a receivable owed by Centro Lattiero Caseario Latte Verona in connection with the sale of Interlatte Srl. A total of 0.2 million euros was collected when the contract was signed.

The increase of 94.3 million euros in Other current assets is mainly the result of the following items:

- 187.8 million euros for a receivable arising from the sale of the Spanish companies;
- 1.6 million euros for the loss in value of the euro versus other currencies (1.0 million euros attributable to the Canadian dollar).

This increase was offset in part by the following items:

- 63.4 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 during the first six months of 2007, a portion of which (63.6 million euros) has not yet been collected;
- 32.5 million euros for the deconsolidation of the Spanish companies;
- 3.3 million euros for offsets of tax-related receivables and payables;
- 1.5 million euros for estimated tax payments.

A breakdown of Accrued income and prepaid expenses, which totaled 20.2 million euros, is as follows:

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
Accrued income:		
- Rent and rentals	-	0.1
- Insurance premiums	0.1	0.4
- Other accrued income	0.9	4.0
Prepaid expenses:		
- Rent and rentals	0.9	0.4
- Insurance premiums	3.3	2.2
- Sundry prepaid expenses	15.0	8.5
<b>Total accrued income and prepaid expenses</b>	<b>20.2</b>	<b>15.6</b>

## **(11) Cash and Cash Equivalents**

Cash and cash equivalents totaled 226.3 million euros, for a decrease of 95.5 million euros compared with December 31, 2006:

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
- Bank and postal accounts	223.5	310.1
- Checks in transit	0.1	0.1
- Cash and securities on hand	2.1	2.1
- Financial assets with an original maturity of three months or less	0.6	9.5
<b>Total cash and cash equivalents</b>	<b>226.3</b>	<b>321.8</b>

Bank and postal accounts of 223.5 million euros represent deposits held at top banking and financial institutions with a high credit rating.

Financial assets with an original maturity of 90 days or less totaled 0.6 million euros. They consist entirely of term deposits.

In January 2005, when it sold Bakery USA and three Canadian bakeries, the Group posted a deposit of about 16.2 million Canadian dollars to cover contingent tax, legal and labor liabilities. In July 2006, upon the signing of a new financing agreement, the deposit was reduced to 3.5 million Canadian dollars. During the first half of 2007, the Group reached a settlement with the buyers, which required Parmalat Dairy & Bakery to make a payment of US\$0.4 million and forgive receivables totaling US\$1.1 million. This agreement released both parties of any and all future claims, except for any tax-related liabilities, which Parmalat Dairy & Bakery continues to guarantee. Consequently, the deposit posted for the benefit of the buyer was released.

The decrease of 95.5 million euros in Cash and Cash equivalents is mainly the result of the following items:

- 50.2 million euros for the voluntary repayment (without penalty) of the non-current portion of a loan amounting to 60 million Canadian dollars, which was due in July 2011, and the repayment of the current portion of the same loan (17 million Canadian dollars);
- 34.2 million euros as the net result of a 41.2-million-euro dividend paid out by Parmalat S.p.A. in June and the collection of proceeds from the exercise of warrants totaling 7.0 million euros;
- 7.5 million euros for the repayment of the current portion, amounting to 25.5 million South African rand, of a loan maturing in December 2010;
- 5.4 million euros for the payment of increased supplies of powdered milk by a Venezuelan subsidiary, additional investments to increase the production capacity of the Miranda plant and an indemnity paid to 107 employees of the Machiques factory.

This decrease was offset in part by the following items

- 3.4 million euros due to the loss in value of the euro versus some currencies (2.3 million euros versus the Canadian dollar and 1.8 million euros versus the Colombian peso), offset in part by the appreciation of the euro versus the South African rand (0.6 million euros);
- 0.7 million euros for the deconsolidation of the Spanish companies.

## (12) Current Financial Assets

Current financial assets totaled 475.2 million euros, or 267.4 million euros more than at December 31, 2006:

(in millions of euros)	6/30/07	12/31/06
- Treasury securities	162.5	159.2
- Time deposits	185.1	-
- Reverse repurchase agreements	120.0	45.0
- Accrued interest	2.7	1.8
- Derivatives	2.2	0.5
- Financial assets with an original maturity of more than three months but less than 12 months	2.7	1.3
<b>Total current financial assets</b>	<b>475.2</b>	<b>207.8</b>

The increase of 267.4 million euros reflects primarily the investment in income-producing assets of the proceeds collected during the first half of 2007 upon settlements of actions to void and actions for damages.

A list of the main financial assets, broken down by interest rate and maturity, is provided below:

<i>(in millions of euros)</i>	<b>Amount</b>	<b>Purchase date</b>	<b>Maturity</b>	<b>Annualized rate</b>
<b>Italian treasury bills</b>	62.5	1/31/07	8/15/07	3.78%
	50.0	5/31/07	10/31/07	4.04%
	50.0	6/29/07	11/30/07	4.09%
	<b>162.5</b>			
<b>Reverse repurchase agreements</b>	70.0	3/1/07	9/3/07	3.97%
	50.0	3/6/07	9/17/07	3.96%
	<b>120.0</b>			
<b>Bank time deposits</b>	110.0	1/25/07	7/25/07	3.85%
	30.0	4/30/07	8/30/07	4.06%
	25.1	6/6/07	11/6/07	4.20%
	20.0	6/18/07	11/19/07	4.33%
	<b>185.1</b>			

The amount shown for derivatives reflects the measurement at fair value of contracts that hedge risks related to interest rates and purchases of foreign currencies.

Derivatives, which totaled 272.0 million euros, include the following:

- 74.3 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 118 million Australian dollars, while the bank counterpart provides a variable three-month Bank Bill Swap Bid Rate (BBSY) in Australian dollars.
- 148.3 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 211.2 million Canadian dollars, while the bank counterpart provides a variable three-month Bank Acceptance rate.
- 45.5 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.
- 17.8 million euros for a Canadian subsidiary that in December 2006 executed forward currency contracts that are due on different dates between July and December 2007. This company is exposed to foreign exchange risk because it buys and sells raw materials and services in currencies other than its reporting currency and, consequently, uses derivatives to hedge this risk.
- 3.9 million euros for a Canadian subsidiary that in December 2006 executed forward currency contracts that are due on different dates between July and December 2007. This company is exposed to foreign exchange risk because it buys and sells raw materials and services in currencies other than its reporting currency and, consequently, uses derivatives to hedge this risk.



The table below shows the amounts recognized in the financial statements following the measurement of derivatives at fair value:

(in millions of euros)	6/30/07				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	2.2			268.1	1.7			261.1
Foreign exchange risk hedges		17.8	0.8	3.9	0.1	17.6		4.8
Commodity price hedges								
<b>Total current and non-current liabilities</b>	<b>2.2</b>	<b>17.8</b>	<b>0.8</b>	<b>272.0</b>	<b>1.8</b>	<b>17.6</b>		<b>265.9</b>

(\*) Notional amount: amount used to calculate periodic payment obligations in a derivative instrument or reference amount for a derivative contract pricing

The impact of the derivative contracts' valuation at June 30, 2007 compared with December 31, 2006 is not material.

### (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 64.9 million euros and 40.8 million euros, respectively, included the following:

- The business operations of Boschi Luigi & Figli S.p.A., which were sold in July to Boschi Food & Beverage S.p.A.
- The Venezuelan factories of Machiques and Barquisimeto. A preliminary contract to sell these factories was signed in 2006 with the Venezuelan Ministry of Industry and Commerce and with the President of Corpozulia, a public entity in the Venezuelan state of Zulia.
- Plant and machinery located at the Parow UHT production center (South Africa).

At December 31, 2006, Available-for-sale assets included the following:

- 8.5 million euros for Portuguese tomato processing companies, which were sold during the first half of 2007, generating proceeds of 4.9 million euros collected at closing. 0.4 million euros will be collected during the second half of the year.
- 7.5 million euros for assets belonging to a division of Parmalat S.p.A. that distributes tomato-based products, which were sold during the second half of 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;
- 0.3 million euros for a minority interest in an Australian company. During the first half of 2007, the sales process was completed, generating additional proceeds of 1.2 million euros (3.9 million euros in 2006).

The table below provides a breakdown of the items listed as Available-for-sale assets:

<i>(in millions of euros)</i>	<b>Boschi Luigi &amp; Figli S.p.A. business operations</b>	<b>Machiques and Barquisimeto factories</b>	<b>Parow plant and machinery</b>	<b>Total</b>
Other intangibles	0.1			0.1
Property, plant and equipment	24.3	3.8	0.7	28.8
Inventories	10.1			10.1
Trade receivables	25.6			25.6
Other current assets	0.3			0.3
<b>Total available-for-sale assets</b>	<b>60.4</b>	<b>3.8</b>	<b>0.7</b>	<b>64.9</b>
Deferred-tax liabilities	2.0			2.0
Personnel-related provisions	2.2			2.2
Provisions for risks and charges		2.1		2.1
Current financial liabilities	1.0			1.0
Trade payables	30.4			30.4
Other current liabilities	3.1			3.1
<b>Total available-for-sale liabilities</b>	<b>38.7</b>	<b>2.1</b>	<b>-</b>	<b>40.8</b>

## Notes to the Balance Sheet — Shareholders' Equity

At June 30, 2007, the Group's shareholders' equity totaled 2,249.1 million euros.

### (14) Share Capital

The share capital amounted to 1,649,404,711 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 855,608 euros; and (ii) the amount generated by the conversion of warrants, which totaled 7,021,647 euros.

A reconciliation of the number of shares outstanding at December 31, 2006 to the number of shares outstanding at June 30, 2007 is provided below:

6/30/07	Number of shares
<b>Shares outstanding at beginning of period – par value 1 euro each</b>	<b>1,641,527,456</b>
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	855,608
Shares issued upon the conversion of warrants – par value 1 euro each	7,021,647
<b>Shares outstanding at end of period – par value 1 euro each</b>	<b>1,649,404,711</b>

### 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
<b>Total increases reserved for creditors</b>	<b>1,930.0</b>
- Shares available for the conversion of warrants	95.0
<b>Total capital increase</b>	<b>2,025.0</b>

As explained above, the share capital amounted to 1,649.4 million euros at June 30, 2007. As of the writing of these Notes, it had increased by 2.5 million euros to a total of 1,651.9 million euros. The 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 June 30, 2007, this reserve convertible into share capital amounted to 224.0 million euros. Utilizations for the period totaled 0.9 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 7.5 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, which amounts to 0.1 million euros, refers to the warrants exercised in June 2007 (the corresponding 112,579 shares were issued in July 2007).

At June 30, 2007, there were 76,332,182 warrants outstanding. These warrants may be exercised until December 31, 2015.

#### (18) Cash Flow Hedge Reserve

The balance in this reserve (0.3 million euros) reflects changes in the fair value of the effective portion of cash flow hedge derivatives outstanding at June 30, 2007.

The table below shows the changes that occurred in the Cash flow hedge reserve:

<i>(in millions of euros)</i>	<b>Gross reserve</b>	<b>Deferred-tax liabilities</b>	<b>Net reserve</b>
<b>Reserve at January 1, 2007</b>	<b>0.5</b>	<b>(0.2)</b>	<b>0.3</b>
Change during the first half of 2007	(0.1)	0.1	-
<b>Reserve at June 30, 2007</b>	<b>0.4</b>	<b>(0.1)</b>	<b>0.3</b>

#### (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 an effect of that motion, the consolidated profit carryforward of 192.2 million euros, deducted the dividend distribution (41.2 million euros), the reserve to satisfy any additional claims of late-filing creditors or creditors with contested claims (35.1 million euros), the statutory reserve (4.2 million euros), 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 the replenishment of negative reserves (11.7 million euros), totaled 96.1 million euros.

At June 30, 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 243.5 million euros.

### Reconciliation of the Shareholders' Equity of Parmalat S.p.A. to Group Interest in Shareholders' Equity

<i>(in millions of euros)</i>	<b>Shareholders' equity before result for the period</b>	<b>Result for the period</b>	<b>Shareholders' equity</b>
<b>Shareholders' equity of Parmalat S.p.A. at 6/30/07</b>	<b>1,916.8</b>	<b>198.2</b>	<b>2,115.0</b>
<i>Elimination of the carrying value of consolidated investments in associates</i>			
- Difference between the carrying amount and the pro rata interest in the underlying shareholders' equity	84.0		84.0
- Pro rata interest in the results of investee companies		43.0	43.0
- Reserve for currency translation differences	(7.5)		(7.5)
<i>Other adjustments:</i>			
- Elimination of writedowns of subsidiaries		5.8	5.8
- Elimination of coverage of losses by subsidiaries	5.0	1.7	6.7
- Elimination of writedowns of receivables owed by subsidiaries	7.3	2.3	9.6
- Elimination of dividends		(7.5)	(7.5)
<b>Group Interest in Shareholders' Equity at 6/30/07</b>	<b>2,005.6</b>	<b>243.5</b>	<b>2,249.1</b>
Minority interest in shareholders' equity and result for the period	28.5	0.8	29.3
<b>Consolidated shareholders' equity at 6/30/07</b>	<b>2,034.1</b>	<b>244.3</b>	<b>2,278.4</b>

## (21) Minority Interest in Shareholder's Equity

At June 30, 2007, the Minority interest in shareholders' equity totaled 29.3 million euros. This amount is represented in the following companies:

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
Centrale del Latte di Roma S.p.A.	11.3	12.5
Parmalat Centroamerica SA	5.3	5.4
Citrus International SA	4.0	4.0
Oao Belgorodskij Molocnij Kombinat	-	5.1
Sundry companies	8.7	10.6
<b>Total</b>	<b>29.3</b>	<b>37.6</b>

## Notes to the Balance Sheet — Liabilities

### (22) Long-term borrowings

Long-term borrowings totaled 377.5 million euros. The table below shows the changes that occurred in the first half of 2007:

(in millions of euros)	Due to banks	Due to other lenders	Obligations under finance leases	Due to associates	Total
<b>Balance at 12/31/06 (A)</b>	<b>358.4</b>	<b>40.4</b>	<b>29.0</b>	<b>0.1</b>	<b>427.9</b>
Changes in the first half of 2007:					
- Companies removed from the scope of consolidation	(0.6)		(1.5)		(2.1)
- New borrowings	0.8		2.1		2.9
- Redemptions (principal and interest) (-)	(54.4)	(0.3)	(3.4)		(58.1)
- Accrued interest	7.1	1.6	0.8		9.5
- Discounting to present value	0.9				0.9
- Foreign exchange differences on borrowings in foreign currencies	(0.8)	(3.0)		(0.1)	(3.9)
- Reclassifications from non-current to current (-)	(17.8)	(2.2)	(1.5)		(21.5)
- Other changes	0.9			0.8	1.7
- Currency translation differences	17.9	2.3			20.2
<b>Total changes (B)</b>	<b>(46.0)</b>	<b>(1.6)</b>	<b>(3.5)</b>	<b>0.7</b>	<b>(50.4)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>312.4</b>	<b>38.8</b>	<b>25.5</b>	<b>0.8</b>	<b>377.5</b>

New borrowings of 2.9 million euros include the following:

- 2.1 million euros in new leases for trucks used to deliver fresh dairy products signed by Parmalat S.p.A.;
- a five-year loan of 0.8 million euros due in June 2013 provided by Credito Siciliano to an Italian subsidiary;

Redemptions of 58.1 million euros include the following:

- 60 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 5.4 million Canadian dollars in accrued interest;
- 7.7 million Australian dollars for the partial repayment of a syndicated loan due in 2008;
- 2 million euros paid by Parmalat S.p.A. to terminate vehicle leases.

Short-term borrowings totaled 265.1 million euros. The following changes occurred in the first half of 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
<b>Balance at 12/31/06 (A)</b>	<b>237.2</b>	<b>21.4</b>	<b>6.5</b>	<b>5.3</b>	<b>1.3</b>	<b>-</b>	<b>271.7</b>
Changes in the first half of 2007:							
- Companies removed from the scope of consolidation (-)	(10.0)		(0.9)				(10.9)
- New borrowings	8.0	8.7					16.7
- Redemptions (principal and interest) (-)	(26.2)	(2.9)	(2.4)		(0.4)		(31.9)
- Accrued interest	8.9	0.5	0.2				9.6
- Clearing of indebtedness owed to Parmalat Capital Finance in liquidation		(7.2)					(7.2)
- Marked to market						0.8	0.8
- Reclassifications from non-current to current (-)	17.8	2.2	1.5				21.5
- Other changes	(1.5)	0.9		(0.8)			(1.4)
- Reclassifications to liabilities directly attributable to available-for-sale assets			(1.0)				(1.0)
- Currency translation differences	(2.7)	(0.1)					(2.8)
<b>Total changes (B)</b>	<b>(5.7)</b>	<b>2.1</b>	<b>(2.6)</b>	<b>(0.8)</b>	<b>(0.4)</b>	<b>0.8</b>	<b>(6.6)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>231.5</b>	<b>23.5</b>	<b>3.9</b>	<b>4.5</b>	<b>0.9</b>	<b>0.8</b>	<b>265.1</b>

New borrowings of 16.7 million euros include the following:

- 5.8 million euros in advances from factoring companies (4.1 million euros to an Italian subsidiary and 1.7 million euros to a Portuguese subsidiary);
- 5.6 million Australian dollars drawn from an available line of credit;
- 2.8 million euros used in response to the exercise by third parties of an option to sell to the Group a 49% interest in an Australian subsidiary;
- 1.1 million euros in new financing to a Nicaraguan subsidiary.

Redemptions of 31.9 million euros include the following:

- 17.6 million Canadian dollars for the quarterly payment of the current portion of a syndicated loan due in July 2011;
- 4.5 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.;
- 2.8 million euros to repay the current portion of a loan owed by a Portuguese subsidiary;
- 25.5 million South African rand to repay the current portion of a loan owed to the Standard Bank that matures in September 2009;
- 2.2 million euros repaid to factoring companies by an Italian subsidiary;
- 1.3 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 amount 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%	18.1	9.4	0.7	5.3	0.9	0.8	35.2
From 5% to 6%	254.9	49.3	27.9	-	-	-	332.1
From 6% to 7%	-	0.2	-	-	-	-	0.2
From 7% to 8%	81.6	3.3	-	-	-	-	84.9
From 8% to 9%	172.3	0.1	-	-	-	-	172.4
Over 9%	17.0	-	0.8	-	-	-	17.8
<b>Total current and non-current financial liabilities</b>	<b>543.9</b>	<b>62.3</b>	<b>29.4</b>	<b>5.3</b>	<b>0.9</b>	<b>0.8</b>	<b>642.6</b>

(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:

	6/30/07				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	231.5	307.2	5.2	543.9	237.2	135.2	223.2	595.6
Due to other lenders	23.5	21.4	17.4	62.3	21.4	6.5	33.9	61.8
Obligations under finance leases	3.9	6.9	18.6	29.4	6.5	13.3	15.7	35.5
Due to associates	4.5	0.1	0.7	5.3	5.3	-	0.1	5.4
Liabilities represented by credit instruments	0.9	-	-	0.9	1.3	-	-	1.3
Liabilities from derivatives	0.8			0.8				
<b>Total current and non-current financial liabilities</b>	<b>265.1</b>	<b>335.6</b>	<b>41.9</b>	<b>642.6</b>	<b>271.7</b>	<b>155.0</b>	<b>272.9</b>	<b>699.6</b>



The table below provides a breakdown of gross indebtedness based on the original transaction currency:

(in millions of euros)		Interest rate						Total
		Up to 5%	From 5% to 6%	From 6 to 7%	From 7% to 8%	From 8% to 9%	Over 9%	
Country	Currency							
Canada	CAD	0.8	223.5	-	-	-	-	224.3
	USD	8.8	32.7	-	-	-	-	41.5
Australia	AUD	-	-	-	84.6	-	-	84.6
Venezuela	USD	-	-	-	-	172.3	-	172.3
South Africa	ZAR	-	-	-	-	-	12.5	12.5
Portugal	EUR	2.9	16.8	-	-	-	-	19.7
Nicaragua	USD	3.7	-	-	0.2	0.1	2.3	6.3
	EUR	-	-	0.2	-	-	-	0.2
Russia	USD	-	-	-	-	-	2.0	2.0
	RUB	-	-	-	-	-	1.0	1.0
Italy	EUR	13.1	59.1	-	-	-	-	72.2
Other countries		6.0	-	-	-	-	-	6.0
<b>Total current and non-current financial liabilities</b>		<b>35.3</b>	<b>332.1</b>	<b>0.2</b>	<b>84.8</b>	<b>172.4</b>	<b>17.8</b>	<b>642.6</b>

In the first half of 2007, the average cost of long-term borrowings was about 7.12%. The decrease from the rate paid in 2006 (7.5%) 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 subsidiaries in Portugal, South Africa and Australia, which was made possible by an improvement in the parameters of the loan agreements that measure financial strength and profitability. 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. Specifically, collateralized loans include: 226.4 million euros received by the Canadian subsidiaries, 75.1 million euros received by the Australian subsidiaries, 16.8 million euros received by Parmalat Portugal, 12.5 million euros received by Parmalat South Africa, 7.8 million euros received by Parmalat S.p.A. and 5.5 million euros received by the Russian and Nicaraguan subsidiaries.

### (23) Deferred-tax Liabilities

Deferred-tax liabilities of 201.9 million euros are shown net of offsettable deferred-tax assets. The table below shows the changes that occurred in this account in the first half of 2007:

(in millions of euros)	
<b>Balance at 12/31/06 (A)</b>	<b>235.2</b>
Changes in the first half of 2007:	
- Companies removed from the scope of consolidation (-)	(47.6)
- Increases	10.0
- Utilizations (-)	(1.2)
- Reclassifications to liabilities directly attributable to available-for-sale assets	(2.0)
- Currency translation differences	7.5
<b>Total changes (B)</b>	<b>(33.3)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>201.9</b>

The Companies removed from the scope of consolidation for 47.6 million euros is relating to the Spanish companies, removed from the scope of consolidation during the period.

Increases of 10.0 million euros refer mainly to the tax liability computed on the amortization of goodwill (2.4 million euros) and trademarks (1.9 million euros), the discounting to present value of defined-benefit plans (0.7 million euros) and the accelerated depreciation of property, plant and equipment (0.3 million euros).

Utilizations of 1.2 million euros reflect mainly changes in tax rates in Colombia (from 35% to 34% in 2007 and to 33% in 2008) and in Portugal (from 27.5% to 26.5% in 2007), which accounted for 0.9 million euros and 0.2 million euros, respectively.

Reclassifications from Liabilities directly attributable to available-for-sale assets of 2.0 million euros refer to the deferred-tax liabilities attributable to the business operations of Boschi Luigi & Figli S.p.A., which were sold to Boschi Food & Beverage S.p.A. in July.

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:

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
- Trademarks and other intangibles	163.2	166.2
- Land	3.5	11.9
- Buildings	6.6	11.6
- Plant and machinery	7.9	7.5
- Present value of subordinated debt	19.1	17.9
- Other items	1.6	20.1
<b>Total</b>	<b>201.9</b>	<b>235.2</b>

#### **(24) Provisions for Employee Benefits**

Provisions for employee benefits totaled 120.1 million euros. The table below shows the changes that occurred in this account in the first half of 2007:

<i>(in millions of euros)</i>	<b>Provision for employee severance benefits</b>	<b>Defined- benefit plans</b>	<b>Defined- contribution plans</b>	<b>Other benefit plans</b>	<b>Total</b>
<b>Balance at 12/31/06 (A)</b>	<b>54.7</b>	<b>46.8</b>	<b>1.0</b>	<b>19.6</b>	<b>122.1</b>
Changes in the first half of 2007:					
- Companies added to the scope of consolidation				0.1	0.1
- Increases	1.6	2.4	1.5	9.6	15.1
- Decreases (-)	(3.0)	(4.5)	(1.3)	(7.9)	(16.7)
- Other changes		0.6			0.6
- Reclassifications to liabilities directly attributable to available-for-sale assets (-)	(2.2)				(2.2)
- Severance benefit amounts transferred to the Italian social security administration (INPS) (-)	(2.6)				(2.6)
- Currency translation differences		2.8		0.9	3.7
<b>Total changes (B)</b>	<b>(6.2)</b>	<b>1.3</b>	<b>0.2</b>	<b>2.7</b>	<b>(2.0)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>48.5</b>	<b>48.1</b>	<b>1.2</b>	<b>22.3</b>	<b>120.1</b>

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 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 provision for employee severance benefits, which is governed by Article 2120 of the Italian Civil Code, reflects benefits earned by employees in Italy over the length of their employment that are paid out at the end of the employment relationship. This provision can be classified as an unfunded defined-benefit plan and, consequently, 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 hiring for employees hired subsequently) if they wish to invest them in supplemental retirement benefits 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 benefits 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 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.

<b>Financial assumptions</b>	<b>Australia</b>	<b>Canada</b>	<b>Italy</b>
Discount rate (before taxes)	6.2%	5.0%	2.0%
Annual rate of wage increases	4.5%	3.5%	
Projected return on plan assets (after taxes)	5.3%	7.0%	n.a.

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

<i>(in millions of euros)</i>	<b>Australia</b>	<b>Canada</b>	<b>Italy</b>
<b>Defined-benefit plans (at 12/31/06)</b>	46.5	120.2	54.7
Reclassifications to liabilities directly attributable to available-for-sale assets			(2.2)
Cost related to current employment	1.3	2.2	4.8
Financial expense	1.2	3.1	1.1
Contributions to the plan	0.7	0.1	(3.1)
Actuarial (gains) losses	(1.6)		(0.2)
Currency translation differences	2.4	8.9	
Benefits paid	(2.1)	(3.0)	(2.5)
Impact of any plan eliminations or reductions			(4.1)
<b>Defined-benefit plans (at 6/30/07)</b>	<b>48.4</b>	<b>131.5</b>	<b>48.5</b>
<b>Fair value of plan assets (at 12/31/06)</b>	48.4	92.7	-
Projected return on plan assets	1.7	3.3	
Actuarial (gains) losses	0.7	0.1	
Currency translation differences	2.5	7.0	
Contributions to the plan	0.4	4.1	
Contributions by plan members	0.7	0.1	
Benefits paid	(2.4)	(3.0)	
<b>Fair value of plan assets (at 6/30/07)</b>	<b>52.0</b>	<b>104.3</b>	<b>-</b>
<b>(Assets) Liabilities (6/30/07)</b>	<b>(3.6)</b>	<b>27.2</b>	<b>48.5</b>
Unrecognized actuarial gains (losses)	15.8	4.7	
Unrecognized amounts in excess of asset ceiling		0.2	
<b>Total (assets) liabilities recognized on the balance sheet (6/30/07)</b>	<b>12.2</b>	<b>32.1</b>	<b>48.5</b>
<b>Total (assets) liabilities recognized on the balance sheet (12/31/06)</b>	<b>11.4</b>	<b>32.4</b>	<b>54.7</b>
Reclassifications to liabilities directly attributable to available-for-sale assets			(2.2)
Total costs recognized on the income statement	0.6	1.5	1.6
Contributions paid	(0.4)	(4.1)	(5.6)
Currency translation differences	0.6	2.3	
<b>Total (assets) liabilities recognized on the balance sheet (6/30/07)</b>	<b>12.2</b>	<b>32.1</b>	<b>48.5</b>

## Breakdown of Plan Assets by Type

<i>(in millions of euros)</i>	<b>Australia</b>	<b>Canada</b>	<b>Italy</b>
Third-party equity instruments	52.0	69.2	-
Third-party debt instruments		35.1	-
<b>Total</b>	<b>52.0</b>	<b>104.3</b>	<b>-</b>

The effective return earned on dedicated plan assets was 2.5 million euros in Australia and 3.5 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:

<i>(in millions of euros)</i>	<b>June 2007</b>	<b>December 2006</b>	<b>December 2005</b>
Present value of the obligation under defined-benefit plans	185.4	172.0	193.7
Fair value of dedicated plan assets	164.4	149.0	145.7
<b>Deficit/(Surplus)</b>	<b>21.0</b>	<b>23.0</b>	<b>48.0</b>
Total actuarial losses (gains) generated by experience on the obligation's present value	(1.6)	(8.3)	10.6
Total actuarial losses (gains) generated by experience on the obligation's fair value	0.8	6.2	5.5

The best estimate of the expected pension plan contribution for the July 2007 – June 2008 fiscal year is 7.4 million euros.

## Total Current Costs Recognized on the Income Statement

<i>(in millions of euros)</i>	<b>Australia</b>	<b>Canada</b>	<b>Italy</b>
Cost related to current employment	1.5	2.2	4.8
Financial expense	1.2	3.1	1.1
Projected return on dedicated plan assets	(1.7)	(3.3)	-
Actuarial (gains) losses	(0.4)	(0.5)	(0.2)
Impact of any elimination or reduction of dedicated plan assets			(4.1)
<b>Total</b>	<b>0.6</b>	<b>1.5</b>	<b>1.6</b>

## (25) Provisions for Risks and Charges

Provisions for risks and charges totaled 121.2 million euros. The changes that occurred in the first half of 2007 are shown below:

<i>(in millions of euros)</i>	<b>Provision for taxes</b>	<b>Provision for other risks and charges</b>	<b>Total</b>
<b>Balance at 12/31/06 (A)</b>	<b>62.9</b>	<b>61.4</b>	<b>124.3</b>
Changes in the first half of 2007:			
- Companies removed from the scope of consolidation (-)	(7.8)	(2.0)	(9.8)
- Increases	1.9	18.5	20.4
- Decreases (-)	(1.0)	(6.6)	(7.6)
- Reversals (-)	(0.3)	(2.4)	(2.7)
- Other changes		(0.6)	(0.6)
- Reclassifications to liabilities directly attributable to available-for-sale assets (-)		(2.1)	(2.1)
- Currency translation differences	(0.5)	(0.2)	(0.7)
<b>Total changes (B)</b>	<b>(7.7)</b>	<b>4.6</b>	<b>(3.1)</b>
<b>Balance at 6/30/07 (A) + (B)</b>	<b>55.2</b>	<b>66.0</b>	<b>121.2</b>

### *Provision for Tax-related Risks and Charges*

The Provision for tax-related risks and charges refers mainly to tax risks affecting the Venezuelan companies (27.7 million euros), Parmalat S.p.A. (17.5 million euros), companies in Canada (3.3 million euros) and Colombia (3.0 million euros), and Arilca SA (1.7 million euros).

The main reason for the overall decrease of 7.7 million euros is the deconsolidation of the 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 66.0 million euros covers the following:

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
Staff downsizing programs	16.7	18.7
Risks on investee companies	26.1	16.2
Supplemental sales agent benefits	6.7	6.0
Legal disputes with employees	6.3	7.1
INPS installment payments	0.6	0.6
Disputes with former Group companies	0.5	0.5
Litigation	0.5	6.4
Miscellaneous	8.6	5.9
<b>Total provision for other risks and charges</b>	<b>66.0</b>	<b>61.4</b>

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 or disposal 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 4.6 million euros in the Provision for other risks and charges during the period is chiefly the result of an addition of 9.9 million euros to the provision for risk of a lower valuation of some intangibles also considering their possible disposal. This increase is partially offset by the settlement reached with The Nutrition Consortium Ltd. (TNC) in connection with 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 Preferential and Prededuction Claims**

The Provision for preferential and prededuction claims totaled 24.4 million euros. A breakdown of the changes that occurred in the first half of 2007 is as follows:

<i>(in millions of euros)</i>	
<b>Balance at 12/31/06 (A)</b>	<b>24.8</b>
Changes in the first half of 2007:	
- Decreases (-)	(0.2)
- Other changes	(0.2)
<b>Total changes (B)</b>	<b>(0.4)</b>
<b>Balance at 6/30/07 (A+B)</b>	<b>24.4</b>

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 0.4 million euros compared with December 31, 2006 reflects a revision of the estimate of the outlays that may be required to satisfy claims of creditors who are challenging the composition of verified claims and are seeking prededuction or preferential status.

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 499.9 million euros, or 21.1 million euros less than at December 31, 2006.

(in millions of euros)	6/30/07	12/31/06
- Trade payables to suppliers	497.7	520.4
- Trade payables to investee companies (a)	0.4	0.5
- Advances	1.8	0.1
<b>Total</b>	<b>499.9</b>	<b>521.0</b>

(a) Companies the share capital of which is owned by the Group but are not under the Group's control.

The main items that account for the net decrease of 22.7 million euros in Trade payables to suppliers include the following:

- 30.4 million euros for the reclassification to available-for-sale assets of the business operations of Boschi Luigi & Figli S.p.A. This decrease was offset in part by a 9.7-million-euro increase in tomato purchases in anticipation of summer production and by more favorable payment terms provided by suppliers of raw materials and packaging materials;
- 23.4 million euros for the deconsolidation of the Spanish companies.

The decrease was offset in part by the following items:

- 8.9 million euros due to the changes relating to the Canadian subsidiary as an effect of the mentioned regulations imposed by the Canadian Dairy Commission on the supply of butter and powdered milk. However, the impact of this factor was reduced by higher payments made during the first half of 2007.
- 8.7 million euros due to the loss of value of the euro versus other currencies, the largest amounts being 7.7 million euros versus the Canadian dollar, 1.4 million euros versus the Australian dollar, 1.1 million euros versus the Colombian peso, offset in part by the appreciation of the euros versus the South African rand (1.2 million euros) and the Venezuelan Bolivar (0.4 million euros).

The increase in Advances reflects primarily an advance equal to 5% of the purchase price received from Boschi Food & Beverage S.p.A. toward the purchase of the business operations of Boschi Luigi & Figli S.p.A.

## (28) Other Current Liabilities

Other current liabilities totaled 163.0 million euros, or 23.0 million euros less than at December 31, 2006.

(in millions of euros)	6/30/07	12/31/06
- Taxes payable	31.0	31.0
- Contributions to pension and social security institutions	15.1	12.3
- Other payables	62.7	65.8
- Liabilities for payment commitments	-	15.0
- Accrued expenses and deferred income	54.2	61.9
<b>Total</b>	<b>163.0</b>	<b>186.0</b>

The main components of taxes payable of 31.0 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 (5.9 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 (7.0 million euros); and VAT payable (1.5 million euros).

As for 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. In 2006, the INPS informed Parmalat S.p.A. that it had collected 22.1 million euros of the assigned receivables. A balance of 5.6 million euros in VAT receivables remained at June 30, 2007. These receivables had been assigned to cover a liability of equal amount owed to the INPS.

Other payables of 62.7 million euros consist mainly of amounts owed to employees at June 30, 2007 (53.7 million euros) and to members of the corporate governance bodies of Parmalat S.p.A. and its subsidiaries (0.7 million euros).

Liabilities for payment commitments of 15 million euros at December 31, 2006, reflects a payment commitment of Pisorno Agricola S.r.l. toward Banca Popolare Italiana, which is guaranteed by Parmalat S.p.A. This commitment, which expires 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 during the first half of 2007 and the mortgage that encumbered the properties owned by Pisorno Agricola S.r.l. has been cancelled.

Accrued expenses and deferred income totaled 54.2 million euros, broken down as follows:

(in millions of euros)	6/30/07	12/31/06
Accrued expenses:		
- Rent and rentals	0.6	0.6
- Insurance premiums	0.6	0.1
- Sundry and miscellaneous accrued expenses	28.3	35.7
Deferred income:		
- Rent and rentals	1.2	0.7
- Sundry and miscellaneous	23.5	24.8
<b>Total accrued expenses and deferred income</b>	<b>54.2</b>	<b>61.9</b>

Sundry and miscellaneous accrued expenses of 28.3 million euros consist mainly of advertising, promotional and marketing expenses and customer discounts that were already incurred but are payable at a later date.

Sundry and miscellaneous deferred income of 23.5 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 (20.9 million euros) and of the grant received from POR Sicilia (1.8 million euros).

## (29) Payables with preferential or prededuction status

A breakdown of payables with preferential or prededuction status and the changes that occurred during the first half of 2007 is provided below:

	6/30/07	Decreases	12/31/06
Other liabilities	1.6	(0.3)	1.9
<b>Total payables with preferential or prededuction status</b>	<b>1.6</b>	<b>(0.3)</b>	<b>1.9</b>

Payables with preferential or prededuction status refers to the obligations undertaken by Boschi Luigi & Figli S.p.A. 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 pre deduction claims, except for the amount owed to the Italian social security administration (INPS), which it was allowed to pay in installments over 60 months.

The decrease of 0.3 million euros reflects the payment of the installments due during the first half of 2007.

### **(30) Income Taxes Payable**

The balance of 61.6 million euros is higher by 31.0 million euros compared with December 31, 2006. This increase is the net result of the following items:

- An addition of 68.1 million euros to recognize the liability for the period, including the tax liability on the proceeds from settlements of action for damages collected during the first half of 2007 (42.9 million euros);
- Payments of 33.7 million euros, including 10.4 million euros by the Venezuelan subsidiaries, 6.1 million euros by the South African subsidiaries, 5.2 million euros by the Italian subsidiaries; 3.2 million euros by the Canadian subsidiaries, 3.0 million euros by the Australian 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 3.3 million euros.

## Guarantees and Commitments

### Guarantees

<i>(in millions of euros)</i>	<b>6/30/07</b>			<b>12/31/06</b>		
	<b>Sureties</b>	<b>Collateral</b>	<b>Total</b>	<b>Sureties</b>	<b>Collateral</b>	<b>Total</b>
provided on behalf of Group companies		0.9	<b>0.9</b>	19.1		<b>19.1</b>
provided by outsiders on behalf of the Group	347.4	343.2	<b>690.6</b>	313.2	357.9	<b>671.1</b>
<b>Total guarantees</b>	<b>347.4</b>	<b>344.1</b>	<b>691.5</b>	<b>332.3</b>	<b>357.9</b>	<b>690.2</b>

The guarantees provided by outsiders on behalf of the Group (347.4 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 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 344.1 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:

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
<b>Countries</b>		
Canada	226.4	274.1
Australia	75.1	52.6
Portugal	16.8	18.7
South Africa	12.5	-
Italy	7.8	8.9
Russia	3.9	1.9
Nicaragua	1.6	1.7
<b>Total collateral</b>	<b>344.1</b>	<b>357.9</b>

### Other Commitments

<i>(in millions of euros)</i>	<b>6/30/07</b>	<b>12/31/06</b>
<b>Commitments:</b>		
-Operating leases	96.2	86.7
<i>within 1 year</i>	15.3	13.4
<i>from 1 to 5 years</i>	39.1	34.0
<i>after 5 years</i>	41.8	39.3
-Miscellaneous commitments	34.2	9.3
<b>Total other commitments</b>	<b>388.2</b>	<b>337.7</b>

Commitments under operating leases apply mainly to the Group companies in Canada (51.4 million euros), South Africa (29.7 million euros) and Australia (15.1 million euros).

Miscellaneous commitments of 34.2 million euros include 33.6 million euros for short-term contracts to purchase raw materials, packaging materials and non-current assets signed by Parmalat Dairy & Bakery. The balance of 0.6 million euros represents commitments to provide advances on capital increases provided by Parmalat South Africa.

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 and 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.

## Legal Disputes and Contingent Liabilities at June 30, 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. The proceedings before the Court of Appeals, which Parmalat has duly joined, are currently pending. Specifically, on June 26, 2007, the Court of Appeals agreed to hear the case. If the appeal is rejected, which would make the decision 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 individuals — former members of the corporate governance and/or administrative bodies of Parmalat Group companies under the previous management, former employees of those companies, bank officers and external consultants — are criminally liable.

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 are scheduled to begin on January 22, 2008 before the Second Criminal Section of the Court of Milan.

Moreover, in a 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 are scheduled to begin on January 23, 2008 before the Second Criminal Section of the Court of Milan.

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.

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.

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.

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.

## **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 petitions 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.

Within the discovery process, the witness deposition phase has been completed. The discovery phase concerning the reports and depositions of technical consultants has been completed in August 2007. Motions for summary judgment must be filed by November 2007.

### **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.

As was the case for the discovery process in the lawsuit against Bank of America, the witness deposition phase has been completed. The discovery phase concerning the reports and depositions of technical consultants has been completed in August 2007. Motions for summary judgment must be filed by November 2007.

#### **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. In the latest of these decisions, which was handed down on May 21, 2007, the Supreme Court of New Jersey denied a motion filed by Citicorp seeking to appeal the decision denying its motion to find that the Court of New Jersey lacked jurisdiction.

The discovery phase concerning the depositions of technical consultants must be completed by January 31, 2008. Motions for summary judgment will follow. The discussion of the case is set to begin in spring 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. No decision has been taken yet about the challenge.

## **Civil Proceedings Filed Against the Group**

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

Some insurance companies that provided the previous management with policies providing protection from the risks inherent in the exercise of the offices of Director, Statutory Auditor and General Manager have sued Parmalat Finanziaria S.p.A. in A.S., asking the Court to void the abovementioned policies. The plaintiff companies are not requesting payment of any amount. Should the Court grant the plaintiffs' request that the insurance policies be voided, the decision would have a retroactive effect canceling the benefits of the challenged policies as of the date when they were first stipulated. A hearing for rebuttals and conclusion was held on February 21, 2007 and the Judge is now expected to render a decision in this case.

### **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. On May 2, 2006 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 on next pages). 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 plaintiff's demands were rejected in February 2006 and the liquidator of Eurofood IFSC Limited has appealed. In the second lawsuit, the parties still have to provide rebuttals and conclusions at a hearing scheduled for October 2007.

### **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, admitting them only for voting purposes at the creditors' meeting. 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. A hearing has been set for January 30 and 31, 2008.

### **ACLU Sec (formerly Groupe Lactel Sec) VS Industria Lactea Venezolana**

In Venezuela, ACLU Sec (formerly Groupe Lactel Sec) is suing Industria Lactea Venezolana, a company of the Parmalat Group, and other companies outside the Parmalat Group for payment of an alleged trade receivable totaling US\$2,633,438 plus accrued interest and legal costs. The proceeding came to an end without any payment from Indulac to ACLU as a consequence of a judicial settlement signed by the counterparties and sanctioned by the Court on November 8, 2006.

### **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). A continuation of the preliminary hearing before the Court of Caracas has been scheduled for November 2007.

### **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 Montevideo 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 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 appealed against this order.

### 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 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. will file civil lawsuits against those defendants in the criminal proceedings that agreed to a plea bargaining arrangement.

As for the third liability lawsuit, the defensive briefs have been exchanged and the Court has scheduled oral arguments for October 3, 2007.

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

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 against this order.

### **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**

<b>Plaintiffs</b>	<b>Defendants</b>	<b>Court where filed</b>	<b>Principal claim (millions of euros)</b>	<b>Subordinated claim (millions of euros)</b>	<b>Supplemental claim (millions of euros)</b>
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 Nederland 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	1,210.9	420 UBS 350 DB
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.	248 (in addition to two other items) or any other amount determined in the course of the proceedings	

Plaintiffs	Defendants	Court where filed	Principal claim (millions of euros)	Subordinated claim (millions of euros)	Supplemental claim (millions of euros)
Parmalat S.p.A. in A.S.	Cassa di Risparmio di Parma e Piacenza S.p.A.	Parma	An amount to be determined in proportion to the liability for contributing to the financial collapse of the plaintiff companies from 1999 on, but not less than 700	1,210.9	420 UBS 350 DB
Parmalat S.p.A. in A.S.; Parmalat Finanziaria 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; Unicredit 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.; Banca Intesa 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.; Parmalat Finance Corporation BV in A.S.	Banca d'Intermediazione Mobiliare IMI S.p.A	Parma	An amount to be substantiated in the course of the proceedings, but not less than 1,300		

Plaintiffs	Defendants	Court where filed	Principal claim (millions of euros)	Subordinated claim (millions of euros)	Supplemental claim (millions of euros)
Parmalat S.p.A. in AS; Parmalat Finance Corporation BV in A.S.	Banca Monte dei Paschi di Siena Spa; MPS Finance Banca Mobiliare Spa	Parma	An amount to be substantiated in the course of the proceedings, but not less than 1,300		
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		
Parmalat S.p.A. in a.s., Parmalat S.p.A.	Graubundner Kantonal Bank and Nino Giuralarocca (head of Private Banking International at Graubundner)	Parma	About 5,674.00 or any other amount determined in the course of the proceedings		

## Actions to Void in Bankruptcy

A total of 76 actions to void in bankruptcy have been filed with the Court of Parma. Thirteen of these actions have been settled. The remaining lawsuit are valued at about 6.4 billion 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 the next hearing is scheduled for December 12, 2007.

#### **Other Actions**

<b>Plaintiffs</b>	<b>Defendants</b>	<b>Court where filed</b>	<b>Principal claim (millions of euros)</b>	<b>Subordinated claim (millions of euros)</b>	<b>Supplemental claim (millions of euros)</b>
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)		



## Settlements

Some of the most significant settlements achieved during the first half of 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 Independientes 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 from 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.

## **Administrative Proceedings Filed Against the Group**

The developments that occurred during the first half of 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.

A hearing on the merit of these appeals was held on December 19, 2006. As of December 31, 2006, the Council of State had still not issued a ruling.

With Decision No. 269 published on January 26, 2007, the Council of State upheld the appeal filed by Bank of America NA and Eurofood IFSC Limited. As a result, it automatically voided the Ministerial Decree that declared Eurofood eligible for extraordinary administration proceedings and asked the Ministry to "*revise in its entirety the decree subject of the challenge.*"

### **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 hearing on the merit for May 3, 2007. This hearing was later postponed but a new date has not yet been set.

### **Complaint by Minority Shareholders of Boschi Luigi & Figli S.p.A. in A.S.**

In a complaint dated February 21, 2005, Messrs. Ljdia Manfredi, Paolo Boschi, Francesco Maini and Adolfo Cecchi sued, before the Administrative Court of Latium, the Italian Ministry of Production Activities, the Extraordinary Commissioner of Parmalat S.p.A. in A.S., Parmalat S.p.A. in A.S., the Extraordinary Commissioner of Boschi Luigi & Figli S.p.A. in A.S. and Boschi Luigi & Figli S.p.A. in A.S., asking that the Ministerial Decree of December 31, 2004, by which the Ministry of Production Activities declared Boschi Luigi & Figli S.p.A. eligible for extraordinary administration proceedings in accordance with the Marzano Law and extended the eligibility of Parmalat S.p.A. in A.S., appointing Enrico Bondi Extraordinary Commissioner, be declared null and void. The complainants are minority shareholders of Boschi Luigi & Figli S.p.A., owning together about 7.90% of the capital stock. The complainants contest the legality of the decree because, among other issues, Boschi Luigi & Figli S.p.A. was not insolvent, and they claim damages, the amount of which will be determined and quantified in the course of the proceedings. Due to the death of one of the complainants, which was announced at a hearing held on July 20, 2006, the Regional Administrative Court of Latium, by a decision handed down on August 8, 2006, suspended the proceedings. These proceedings have been terminated because they were not resumed within six months from the date of suspension.

### **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 upheld the complaint filed by Ariete Fattoria and ordered the City of Rome to pay damages. The legal counsel retained by Parmalat S.p.A. believes that this latest court decision will not prevent the Parmalat Group from completing its purchase of Centrale del Latte di Roma and are determining whether an appeal of this decision should be pursued.

## **Decisions and Investigative Proceedings by the Italian Antitrust Agency**

### **Investigative Proceedings Involving Newlat S.r.l. and Carnini S.p.A.**

On September 26, 2006, the Court of Parma cancelled the protective orders of attachment that encumbered the interests in the partnership capital of Newlat S.r.l. and the shares of Carnini S.p.A., which had been issued on January 27, 2004 and February 2, 2004, respectively.

These orders had been issued in connection with an investigation by the Court of Parma of sham sales involving the two abovementioned companies that had been carried out to elude antitrust laws and with the effect of impoverishing the asset base of Parmalat S.p.A.

As a result of the cancellation of the orders of attachment, Newlat S.r.l. and Carnini S.p.A. became again the property of Parmalat S.p.A., without any consideration being required.

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 must 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 gives 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.

The fine of 11 million euros will be treated as an unsecured claim and will be paid through the award of Company shares.

#### **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.

#### **Challenges and Oppositions**

At June 30, 2007, disputes stemming from oppositions to the current list of liabilities and late filings of claims involved 423 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 Spa was the sole shareholder of Parmalat Spa.

Thus far, 262 lawsuits have been adjudicated.

\* \* \*

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.

#### **Parmalat Spa**

Starting with the 2007 tax year, Parmalat Spa and some Italian subsidiaries opted to file a national consolidated tax return.

At June 30, 2007, the Provision for tax-related risks and charges totaled about 17.5 million euros, roughly unchanged from December 31, 2006.

The entire balance in the Provision reflects contingent risks attributable to the companies under extraordinary administration that participated in the Composition with Creditors proceedings. These companies transferred all of their assets and liabilities to Parmalat Spa, as the Assumptor in the Composition with Creditors (approved by the Court of Parma with Decision No. 22 of October 1, 2005).

#### **Centrale del Latte di Roma Spa, Latte Sole Spa, Newlat Srl, Parmalat Distribuzione Alimenti Srl, Carnini Spa and Boschi Luigi & Figli Spa**

There have been no significant changes compared with the information provided in the Report at December 31, 2006 with regard to disputes pending with the tax administration or known areas of potential risk.

### **Foreign Subsidiaries**

#### **Canada**

Parmalat Dairy & Bakery Inc., the Group's Canadian operating company, is not a party to disputes pending with the tax administration and is not exposed to known tax-related risks.

#### **Australia**

Parmalat Australia Ltd is not a party to disputes pending with the Australian tax administration and is not exposed to known tax-related risks.

#### **Africa**

The Group's main company in Africa is Parmalat South Africa PTY Ltd. This company has no exposure to tax risks.

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 issues or problems specifically related to taxation.

### Central and South America

In **Venezuela**, Parmalat de Venezuela CA, a local holding company that controls Industria Lactea Venezolana CA (Indulac), the Group's operating company, is a party to a tax dispute pending before the Venezuelan tax administration that involves an amount of about 14 billion bolivar (about 4.8 million euros at the exchange rate on June 30, 2007). Management believes that the chances of prevailing in this dispute are high and has recognized provisions covering 10% of the total risk.

This company is also exposed to a potential risk related to uncertainties with regard to the implementation of a specific provision of the Venezuelan tax laws. The amount involved is about 60 billion Bolivar (about 20.7 million euros).

Indulac is not involved in any dispute with the local tax authorities.

In **Colombia**, Parmalat Colombia Ltda and Procesadora de Leches SA are involved in two litigations with the local tax authorities. The amounts involved are 1 million euros and 2.7 million euros, respectively.

On the strength of management's best estimates, these companies have not recognized any provisions in connection with these issues. However, the consolidated financial statements include a provision of about 3 million euros.

In **Nicaragua**, Parmalat Nicaragua SA, the Group's holding company, is a party to pending tax disputes involving about 0.8 million euros. A provision of approximately 0.5 million euros has been established in the local statutory financial statements. Parmalat Centroamerica SA has no exposure to tax risks and is not a party to pending tax disputes.

The Group companies located in **Ecuador** have no exposure to known tax risks and are not parties to significant tax disputes.

Citrus International Corporation SA (**Cuba**) has no exposure to known tax risks and are not parties to pending disputes with the local tax authorities.

### Western and Eastern Europe

Parmalat Portugal Lda is a party to two tax disputes, both for the 1999 and 2000 tax years, that are currently pending before the lower court.

The estimated risk and the amount set aside in a provision is 0.1 million euros.

The holding companies domiciled in **Belgium** (Parmalat Belgium SA) and **Austria** (Parmalat Austria GmbH) are not parties to pending disputes with the local tax authorities. However, the Belgian company has a potential risk exposure of about 1.3 million euros, which is fully recognized in the consolidated financial statements.

The operating companies located in **Romania** (Parmalat Romania SA and La Santamara Srl) and the **Russian** companies are not parties to pending disputes and have no known exposure to tax risks.

\* \* \*

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:

<i>(in millions of euros)</i>	<b>First half 2007</b>	<b>First half 2006</b>
Sales revenues	1,810.3	1,761.8
Other revenues	13.6	14.3
<b>Total revenues</b>	<b>1,823.9</b>	<b>1,776.1</b>

A geographic breakdown of sales revenues is as follows:

<i>(in millions of euros)</i>	<b>First half 2007</b>	<b>First half 2006</b>
Italy	558.2	509.1
Europe	72.2	62.3
North America	625.1	647.6
Central and South America	177.4	157.7
Oceania	209.2	209.2
Africa	168.2	175.9
<b>Total sales revenues</b>	<b>1,810.3</b>	<b>1,761.8</b>

Other revenues include the following:

<i>(in millions of euros)</i>	<b>First half 2007</b>	<b>First half 2006</b>
Rebiling of advertising expenses	3.8	3.5
Out-of-period income and restatements	2.6	2.3
Gains on the sale of non-current assets	1.8	0.7
Royalties	0.8	0.6
Rent	0.6	0.8
Operating grants	0.3	0.1
Insurance settlements	0.1	0.2
Expense reimbursements	0.1	-
Miscellaneous	3.5	6.1
<b>Total other revenues</b>	<b>13.6</b>	<b>14.3</b>

### (32) Costs

A breakdown of the costs incurred in the first half of 2007 is as follows:

<i>(in millions of euros)</i>	<b>First half 2007</b>	<b>First half 2006</b>
Cost of sales	1,388.5	1,385.4
Distribution costs	211.4	167.7
Administrative expenses	106.1	109.5
<b>Cost of sales</b>	<b>1,706.0</b>	<b>1,662.6</b>

A breakdown by type of the costs incurred in the first half of 2007 is as follows

<i>(in millions of euros)</i>	<b>First half 2007</b>	<b>First half 2006</b>
Raw materials and finished goods	1,047.6	969.1
Labor costs	218.9	214.1
Packaging materials	102.1	145.8
Freight	66.2	56.1
Depreciation, amortization and writedowns of non-current assets	45.3	44.0
Sales commissions	43.2	50.2
Energy, water and gas	37.5	34.7
Advertising and sales promotions	36.9	29.0
Other services	35.1	62.3
Supplies	31.9	19.7
Maintenance and repairs	22.3	20.0
Storage, handling and outside processing services	17.5	13.7
Use of property not owned	17.5	19.5
Postage, telephone and insurance	8.8	9.4
Miscellaneous charges	8.3	8.3
Consulting services	8.0	10.6
Writedowns of receivables and additions to provisions	6.7	2.8
Auditing services	1.5	1.7
Fees to Chairman and Directors	0.7	0.7
Fees to Statutory Auditors	0.4	0.2
Change in inventories of raw materials and finished goods	(50.4)	(49.3)
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>1,706.0</b>	<b>1,662.6</b>

### (33) Legal Fees Paid in Actions for Damages and Actions to Void

The balance in this account reflects the fees paid to law firms (31.9 million euros) retained as counsel in connection with the actions for damages and actions to void filed by the companies under extraordinary administration prior to the implementation of the Composition with Creditors, which the Company is currently pursuing.

### (34) Restructuring Costs

The main restructuring costs are the indemnities paid to 256 employees of the Machiques and Barquisimeto factories in Venezuela prior to the sale of these facilities to the Venezuelan Ministry of Industry and Commerce.

### (35) Miscellaneous Income (Expense)

Net miscellaneous income totaled 202.5 million euros. A breakdown is as follows:

(in millions of euros)	First half 2007	First half 2006
Proceeds from actions to void and actions for damages	222.6	-
Charges on investments in associates	(9.9)	-
Charges for tax risks	(1.6)	-
Charges related to the verification of claims	(0.4)	-
Sundry income (expense)	(8.2)	(1.2)
<b>Total miscellaneous income (expense)</b>	<b>202.5</b>	<b>(1.2)</b>

Proceeds from settlements and actions to void include the amounts paid by 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 (25 million euros), Banca delle Marche S.p.A. (22 million euros), ING Bank (8 million euros) and others (2.1 million euros) to settle pending disputes. These settlements, which include 42.9 million euros in compensatory damages, were approved by the Litigation Committee, as required by the Bylaws.

The charges on investments in associates are related to the risk of a lower valuation of some intangibles, also considering their possible disposal.

### (36) Financial Income and Expense

Net financial income amounted to 5.3 million euros, broken down as follows:

(in millions of euros)	First half 2007	First half 2006
Interest earned on accounts with banks and other financial institutions	11.3	2.6
Foreign exchange translation gains	9.2	9.4
Clearing of the indebtedness with Parmalat Capital Finance in liquidation	7.2	-
Income from cash-equivalent securities	3.1	2.4
Other financial income	0.5	0.9
<b>Total financial income</b>	<b>31.3</b>	<b>15.3</b>
Interest paid on loans	(19.1)	(33.1)
Foreign exchange translation losses	(5.6)	(8.6)
Bank fees	(1.0)	(2.9)
Actuarial charges	(0.9)	-
Interest on late payment of pre deduction and preferential claims	-	(0.3)
Restatement of writedowns of financial assets to reflect amounts collected	1.5	
Other financial expense	(0.9)	(2.4)
<b>Total financial expense</b>	<b>(26.0)</b>	<b>(47.3)</b>
<b>Net financial income (expense)</b>	<b>5.3</b>	<b>(32.0)</b>

### (37) Other Income from (Expenses for) Equity Investments

Net other income from equity investments of 2.6 million euros is the result of the following items:

(in millions of euros)	First half 2007	First half 2006
Gain on the sale of Interlatte Srl	1.2	-
Gain on the sale of the investment in Butter Producers	0.9	-
Gain on the sale of the investment in Marsh & CO S.p.A.	0.4	-
Gain on the sale of the investment in Shangai Yong	0.1	-
Dividends from investments in other companies	0.1	-
<b>Total other income from equity investments</b>	<b>2.7</b>	<b>-</b>
Loss on the sale of Gelateria Parmalat Uruguay SA	(0.1)	-
<b>Total other expenses for equity investments</b>	<b>(0.1)</b>	<b>-</b>
<b>Net other income from (expense for) equity investments</b>	<b>2.6</b>	<b>-</b>



### (38) Income taxes

Income taxes totaled 74.7 million euros, broken down as follows:

(in millions of euros)	First half 2007	First half 2006
Current taxes		
- Italian companies	46.5	4.8
- Foreign companies	21.4	11.9
Deferred and prepaid taxes, net		
- Italian companies	5.3	-
- Foreign companies	1.5	8.4
<b>Total</b>	<b>74.7</b>	<b>25.1</b>

Current taxes of Italian companies totaled 46.5 million euros, including 2.7 million euros in local taxes (IRAP) and 43.8 million euros in corporate income taxes (IRES).

Net deferred and prepaid taxes of 6.8 million euros are 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 Actual Tax Liability Shown in the Income Statement

(in millions of euros)	Italy	Canada	Australia	South Africa	Other countries	Total
<b>Consolidated profit (loss) before taxes</b>	<b>219.0</b>	<b>41.1</b>	<b>8.9</b>	<b>11.7</b>	<b>10.8</b>	<b>291.5</b>
Theoretical tax rates	33%	33.98%	30%	26.69%	-	32.36%
Theoretical tax liability	72.3	14.0	2.7	3.1	2.2	94.3
Tax effect of non-taxable revenues (permanent differences) (-)	(31.2)	(1.6)	(1.3)	(1.0)	(0.3)	(35.4)
Tax effect of non-deductible costs (permanent differences)	6.1	0.9	0.6	1.3	7.2	16.1
Unrecoverable tax losses for the period	1.3	-	-	-	-	1.3
Recognition of tax loss carryforward (-)	(0.1)	(1.4)	(0.8)	-	(1.7)	(4.0)
Deferred-taxes not previously recognized and considered recoverable during the period	-	-	-	-	0.1	0.1
Elimination of temporary differences due to changes in tax rates (-)	-	-	-	-	(1.1)	(1.1)
<b>Actual income tax liability</b>	<b>48.4</b>	<b>11.9</b>	<b>1.2</b>	<b>3.4</b>	<b>6.4</b>	<b>71.3</b>
IRAP liability (for the Italian companies) and other taxes calculated on a basis other than result before taxes	3.3	0.1	-	-	-	3.4
<b>Actual Tax Liability Shown in the Income Statement at June 30, 2007</b>	<b>51.7</b>	<b>12.0</b>	<b>1.2</b>	<b>3.4</b>	<b>6.4</b>	<b>74.7</b>
<b>Actual tax rate</b>	<b>23.61%</b>	<b>29.20%</b>	<b>13.48%</b>	<b>29.06%</b>	<b>-</b>	<b>25.63%</b>

### (39) Profit (Loss) from Discontinuing Operations

The net profit from discontinuing operations totaled 27.5 million euros. A breakdown is as follows:

<i>(in millions of euros)</i>	<b>First half 2007</b>	<b>First half 2006</b>
Sales revenues	155.5	107.3
Other revenues	0.7	0.5
Cost of sales	(120.9)	(76.0)
Distribution costs	(9.2)	(25.3)
Administrative expenses	(34.3)	(8.6)
Other income (expense)	4.2	(7.5)
Financial income (expense), net	0.7	(5.6)
Income taxes	(0.4)	1.0
<b>Profit (Loss) from discontinuing operations</b>	<b>(3.7)</b>	<b>(14.2)</b>
Gain on the sale of discontinuing operations	31.3	-
Income taxes on the gain on the sale of discontinuing operations	(0.1)	-
<b>Net gain on the sale of discontinuing operations</b>	<b>31.2</b>	<b>-</b>
<b>Total profit (loss) from discontinuing operations</b>	<b>27.5</b>	<b>(14.2)</b>

The table below provides a breakdown by operation of the net profit from discontinuing operations:

<i>(in millions of euros)</i>	<b>Spanish operations</b>	<b>Boschi business operations</b>	<b>Parmalat Tomato Division</b>	<b>Total</b>
- Sales revenues	91.2	55.1	9.2	155.5
- Other revenues	0.6	0.1	-	0.7
- Cost of sales	(57.4)	(53.7)	(9.8)	(120.9)
- Distribution costs	(9.0)	(0.2)	-	(9.2)
- Administrative expenses	(28.8)	(5.5)	-	(34.3)
- Other income (expense)	3.1	1.1	-	4.2
- Financial income (expense), net	0.7	-	-	0.7
- Income taxes	-	(0.4)	-	(0.4)
<b>Profit (Loss) from discontinuing operations</b>	<b>0.4</b>	<b>(3.5)</b>	<b>(0.6)</b>	<b>(3.7)</b>
- Gain on the sale of discontinuing operations	31.3	-	-	31.3
- Income taxes on the gain on the sale of discontinuing operations	(0.1)	-	-	(0.1)
<b>Net gain on the sale of discontinuing operations</b>	<b>31.2</b>	<b>-</b>	<b>-</b>	<b>31.2</b>
<b>Total profit (loss) from discontinuing operations</b>	<b>31.6</b>	<b>(3.5)</b>	<b>(0.6)</b>	<b>27.5</b>

## 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 June 30, 2007 is provided below:

(in millions of euros)	6/30/07	12/31/06
A) Cash	2.2	2.2
B) Cash equivalents and readily available financial assets:		
- Bank and postal accounts	223.5	310.1
- Treasury securities	164.0	161.0
- Reverse repurchase agreements	121.2	52.5
- Time deposits	185.7	2.0
C) Negotiable securities	4.9	1.8
<b>D) Liquid assets (A+B+C)</b>	<b>701.5</b>	<b>529.6</b>
E) Current loans receivable	-	-
F) Current bank debt	213.7	228.8
G) Current portion of non-current indebtedness	21.5	15.2
H) Other current borrowings	29.9	27.7
<b>I) Current indebtedness (F+G+H)</b>	<b>265.1</b>	<b>271.7</b>
<b>J) Net current indebtedness (I-E-D)</b>	<b>(436.4)</b>	<b>(257.9)</b>
K) Non-current bank debt	312.4	358.4
L) Debt securities outstanding	-	-
M) Other non-current borrowings	65.1	69.5
<b>N) Non-current indebtedness (K+L+M)</b>	<b>377.5</b>	<b>427.9</b>
<b>O) Net (borrowings) financial assets (J+N)</b>	<b>(58.9)</b>	<b>170.0</b>

The section of this Report entitled "Financial Performance" explains the main developments that occurred in this area and the Groups' risk management policy.

## Breakdown of Labor Costs by Type

A breakdown is as follows:

	First half 2007	First half 2006
Wages and salaries	158.7	163.9
Social security contributions	32.9	35.6
Severance benefits	14.8	6.4
Other labor costs	12.5	8.2
<b>Total labor costs of continuing operations</b>	<b>218.9</b>	<b>214.1</b>
Wages and salaries	4.2	18.1
Social security contributions	1.5	4.9
Severance benefits	0.3	
<b>Total labor costs of discontinuing operations</b>	<b>6.0</b>	<b>23.0</b>
<b>Total labor costs</b>	<b>224.9</b>	<b>237.1</b>

## Depreciation, Amortization and Writedowns

A breakdown is as follows:

<i>(in millions of euros)</i>	First half 2007	First half 2006
- Amortization of intangibles	11.9	6.4
- Depreciation of property, plant and equipment	32.3	35.1
- Writedowns of non-current assets	1.1	2.5
<b>Total depreciation, amortization and writedowns of non-current assets of continuing operations</b>	<b>45.3</b>	<b>44.0</b>
- Amortization of intangibles		0.1
- Depreciation of property, plant and equipment	2.2	4.9
<b>Total depreciation, amortization and writedowns of non-current assets of discontinuing operations</b>	<b>2.2</b>	<b>5.0</b>
<b>Total depreciation, amortization and writedowns of non-current assets</b>	<b>47.5</b>	<b>49.0</b>

## Earnings per share

The table below provides a computation of earnings per share in accordance with IAS 33:

<i>(in euros)</i>	<b>First half 2007</b>	<b>First half 2006</b>
- Group interest in profit for the period broken down as follows:	243,522,427	14,093,673
- <i>Profit from continuing operations</i>	215,995,163	28,244,463
- <i>Profit (Loss) from discontinuing operations</i>	27,527,264	(14,150,790)
- Weighted average number of shares outstanding determined for the purpose of computing earnings per share:		
- basic	1,645,842,647	1,627,900,559
- diluted	1,706,474,890	1,676,814,077
<i>Basic profit per share</i>	0.1480	0.0087
broken down as follows:		
- <i>Profit from continuing operations</i>	0.1312	0.0174
- <i>Profit (Loss) from discontinuing operations</i>	0.0167	(0.0087)
<i>Diluted profit per share</i>	0.1427	0.0084
broken down as follows:		
- <i>Profit from continuing operations</i>	0.1266	0.0168
- <i>Profit (Loss) from discontinuing operations</i>	0.0161	(0.0084)

The number of common shares outstanding changed subsequent to the balance sheet date due to the approval of resolutions authorizing the following capital increases:

- July 24, 2007: 2,431,323 euros
- August 30, 2007: 118,253 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 the first half of 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

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 June 30, 2007. 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-period data.

<i>(in millions of euros)</i>									
	Italy	Europe	North America	Central and South America	Oceania	Africa	Continuing no core and other Group operations	Holding co.s, adjstm. and eliminat.	Total for the Group
Totale sales revenues	558.9	72.4	625.1	179.4	209.2	168.2	0.5	0.9	1,814.6
Intra-segment revenues	(0.7)	(0.2)	-	(2.0)	-	-	(0.5)	(0.9)	(4.3)
Net sales revenues	558.2	72.2	625.1	177.4	209.2	168.2	-		1,810.3
EBITDA	55.9	11.1	57.7	15.5	14.7	17.9	0.2	(9.8)	163.2
as a % of net revenues	10.0	15.3	9.2	8.6	7.0	10.6	n.m.	n.m.	9.0
Depreciation, amortization and writedowns of non-current assets	(21.9)	(1.9)	(9.4)	(4.3)	(4.7)	(3.1)	-	-	(45.3)
Other income and expense:									
- Legal fees paid in actions for damages and actions to void									(31.9)
- Restructuring costs									(4.9)
- Miscellaneous income and expense									202.5
<b>EBIT</b>									<b>283.6</b>
Financial income (expense), net									5.3
Other income from (Expense for) equity investments									2.6
<b>PROFIT BEFORE TAXES</b>									<b>291.5</b>
Income taxes									(74.7)
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>									<b>216.8</b>
Profit (Loss) from discontinuing operations									27.5
<b>PROFIT (LOSS) FOR THE PERIOD</b>									<b>244.3</b>
Total operating assets	2,197.7	166.8	813.9	214.5	323.3	250.3	93.6	(17.0)	4,043.1
Total non-operating assets									112.4
<b>Total assets</b>									<b>4,155.5</b>
Total operating liabilities	489.2	29.5	185.6	89.1	74.3	51.6	68.8	(17.0)	971.1
Total non-operating liabilities									906.0
<b>Total liabilities</b>									<b>1,877.1</b>
Capital expenditures (property, plant and equipment)	15.2	3.1	8.0	3.7	8.3	4.0	0.9	-	43.2
Capital expenditures (intangibles)	2.3	-	0.1	-	-	0.1	-	-	2.5
Number of employees	3,032	1,377	3,008	3,699	1,475	2,180	-	-	14,771

- 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.

<i>(in millions of euros)</i>	<b>Milk</b>	<b>Fruit beverages</b>	<b>Dairy products</b>	<b>Other products</b>	<b>Total for the Group</b>
Sales revenues	1,079.8	127.2	574.9	28.4	1,810.3
EBITDA	82.5	25.7	58.0	(3.0)	163.2
<i>as a % of net revenues</i>	7.6%	20.2%	10.1%	-10.3%	9.0%

## Exchange Rates Used to Translate Financial Statements

Source: Italian Foreign Exchange Bureau

LOCAL CURRENCY FOR 1 EURO	ISO CODE	6/30/07 (end of period rate)	12/31/06 (end of period rate)	% change (end of period rate)	6/30/07 (average rate)	6/30/06 (average rate)	% change (average rate)
DOLLAR – AUSTRALIA	AUD	1.58850	1.66910	-4.83%	1.64432	1.65457	-0.62%
PULA – BOTSWANA	BWP	8.38666	7.93104	5.74%	8.23938	6.79605	21.24%
DOLLAR – CANADA	CAD	1.42450	1.52810	-6.78%	1.50816	1.39967	7.75%
PESO – COLOMBIA	COP	2,638.22	2,949.75000	-10.56%	2,818.83833	2,890.92667	-2.49%
QUETZAL – GUATEMALA	GTQ	10.42720	10.06850	3.56%	10.20627	9.35223	9.13%
PESO – MEXICO	MXN	14.57060	14.29370	1.94%	14.55633	13.38738	8.73%
METICAL – MOZAMBIQUE	MZM	34.70790	33.20160	4.54%	34.31603	30.47882	12.59%
CORDOBA ORO – NICARAGUA	NIO	24.90470	23.70020	5.08%	24.22525	21.33738	13.53%
NEW LEU – ROMANIA	RON	3.13400	3.38350	-7.37%	3.33089	3.53968	-5.90%
RUBLE – RUSSIA	RUB	34.80700	34.68000	0.37%	34.66850	34.00032	1.97%
LILANGENI – SWAZILAND	SZL	9.55310	9.21240	3.70%	9.52994	7.76677	22.70%
DOLLAR – U.S.A.*	USD	1.35050	1.31700	2.54%	1.32935	1.22921	8.15%
BOLIVAR – VENEZUELA	VEB	2,899.93000	2,827.99000	2.54%	2,854.50500	2,639.46667	8.15%
RAND – SOUTH AFRICA	ZAR	9.55310	9.21240	3.70%	9.52994	7.76677	22.70%
KWACHA – ZAMBIA	ZMK	5,107.39000	5,817.48000	-12.21%	5,495.67833	4,048.65500	35.74%

\* 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	Type	Curr.	Amount	Tot. number of	Held by	Number of	%(based on	Group	Consolid.
Head office	(i)			voting shares/		shares/cap.	No. of	interest	or valu-
				capi.interests		interests	shares/ cap.		ation
				held			int.)		method (ii)
GROUP'S PARENT COMPANY									
PARMALAT SPA	PC	EUR	1,649,404,711						
Collecchio								100.0000	L
EUROPE									
ITALY									
AIRON SRL in liquidation***	LLP	EUR	10,329		n.a. Sata Srl in liquidation	n.a.	50.000		
Parma							50.000		C
ALBALAT SRL***	LLP	EUR	n.d.		n.a. Sata Srl in liquidation	n.a.	0.500		
							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	9,812,664	Parmalat Spa	9,812,664	96.772		
Fontanellato							96.772	96.7718	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	LLP	EUR	10,000	10,000	Parmalat Spa	10,000	100.000		
in liquidation***									
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
COMUNICAZIONE 2000 SRL	LLP	EUR	50,000	1	Dalmata Srl	1	100.000		
Collecchio							100.000	100.0000	L
DALMATA SRL	LLP	EUR	120,000	1	Parmalat Spa	1	100.000		
Collecchio							100.000	100.0000	L
EMILAT SRL	LLP	EUR	10,329	1	Dalmata Srl	1	100.00		
Reggio Emilia							100.00	100.0000	L
FIORDILATTE SRL	LLP	EUR	10,000	4,000	Parmalat Spa	4,000	40.000		
Collecchio							40.000		EM
FOOD RECEIVABLES CORPORATION	LLP	EUR	41,339	20,256	Parmalat Spa	20,256	49.000		
SRL in liquidation***									
Collecchio							49.000		C
FRATELLI STRINI COSTR. MECC. SRL in A.S.*	LLP	EUR	52,000	51,000	Parmalat Spa	51,000	51.000		
Fontevivo							51.000		C
GELATERIA PARMALAT SRL in liquid.***	LLP	EUR	100,000	1	Dalmata Srl	1	100.000		
Collecchio							100.000		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 in liquidation	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
MARILAT SRL in liquidation***	LLP	EUR	15,000	n.a.	Sata Srl in liquidation	n.a.	99.500		
Collecchio							99.500		C

\*: 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	Type	Curr.	Amount	Tot. number of	Held by	Number of	%(based on	Group	Consolid.		
Head office	(i)			voting shares/		shares/cap.	No. of	interest	or valu-		
				capi.interests		interests	shares/ cap.		ation		
				held			int.)		method (ii)		
NEWLAT SPA	C	EUR	120,000	85,728	Parmalat Spa	85,728	71.44				
Reggio Emilia				34,272	Giglio Srl in liquidation	34,272	28.56				
							100.000	71.4400		L	
NUOVA HOLDING SPA in e.a.***	C	EUR	n.a.	n.a.	Sata Srl in liquidation	n.a.	0.0003				
							0.0003			C	
PARMACQUA SRL	LLP	EUR	10,000	4,900	Parmalat Spa	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 in liquidation	511,236	99.000				
Parma					Parmalat Spa	5,164	1.000				
							100.000			C	
SARAL SRL in liquidation***	LLP	EUR	10,000	1	Dalmata Srl	1	100.000				
Collecchio							100.000			C	
SATA SRL in liquidation***	LLP	EUR	500,000	500,000	Parmalat Spa	500,000	100.000				
Collecchio							100.000			C	
Soc. Trasp. Extraurb. Cons. Alessandro	EUR		742.97		Camini Spa		0.710				
Volta							0.710				
Como										C	
SO.GE.AP Spa	C	EUR	n.a.	18,360	Parmalat Spa	18,360	5.056				
Parma							5.056			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	Dalmata Srl	40	0.008				
liquidation***				542,765,829	Valuetuning Ltd	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	Parmalat Spa	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				
Granssee					AS		90.000			C	
GREAT BRITAIN											
AULT FOODS (UK) LIMITED**	F	GBP	150,002	150,002	Parmalat Food Holdings (UK) Ltd	150,002	100.000				
London							100.000			C	
CANADIAN CHEESE HOLDINGS LTD	F	GBP	58,823	27,060	Parmalat Dairy and Bakery Inc.	27,060	46.002				
(UK)***							46.002				
London										EM	
PARMALAT DAIRIES (UK) LIMITED**	F	GBP	2,222,156	2,222,156	Parmalat Food Holdings (UK) Ltd	2,222,156	100.000				
Mildenhall							100.000			C	

\*: 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	Type	Curr.	Amount	Tot. number of	Held by	Number of	%(based on	Group	Consolid.
Head office	(i)			voting shares/		shares/cap.	No. of	interest	or valu-
				capi.interests		interests	shares/ cap.		ation
				held			int.)		method (ii)
PARMALAT FOOD HOLDINGS (UK) LIMITED**	F	GBP	142,794,926	142,794,926	Parmalat Spa	140,814,926	98.613		
London					Parmalat Dairy and Bakery Inc.	1,980,000	1.387		
							100.000		C
VALUETUNING LTD <sup>5</sup>	F	GBP	162,928,224	162,928,224	Dalmata srl	162,928,224	100.000		
London							100.000		C
LUXEMBOURG									
OLEX SA in e.a.*	F	EUR	578,125	22,894	Dairies Holding Int.l Bv in E.A.	22,894	99.001		
Luxembourg							99.001		C
SATALUX SA	F	EUR	n.a.	n.a.	Sata Srl in liquidation	n.a.	99.990		
Luxembourg							99.990		C
PORTUGAL									
PARMALAT PORTUGAL PROD. ALIMENT. LDA	F	EUR	11,651,450.04	11,651,450.04	Parmalat Spa	11,646,450	99.957		
Sintra					Parmalat Distribuz. Alim. Srl	1,500	0.013		
					Latte Sole Spa	3,500	0.030		
							100.000	100.0000	L
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	66,954,000	Parmalat Spa	66,954,000	99.748		
Belgorod							99.748		
								99.7482	L
OOO DEKALAT	F	RUB	100,000	1	Parmalat Spa	1	100.000		
Saint Petersburg							100.000	100.0000	L
OOO FARM	F	RUB	80,891,950	80,891,950	Parmalat Spa	80,891,950	100.000		
Nizhnij Novgorod							100.000	100.0000	L
OOO PARMALAT EAST	F	RUB	42,147,000	2	Parmalat Spa	2	100.000		
Moscow							100.000	100.0000	L
OOO PARMALAT MK	F	RUB	124,000	1	Parmalat Spa	1	100.000		
Moscow							100.000	100.0000	L
OOO PARMALAT SNG	F	RUB	152,750	2	Parmalat Spa	2	100.000		
Moscow							100.000	100.0000	L
OOO TRADE HOUSE 4 SEASONS <sup>6</sup>	F	RUB	15,000	1	OAO Belgorodskij Moloc.	1	100.000		
Belgorod					Komb		100.000	99.7482	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		
Moscow							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

<sup>5</sup> In the process of being dissolved.

<sup>6</sup> In liquidation since July 2007.

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Company		Share capital		Equity investment					
Name	Type	Curr.	Amount	Tot. number of	Held by	Number of	% (based on	Group	Consolid.
Head office	(i)			voting shares/ capi.interests	held	shares/cap. interests	No. of shares/ cap. int.)	interest	or valu- ation method (ii)
<b>NORTH AMERICA</b>									
<b>CANADA</b>									
2975483 CANADA INC.	F	CAD	100	100	Parmalat Dairy and Bakery	100	100.000		
Toronto					Inc		100.000	100.0000	L
CRINGLE HOLDINGS LTD	F	CAD	691,453	691,453	Parmalat Dairy & Bakery Inc	691,453	100.000		
Calgary							100.000	100.0000	L
9161-5849 QUEBEC INC. (formerly Eaux	F	CAD	17,910,400	Ord. 600,000	Parmalat Holdings Ltd	600,000	60.000		
VivesHurricana)**				Priv. 1	Parmalat Holdings Ltd		0.000		
St Matthieu d'Hurricana							60.000		C
LACTANTIA LIMITED	F	CAD	5	89,259	Parmalat Dairy and Bakery	89,259	100.000		
Victoriaville					Inc		100.000	100.0000	L
9161 - 5286 QUEBEC INC. (formerly Les	F	CAD	1,567,966	7,806	9161-5849 Quebec Inc	7,806	100.000		
SourcesPerigny)**							100.000		
Hurricana West									C
PARMALAT HOLDINGS LIMITED	F	CAD	878,479,550	744,019	Class A Parmalat Spa	744,019	84.700		
Toronto				134,460	Class B Parmalat Spa	134,460	15,300		
							100.000	100.0000	L
PARMALAT DAIRY & BAKERY INC.	F	CAD	633,592,000	Priv. 9,519,036	Parmalat Holdings Limited	9,519,036	100.000		
Toronto				Ord. 569	Parmalat Holdings Limited	569	0.000		
							100.000	100.0000	L
THE GEORGE CRINGLE-PALM DAIRIES	F	CAD	1	3	Parmalat Dairy & Bakery Inc	3	100.000		
RESEARCH FOUNDATION									
Calgary							100.000	100.0000	L
<b>U.S.A.</b>									
41902 DELAWARE INC. (form. EVH USA)**	F	USD	1	1	9161-5849 Quebec Inc.	1	100.000		
Wilmington							100.000		C
<b>MEXICO</b>									
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
<b>CENTRAL AMERICA</b>									
<b>BRITISH VIRGIN ISLANDS</b>									
ECUADORIAN FOODS COMPANY INC	F	USD	50,000	25,500	Parmalat Spa	25,500	51.000		
Tortola							51.000	51.0000	L
<b>COSTA RICA</b>									
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
<b>CUBA</b>									
CITRUS INTERNAT. CORPORATION SA	F	USD	11,400,000	627	Parmalat Spa	627	55.000		
La Habana							55.000	55.0000	L
<b>EL SALVADOR</b>									
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
<b>GUATEMALA</b>									
COMERCIALIZADORA SAN ISIDRO SA	F	GTQ	5,000	10	Parmalat Centroamerica sa	9	90.000		
Guatemala					Lacteos San Miguel sa de cv	1	10.000		
							100.000	45.9000	L
<b>NICARAGUA</b>									
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

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Company		Share capital			Equity investment				
Name	Type	Curr.	Amount	Tot. number of	Held by	Number of	% (based on	Group	Consolid.
Head office	(i)			voting shares/ capi.interests		shares/cap. interests	No. of shares/ cap. int.)	interest	or valu- ation method (ii)
PARMALAT CENTROAMERICA SA	F	NIO	4,000,000	2,040	Parmalat Nicaragua sa	2,040	51.000		
Managua							51.000	51.000	L
<b>DOMINICAN REPUBLIC</b>									
PARMALAT DEL CARIBE SA*	F	DOP	3,390,000	33,893	Curcastle Corporation nv	33,893	99.979		
Santo Domingo							99.979		C
<b>SOUTH AMERICA</b>									
<b>NETHERLANDS ANTILLES</b>									
CURCASTLE CORPORATION NV	F	USD	6,000	6,000	Parmalat Austria gmbh	6,000	100.000		
Willemstad							100.000	100.0000	L
ZILPA CORPORATION NV***	F	USD	6,000	6,000	Curcastle Corporation nv	6,000	100.000		
Willemstad							100.000	100.0000	L
<b>BRAZIL</b>									
GELATERIA PARMALAT LTDA**	F	BRL	10,131,767	10,131,767	Gelateria Parmalat Srl in	330,847	3.265		
São Paulo					liquid.	9,800,920	96.735		
					PPL Particip do Brasil Ltda		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	999,999	Parmalat Spa	810,348	81.035		
São Paulo					Parmalat Food Holdings (UK) ltd	189,651	18.965		
							100.000		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	1,271,257,235	Parmalat Spa	1,177,921,807	92.658		
São Paulo					Parmalat Food Holdings (UK) ltd	93,335,428	7.342		
							100.000		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
<b>CHILE</b>									
PARMALAT CHILE SA*	F	CLP	13,267,315,372	2,096,083	Parmalat Spa	2,096,083	99.999		
Santiago							99.999		C
<b>COLOMBIA</b>									
PARMALAT COLOMBIA LTDA	F	COP	20,466,360,000	20,466,360	Parmalat Spa	18,621,581	90.986		
Santafé de Bogotá					PPL Particip do Brasil Ltda	1,844,779	9.014		
							100.000	90.9860	L
PROCESADORA DE LECHES SA (Proleche F	COP		173,062,136	138,057,003	Parmalat Spa	131,212,931	94.773		
sa)					Dalmata Srl	4,101,258	2.962		
Medellin					Parmalat Colombia Ltda	2,742,814	1.981		
							99.716		
								99.5375	L
<b>ECUADOR</b>									
LECHE COTOPAXI COMPANIA.DE	F	USD	6,167,720	154,021,745	Parmalat del Ecuador sa	6,160,870	99.889		
ECONOMIA MIXTA LECOCEM									
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	F	USD	35,920	872,732	Ecuadorian Foods Co. Inc	872,732	97.185		
PROLACEM									
Cuenca							97.185	49.5644	L
<b>PARAGUAY</b>									
PARMALAT PARAGUAY SA*	F	PYG	9,730,000,000	9,632	Parmalat Spa	9,632	98.993		
Asuncion							98.993		C

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Company			Share capital			Equity investment			
Name	Type	Curr.	Amount	Tot. number of	Held by	Number of	%(based on	Group	Consolid.
Head office	(i)			voting shares/		shares/cap.	No. of	interest	or valu-
				capi.interests		interests	shares/ cap.		ation
				held			int.)		method (ii)
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
FRUTICOLA SANTA CRUZ CA***	F	VEB	1,613,576,100	16,135,761	Indu.Lac.Venezol. ca-Indulac	16,135,761	100.000		
Caracas							100.000		C
INDUSTRIA LACTEA VENEZOLANA CA (INDULAC)	F	VEB	34,720,471,600	343,108,495	Parmalat de Venezuela ca	343,108,495	98.820		
Caracas							98.820	98.8202	L
PARMALAT DE VENEZUELA CA	F	VEB	2,324,134,000	2,324,134	Parmalat Spa	2,324,134	100.000		
Caracas							100.000	100.0000	L
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
MOZAMBIQUE									
PARMALAT MOCAMBIQUE – PROD ALIMEN LDA	F	MZM	18,910,800,000	18,909,300,000	Parmalat Africa Ltd	18,909,300,000	99.992		
Maputo							99.992		
								99.9920	L
PARMALAT PRODUTOS ALIMENTARES SARL	F	MZM	57,841,500,000	536,415	Parmalat Mocambique P.A. Lda	168,000	29.045		
Matola						368,415	63.694		
					Parmalat Africa Ltd		92.739		
								92.7367	L
SOUTH AFRICA									
DUN ROBIN PRODUCTS (PTY) LIMITED	F	ZAR	1,001	100,100	Parmalat Africa Ltd	100,000	99.900		
Stellenbosch					Parmalat South Africa (Pty) Ltd	100	0.100		
							100.000		
								100.0000	L
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
PRIMA DOLCE (PTY) LTD	F	ZAR	1,010	10,100	Parmalat South Africa (Pty) Ltd	10,100	100.000		
Stellenbosch							100.000		
								100.0000	L

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Company			Share capital			Equity investment			
Name	Type	Curr.	Amount	Tot. number of	Held by	Number of	%(based on	Group	Consolid.
Head office	(i)			voting shares/		shares/cap.	No. of	interest	or valu-
				capi.interests		interests	shares/ cap.		ation
				held			int.)		method (ii)
NEW FARMERS DEVELOPMENT CO LTD	F	ZAR	51,420,173.	150,000	Parmalat South Africa (Pty)	150,000	0.292		
Durbanville					Ltd		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		
Shivajinagar							69.840		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
PATTANA MILK CO LTD	F	THB	50,000,000	2,500,000	Parmalat Australia Ltd	2,500,000	5.000		
							5.000		C
NORTH STAR PTY LTD	F	THB	12,000,000	333,000	Parmalat Australia Ltd	333,000	2.775		
							2.775		C
SINGAPORE									
QBB SINGAPORE PTE LTD	F	SGD	1,000	232	Parmalat Australia Ltd	232	23.200		
							23.200		C
OCEANIA									
AUSTRALIA									
BUTTER PRODUCERS CO-OPERATIVE FED LTD*** in liquidation	F	AUD	8,305,106	1,928,970	Parmalat Australia Ltd	1,928,970	23.226		
							23.226		C
MONTAGUE MOULDERS PTY LTD	F	AUD	200	160	Parmalat Australia Ltd	160	80.000		
South Brisbane							80.000	80.0000	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	Parmalat Belgium sa	322,618,866	100.000		
South Brisbane					ord. Parmalat Spa	200,313,371	0.000		
				200,313,371 pr.			100.000		
								100.0000	L
PORT CURTIS MOULDERS PTY LTD	F	AUD	200	155	Parmalat Australia Ltd	155	77.500		
South Brisbane							77.500	77.5000	L
QUANTUM DISTRIBUTION SERVICES PTY LTD	F	AUD	8,000,000	4,080,000	Parmalat Australia Ltd	4,080,000	51.000		
South Brisbane							51.000	51.0000	L

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## Companies Added to the Parmalat Group in the First Half of 2007

Company	Country	Reason	Consolidation method
OOO Forum	Russia	Acquisition	Line by line
Quantum Distribution Services Pty Ltd	Australia	Acquisition	Line by line
Sata Srl	Italy	Settlement	Cost
Pisorno Agricola Srl	Italy	Settlement	Cost
Airon Srl in liquidation	Italy	Settlement	Cost
Nuova Holding Spa in e.a.	Italy	Settlement	Cost
Albalat Srl	Italy	Settlement	Cost
Horus Srl	Italy	Settlement	Cost

## Companies Removed from the Parmalat Group in the First Half of 2007

Company	Country	Reason	Consolidation method
Gelateria Parmalat Pty	Australia	Closed	Cost
Shanghai Yong & Dairy Co.	China	Sold	Equity method
Gelateria Parmalat Ltda	Colombia	Closed	Cost
Ce.Di Spezia	Italy	Closed	Cost
Interlatte Srl	Italy	Sold	Line by line
Lucana Club Pallavolo Femminile	Italy	Closed	Cost
Marsh & Co.	Italy	Sold	Cost
PVF Matera Club	Italy	Closed	Cost
Clesa Portuguesa Ind. De Latic. sa	Portugal	Sold	Line by line
FIT sa	Portugal	Sold	Fair Value
Italagro sa	Portugal	Sold	Fair Value
Mliekotej sro	Slovakia	Closed	Cost
Bascones del Agua	Spain	Sold	Line by line
Clesa Helados	Spain	Sold	Line by line
Club Financiero Genova	Spain	Sold	Cost
Compania Agricola y Forestal	Spain	Sold	Line by line
Enerlasa	Spain	Sold	Line by line
Parmalat Espana	Spain	Sold	Line by line
Participacion Ecologica	Spain	Sold	Cost
Food Consulting Services Limited	U.K.	Closed	Cost
Parmalat Food Imports (UK) Ltd	U.K.	Closed	Cost
Parmalat Hungaria rt	Hungary	Closed	Cost
Gelateria Parmalat Uruguay sa	Uruguay	Sold	Cost
Gelateria Parmalat de Venezuela ca	Venezuela	Closed	Cost

Raffaele Picella  
Chairman

Enrico Bondi  
Chief Executive Officer



## **Declaration of the manager in control of drawing up of social accounting documents (art. 154 bis, paragraph 2, Legislative Decree 58/1998)**

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The manager in control of drawing up of social accounting documents, based on his own acquaintance, in accordance with what reported in the second paragraph of art. 154 bis of Legislative Decree 24 February 1998, n. 58, attests that the accounting information contained in the Semiannual Report at June 30, 2007 corresponds to the Company's outcomes, books and accounts.

Signed by  
The Manager in Control  
Luigi De Angelis



# Report of the Independent Auditors



PricewaterhouseCoopers SpA

## AUDITORS' REPORT ON THE LIMITED REVIEW OF THE INTERIM FINANCIAL REPORTING FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2007 PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATIONS

To the Shareholders of  
Parmalat SpA

1. We have performed a limited review of the consolidated and separate condensed interim financial statements consisting of balance sheet, income statement, statement of changes in shareholders' equity and cash flows (hereinafter "accounting statements") and related explanatory and supplementary notes of Parmalat SpA (parent company) and Parmalat Group included in the interim financial reporting of Parmalat SpA for the period ended at 30 June 2007. The interim financial reporting is the responsibility of Parmalat SpA's Directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying the consistency with the remaining part of the interim financial reporting.
2. Our work was conducted in accordance with the criteria for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with resolution no. 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the condensed interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the condensed interim financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike the audit on the annual consolidated and separate financial statements, we do not express a professional audit opinion on the interim financial reporting.

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3. Regarding the comparative data of the consolidated and separate financial statements of the prior year presented in the "accounting statements", reference should be made to our reports dated 4 April 2007. As discussed in the explanatory notes, the Directors have retrospectively adjusted the comparative data related to the interim financial reporting of the prior year, on which we issued our review report on 13 September 2006. The methods used for the retrospective adjustment of the corresponding data of the prior period and the information presented in the explanatory notes, with regard to changes made to such data, have been reviewed by us for the purpose of issuing our review report on the consolidated and separate condensed interim financial statements of Parmalat SpA (parent company) and the Parmalat Group as at 30 June 2007.
4. Based on our review, no significant changes or adjustments came to our attention that should be made to the consolidated and separate "accounting statements" and related explanatory and supplementary notes of Parmalat SpA (parent company) and consolidated, identified in the paragraph 1 of this report, in order to make them consistent with international accounting standard IAS 34 and with the criteria for the preparation of the Interim financial reporting established by Article 81 of the CONSOB Regulation approved by Resolution no. 11971 of 14 May 1999 and subsequent amendments and integrations.

Milan, 13 September 2007

PricewaterhouseCoopers SpA

Elena Cogliati  
(Partner)

**This report has been translated into the English language solely for the convenience of the international readers.**

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