

parmalat finanziaria spa

in Extraordinary Administration

Subscribed and paid-in capital stock: 815,669,721 euros

PRESS RELEASE

Collecchio (Parma), July 26, 2005 – Parmalat Finanziaria S.p.A. in Extraordinary Administration announces the operating and financial results of the Parmalat Group at June 30, 2005.

Scope of Consolidation

The scope of consolidation has been defined using principles that are consistent with those adopted in preparing the statement of income and balance sheet at December 31, 2004. Companies that are subject to certain restrictions on their management as a result of local bankruptcy proceedings that have effectively placed them outside the control of Parmalat Finanziaria S.p.A. in Extraordinary Administration, and companies in voluntary liquidation are no longer consolidated on a line-by-line basis.

The current scope of consolidation no longer includes companies in which the Group held equity investments that were sold after January 1, 2005. The corresponding 2004 data have been restated accordingly on a pro forma basis. The operations divested in 2005 include the companies that comprised the USA Bakery Division (Mother's Cake & Cookies, Archway Cookies and three production units in Canada), which were sold in January 2005, and Parmalat Uruguay, which was sold in February 2005.

Margherita Yogurt, which was placed in liquidation in February 2005, has also been removed from the scope of consolidation.

Following a settlement with the three U.S. companies in Chapter 11 (Parmalat USA Corporation, Farmland Dairies LLC and Farmland Stremicks Sub LLC) and their respective bankruptcy trustees and creditors (USA Dairy), the abovementioned three companies have been permanently removed from the Parmalat Group.

Operating Performance

Financial Highlights

First Half 2005

Amounts in millions of euros	Revenues			EBITDA			EBITDA as a % of revenues		
	Previous year	Previous year pro forma	Current year	Previous year	Previous year pro forma	Current year	Previous year	Previous year pro forma	Current year
Core Businesses (*)	1,820.4	1,820.4	1,839.7	131.8	131.8	142.0	7.2	7.2	7.7
Noncore Businesses (**)	175.9	161.2	125.3	(15.4)	(15.1)	11.1	(8.7)	(9.4)	8.8
Subtotal	1,996.3	1,981.7	1,965.1	116.5	116.7	153.1	5.8	5.9	7.8
Proceedings costs				(38.8)	(38.8)	(48.6)			
Total	1,996.3	1,981.7	1,965.1	77.7	77.9	104.5	3.9	3.9	5.3

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First Quarter 2005

Amounts in millions of euros	Revenues			EBITDA			EBITDA as a % of revenues		
	Previous year	Previous year pro forma	Current year	Previous year	Previous year pro forma	Current year	Previous year	Previous year pro forma	Current year
Core Businesses (*)	845.9	845.9	880.5	50.6	50.6	61.8	6.0	6.0	7.0
Noncore Businesses (**)	110.3	102.9	68.9	(6.2)	(5.9)	4.0	(5.6)	(5.7)	5.8
Subtotal	956.3	948.9	949.4	44.4	44.7	65.8	4.6	4.7	6.9
Proceedings costs				(14.6)	(14.6)	(16.5)			
Total	956.3	948.9	949.4	29.8	30.1	49.3	3.1	3.2	5.2

Second Quarter 2005

Amounts in millions of euros	Revenues			EBITDA			EBITDA as a % of revenues		
	Previous year	Previous year pro forma	Current year	Previous year	Previous year pro forma	Current year	Previous year	Previous year pro forma	Current year
Core Businesses (*)	974.5	974.5	959.2	81.2	81.2	80.2	8.3	8.3	8.4
Noncore Businesses (**)	65.6	58.3	56.4	(9.2)	(9.2)	7.1	(14.0)	(15.9)	12.5
Subtotal	1,040.1	1,032.9	1,015.7	72.1	72.0	87.3	6.9	7.0	8.6
Proceedings costs				(24.2)	(24.2)	(32.1)			
Total	1,040.1	1,032.9	1,015.7	47.9	47.8	55.2	4.6	4.6	5.4

(*) The Core Businesses include the following product categories: beverages (milk and fruit juices) and functional dairy products, which are sold under approximately 30 brands (global and strong local brands) primarily in high-potential countries in which there is sustained demand for wellness products, consumers are willing to pay a premium price for Parmalat brands and there is access to leading-edge technologies.

(**) The Noncore Businesses are those that are located in countries or engaged in activities that are not strategically significant and have been earmarked for divestiture.

Core Businesses

In the six months ended June 30, 2005, the Group's Core Businesses reported slightly higher revenues than in the same period last year. Revenues were up 1.1%, rising from €1,820.4 million at June 30, 2004 to €1,839.7 million at June 30, 2005. EBITDA also improved, growing from €131.8 million (7.2% of revenues) to €142.0 million (7.7% of revenues).

These data do not reflect the impact of the nonrecurring charges related to the extraordinary administration proceedings, which amounted to about €48.6 million (€38.8 million in 2004).

Revenues for the second quarter of 2005 (difference between the cumulative figures at June 30 and March 31) rose sharply compared with the previous quarter (revenues up to 8.9% to €959.2 million compared with €880.5 million in the first quarter; EBITDA to €80.2 million, or 29.8% more than the €61.8 million earned in the first three months of the year), but were little changed from the second quarter of 2004, when revenues totaled €974.5 million, (-1.6%) and EBITDA amounted to €81.2 million (-1.2%).

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Monthly revenues (difference between the cumulative figures at June 30 and May 31) decreased compared with the same period a year ago (€308.9 million vs €336.0 million). At June 2005 €26.4 million, EBITDA were also lower than the amount booked in June 2004 (€30.5 million).

An analysis of the Group's results in the main geographic regions in which it operates is provided below.

Italy

The results for the first half of 2005 were somewhat lower than those reported in the same period last year, with revenues falling from €692.0 million to €678.2 million (-2.0%) and EBITDA decreasing from €47.3 million to €46.1 million (-2.5%). The ratio of EBITDA to revenues was unchanged.

While June revenues were down in 2005 compared with June 2004 (€113.5 million compared with €117.8 million), EBITDA showed a modest increase from €7.3 million to €7.4 million. If the affiliate Boschi S.p.A. in Extraordinary Administration is excluded, the performance of the Italian operations improved in the first six months of 2005, with revenues up slightly and EBITDA almost unchanged.

Market data show a modest contraction in the demand for fresh milk, but the Group increased its share of the UHT segment, due mainly to gains by the Zymil brand. The Parmalat and Kyr product lines performed well in the yogurt segment, despite the intense competition that characterizes this market. The fruit juice operations also showed good growth.

Spain

Revenues for the first half of 2005 were down 4.2% to €109.5 million (€114.3 million in 2004), but EBITDA increased both in absolute terms (up from €7.9 million to €8.1 million) and as a percentage of revenues (up from 7.0% to 7.4%).

In June 2005, net revenues and EBITDA decreased, totaling €21.6 million and €1.6 million, respectively (€23.3 million and €2.0 million, respectively, in 2004), but the trend showed signs of improvement compared with the earlier months of the year.

The start of promotional and advertising campaigns for products that are traditionally affected by seasonal factors (e.g., flavored milk beverages) and products that are being launched or repositioned (e.g., Santal Top fruit juices and Active Soja) had a positive effect on unit sales, which rose enough to offset the impact of higher promotional and advertising costs on profitability. Nevertheless, the Group's companies in Spain are still faced with the challenges discussed in previous press releases, which include an overall decrease in consumer demand and an extremely competitive market environment (especially in the yogurt and dessert businesses).

South Africa

In the first six months of 2005, the South African operations reported significantly better results than in the same period last year. Net revenues increased from €113.1 million to €134.4 million (+18.8%) and EBITDA jumped 46.2%, rising from €9.3 million (8.2% of revenues) to €13.6 million (10.1% of revenues).

June revenues totaled €21.2 million and EBITDA amounted to €2.2 million (10.4% of revenues). Both revenues and EBITDA were significantly higher than in June 2004.

Rising demand from consumers concerned with quality and wellness, who were responding to a timely increase in advertising and promotional investments; gains in production efficiency; and the steadily expanding coverage of the distribution network caused unit sales to grow in the first half of 2005 (pasteurized cream was the sole exception) compared with the same period last year. A reduction in overhead and the rise in the value of the South African rand versus the euro (+2.9% at the average exchange rate for the January-June 2005 period) were also positive factors. Market share was also up in the fruit juice, yogurt and cheese segments.

Venezuela

Even though revenues decreased to €71.6 million (€74.8 million in the first six months of 2004), the profitability of the Venezuelan operations improved dramatically during the first half of 2005. EBITDA rose both in absolute terms (from €2.1 million to €6.1 million) and as a percentage of revenues (from 2.7% to 8.5%).

In June 2005, revenues totaled €12.6 million and EBITDA amounted to €0.6 million (4.8% revenues), up from €12.1 million and €0.4 million, respectively, in June 2004.

While unit sales were down overall compared with the previous year, a shift in the sales mix helped contain the decline in revenues. A reduction in raw material costs and overhead, and the successful streamlining of the product line account for the improvement in profitability. However, promotional expenses were higher than in the same period last year. Lastly, it is important to keep in mind that the data in euros presented in

this press release reflect the negative impact of a slide in the value of the bolivar (-17.7% compared with the average exchange rate for the period).

Canada

In the first six months of 2005, revenues increased to €599.5 million, or 7.5% more than the €557.6 million booked in the same period last year. EBITDA were also up, rising from €35.6 million to €45.4 million (+27.5%). As a result, the ratio of EBITDA to revenues improved from 6.4% to 7.6%.

In June 2005, the Canadian operations reported higher revenues and EBITDA (€99.2 million and €10.0 million, respectively) than in June 2004, when the corresponding figures were €93.0 million and €8.4 million, respectively.

Steady overall unit sales and a reduction in variable production costs and overhead are the main reasons for this improved performance.

The Canadian dollar appreciated versus the euro during the first six months of 2005, with the average exchange rate rising by 3.3% compared with the same period in 2004.

Australia

Revenues for the first six months of 2005 grew to €193.3 million, up from €182.6 million in 2004. EBITDA were also up, rising both in absolute terms (from €13.8 million to €15.0 million) and as a percentage of revenues (from 7.6% to 7.7%).

In June 2005, net revenues totaled €32.6 million and EBITDA increased to €2.5 million (€2.1 million in June 2004).

Higher unit sales (especially pasteurized milk and yogurt) and a shift in the sales mix contributed to these improved results. At the same time, the launch of new streamlining projects (closure of two production facilities, exit from unprofitable product areas and markets and divestiture of nonstrategic assets, such as a Coca-Cola bottling franchise) offset the negative impact of the higher prices paid for milk and packaging materials during the first half of 2005.

There was no significant difference between the average exchange rates for the first six months of 2005 and 2004.

Noncore Businesses

In the first six months of 2005, the Group's Noncore Businesses reported revenues of €125.3 million, a decrease of 22.3% from pro forma revenues of €161.2 million in the same period last year.

However, even though net revenues were down, chiefly as a result of the divestiture of the Mexican operations in 2004, EBITDA improved from a negative €15.1 million to a positive €11.1 million, due mainly to the successful implementation of cost cutting programs by the Group's other operations.

Revenues for the month of June were €17.8 million and EBITDA amounted to €1.5 million.

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Net Financial Position

Highlights

Amounts in millions of euros	Balance at 12/31/04	Balance at 5/31/05	Balance at 6/30/05
Short-term financial assets	(375.6)	(354.6)	(354.2)
broken down as follows:			
<i>Financial assets not held as fixed assets</i>	(0.4)	(0.6)	(0.7)
<i>Liquid assets</i>	(375.2)	(354.0)	(353.5)
Financial accrued income and prepaid expenses	(66.0)	(70.1)	(71.2)
Total short-term financial assets	(441.6)	(424.7)	(425.4)
Financial liabilities	11,455.3	11,570.6	11,604.8
Financial accrued expenses and deferred income	14.3	12.1	16.1
Total financial liabilities	11,469.6	11,582.6	11,620.9
Indebtedness owed to lenders outside the Group/(Financial assets) of companies consolidated line by line	11,028.0	11,157.9	11,195.5
Indebtedness owed by companies consolidated line by line to companies that are parties to local composition-with-creditors proceedings	316.6	246.0	250.7
Indebtedness/(Financial assets) of companies consolidated line by line	11,344.6	11,403.9	11,446.2
Indebtedness/(Financial assets) of companies that are not consolidated line by line	7.6	8.0	8.2
Total indebtedness/(financial assets)	11,352.2	11,411.9	11,454.4
Guarantees provided to secure the indebtedness of companies that are parties to local composition-with-creditors proceedings	1,701.3	1,685.2	1,685.2

At June 30, 2005, the net indebtedness of companies consolidated line by line totaled €11,446.2, or €101.6 million more than at December 31, 2004. This decrease reflects the weakening of the euro versus the reporting currencies of certain Group companies. The translation of local currency amounts into euros caused indebtedness to rise by about €57.0 million. When stated in local currencies — especially those of Australia and South Africa — indebtedness shows a decrease.

Indebtedness denominated in currencies other than local currencies (mainly in U.S. dollars) increased by about €60.0 million, due to the impact of changes in currency translation rates. Most of this indebtedness was owed by Wishaw Trading (Uruguay) and the Group's Venezuelan companies.

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The combined indebtedness owed to lenders outside the Group by subsidiaries that are parties to local composition-with-creditors proceedings and, consequently, have been deconsolidated is not reflected in the net financial position shown above. Some of these borrowings are secured by guarantees provided by Parmalat S.p.A. in Extraordinary Administration and Parmalat Finanziaria S.p.A. in Extraordinary Administration in the amount of €1,685.2 million. The indebtedness owed by the Group to companies in special proceedings that are not consolidated line by line amounted to €250.7 million. The change, compared with the balance owed at December 31, 2004 (€316.6 million) reflects mainly the reclassification of the abovementioned indebtedness payable to the USA Dairy companies in Chapter 11, following the recent settlement, offset in part by changes in foreign exchange translations.

As of today, no amount has been drawn from the €105.8-million line of credit that a pool of banks provided to Parmalat S.p.A. in Extraordinary Administration on March 4, 2004 and later renewed until September 2, 2005.

The indebtedness shown above does not reflect the positive impact of the settlement signed with Morgan Stanley, which generated proceeds of €155.0 million.

A breakdown of the net indebtedness owed to lenders outside the Group by companies consolidated line by line is as follows:

Amounts in millions of euros	Balance at 12/31/04	Balance at 5/31/05	Balance at 6/30/05
Companies under extraordinary administration included in the Proposal of Composition with Creditors	9,813.0	9,896.5	9,894.2
Other companies under extraordinary administration	89.7	87.9	84.8
Other companies	1,125.3	1,173.6	1,216.5
Total indebtedness/(financial assets)	11,028.0	11,157.9	11,195.5

Companies Under Extraordinary Administration Included in the Proposal of Composition with Creditors

The indebtedness incurred by companies under extraordinary administration toward lenders outside the Group prior to their becoming eligible for extraordinary administration is all short-term, since all of these companies are in default of the covenants of the respective loan agreements.

At June 30, 2005, liquid assets held by companies included in the Proposal of Composition with Creditors totaled €238.3 million, compared with €249.1 million at December 31, 2004 and €24.0 million when these companies became eligible for extraordinary administration proceedings.

Other Companies

At June 30, 2005, the net indebtedness owed to lenders outside the Group by the remaining operating and financial companies, which are consolidated line by line but are not included in the extraordinary administration proceedings, totaled €1,216.5 million (including €727.1 million in long-term debt), up from €1,173.6 million at May 31, 2005.

Foreign exchange fluctuations account for the increase.

Some Group companies are currently renegotiating their indebtedness in order to restructure it.

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Principal Companies Under Extraordinary Administration

The tables that follow show the financial highlights of the principal Italian companies under extraordinary administration.

Parmalat Finanziaria S.p.A.

Amounts in millions of euros	Balance at 12/31/04	Balance at 5/31/05	Balance at 6/30/05
Short-term financial assets	(24.4)	(24.4)	(23.9)
broken down as follows:			
<i>Intra-Group loans receivable</i>	(17.1)	(17.1)	(17.1)
<i>Financial assets not held as fixed assets</i>	-	-	-
<i>Liquid assets</i>	(7.4)	(7.3)	(6.8)
Financial accrued income and prepaid expenses (including intra-Group)	-	(0.3)	(0.3)
Total short-term financial assets	(24.4)	(24.6)	(24.2)
Financial liabilities (including intra-Group)	1,286.0	1,289.9	1,289.9
broken down as follows:			
<i>Intra-Group loans payable</i>	1,019.5	1,023.3	1,023.3
<i>Other financial liabilities</i>	266.5	266.5	266.5
Financial accrued expenses and deferred income (including intra-Group)	-	0.1	0.2
Total financial liabilities	1,286.0	1,290.0	1,290.0
Total indebtedness/(financial assets)	1,261.6	1,265.3	1,265.8

No significant changes have occurred since the previous month.

Liquid assets include €5.9 million in deposits from subsidiaries, offset by the recognition of an equal liability.

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Parmalat S.p.A.

Amounts in millions of euros	Balance at 12/31/04	Balance at 5/31/05	Balance at 6/30/05
Short-term financial assets	(152.7)	(143.3)	(142.6)
broken down as follows:			
<i>Intra-Group loans receivable</i>	(32.3)	(33.9)	(33.9)
<i>Financial assets not held as fixed assets</i>	-	-	-
<i>Liquid assets</i>	(120.4)	(109.5)	(108.7)
Financial accrued income and prepaid expenses (including intra-Group)	-	(0.1)	(0.2)
Total short-term financial assets	(152.7)	(143.5)	(142.7)
Financial liabilities (including intra-Group)	3,766.7	3,765.7	3,765.7
broken down as follows:			
<i>Intra-Group loans payable</i>	997.2	936.6	936.6
<i>Other financial liabilities</i>	2,769.6	2,829.0	2,829.0
Financial accrued expenses and deferred income (including intra-Group)	-	-	-
Total financial liabilities	3,766.7	3,765.7	3,765.7
Total indebtedness/(financial assets)	3,614.0	3,622.2	3,622.9

No significant changes have occurred since the previous month.

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Eurolat S.p.A.

Amounts in millions of euros	Balance at 12/31/04	Balance at 5/31/05	Balance at 6/30/05
Short-term financial assets	(13.5)	(8.9)	(12.2)
broken down as follows:			
<i>Intra-Group loans receivable</i>	(2.2)	(1.5)	(1.0)
<i>Financial assets not held as fixed assets</i>	-	-	-
<i>Liquid assets</i>	(11.3)	(7.4)	(11.2)
Financial accrued income and prepaid expenses (including intra-Group)	-	(0.1)	(0.1)
Total short-term financial assets	(13.5)	(9.0)	(12.3)
Financial liabilities (including intra-Group)	188.2	188.2	188.2
broken down as follows:			
<i>Intra-Group loans payable</i>	43.8	43.8	43.8
<i>Other financial liabilities</i>	144.4	144.4	144.4
Financial accrued expenses and deferred income (including intra-Group)	-	-	-
Total financial liabilities	188.2	188.2	188.2
Total indebtedness/(financial assets)	174.7	179.3	175.9

Eurolat increased its liquid assets in June 2005.

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Lactis S.p.A.

Amounts in millions of euros	Balance at 12/31/04	Balance at 5/31/05	Balance at 6/30/05
Short-term financial assets	(4.4)	(4.8)	(5.6)
broken down as follows:			
<i>Intra-Group loans receivable</i>	-	-	-
<i>Financial assets not held as fixed assets</i>	-	-	-
<i>Liquid assets</i>	(4.4)	(4.8)	(5.6)
Financial accrued income and prepaid expenses (including intra-Group)	(0.0)	(0.0)	(0.1)
Total short-term financial assets	(4.4)	(4.8)	(5.6)
Financial liabilities (including intra-Group)	18.6	18.6	18.6
broken down as follows:			
<i>Intra-Group loans payable</i>	8.6	8.6	8.6
<i>Other financial liabilities</i>	10.0	10.0	10.0
Financial accrued expenses and deferred income (including intra-Group)	-	0.0	0.0
Total financial liabilities	18.6	18.6	18.6
Total indebtedness/(financial assets)	14.2	13.8	13.0

Lactis increased its liquid assets in June 2005.

Significant Events

Significant events that occurred in June and July, through the date of this press release, are summarized below. These events have been the subject of previous press releases, the full text of which is available at the Group website, www.parmalat.net.

- June 1 Settlement with the three U.S. companies in Chapter 11 (Parmalat USA Corporation, Farmland Dairies LLC and Farmland Stremicks Sub LLC) and their respective bankruptcy trustees and creditors (US Dairy).
- June 15 Completion of the paperwork needed to secure mutual recognition of the Prospectus, the publication of which has been authorized by the Consob. The countries that are expected to allow mutual recognition are: the Netherlands, Sweden, Denmark, Germany, the United Kingdom and Luxembourg.
- June 16 Filing by the Italian bankruptcy judges (*Giudici Delegati*) of a Decree with the Office of the Clerk of the Bankruptcy Court of Parma regarding the upcoming vote on the Parmalat Proposal of Composition with Creditors and the voting method that should be used.
- June 28 Voting on Parmalat's Proposal of Composition with Creditors gets under way.
- July 8 Parmalat S.p.A. in Extraordinary Administration and Eurolat S.p.A. in Extraordinary Administration execute an agreement with the Italian social security administration (INPS) for the recovery of contributions owed by these two companies to INPS. Under the agreement, INPS will be allowed to collect directly about €25.6 million in VAT overpayments belonging to these two companies.

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July 18 Acting with the approval of the Italian Ministry of Production Activities and having received a favorable opinion from the Extraordinary Administration Oversight Committee, the Group accepted the settlement proposal put forth by Morgan Stanley on June 23, 2005 and collected a settlement amount of €155.0 million.

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