

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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SOUTHERN ALASKA CARPENTERS	:	X
PENSION FUND, On Behalf of Itself and All	:	Civil Action No.
Others Similarly Situated,	:	
	:	CLASS ACTION COMPLAINT FOR
	:	VIOLATIONS OF THE FEDERAL
Plaintiff,	:	SECURITIES LAWS
	:	
vs.	:	
	:	
BONLAT FINANCING CORPORATION,	:	
CALISTO TANZI, FAUSTO TONNA,	:	
COLONIALE SpA, CITIGROUP, INC.,	:	
BUCONERO LLC, ZINI & ASSOCIATES,	:	
P.C., DELOITTE TOUCHE TOHMATSU,	:	
DELOITTE & TOUCHE SpA, GRANT	:	
THORNTON INTERNATIONAL, GRANT	:	
THORNTON SpA,	:	
	:	
Defendants.	:	<u>DEMAND FOR JURY TRIAL</u>

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## NATURE OF THE ACTION

1. This is a securities fraud class action on behalf of purchasers of the securities of Parmalat Finanziaria, SpA and its subsidiaries (collectively, “Parmalat” or the “Company”) between January 5, 1999 and December 29, 2003, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”).

## INTRODUCTION

2. This action arises out of one of the largest financial frauds ever perpetrated. Parmalat’s senior insiders, together with Parmalat’s legal, accounting and financial advisors (collectively, the “Defendants”) concocted a massive scheme whereby Defendants overstated Parmalat’s reported profits and assets by billions of dollars for more than a decade. Defendants’ scheme involved the creation of bogus bank accounts, the use of forged financial records and the manipulation of Parmalat’s balance sheet and income statement via fictitious investment assets and sham transactions.

3. Defendants’ scheme was designed to and did allow Defendants to divert approximately \$1 billion to themselves and/or to companies controlled by Defendants via professional fees and clandestine asset transfers and enabled Parmalat to raise more than \$5 billion from unsuspecting investors from the sale of newly issued securities.

4. Defendants’ fraudulent scheme began to unravel in 4Q 03, when it was disclosed that, contrary to Defendants’ Class Period representations that Parmalat was experiencing strong growth in net operating profit and had a healthy balance sheet, in fact:

- Almost 40% of Parmalat’s entire asset base, purportedly held in a bank account at Bank of America, *did not exist*;
- Parmalat had been declared insolvent;
- The \$625 million of Parmalat’s cash purportedly invested in a liquid investment fund in the Cayman Islands could not be retrieved;

- Defendants had manipulated the Company's income statements and balance sheet for more than a decade by using off-shore shell companies, special purpose entities ("SPEs"), forged documents and sham transactions;
- At least eight Parmalat senior insiders, auditors and lawyers, including certain of the defendants, had been taken into custody for the perpetration of this multi-billion fraud.

As the magnitude of Defendants' fraud began to reach the market, Defendants attempted to destroy evidence and/or ordered their subordinates to destroy evidence of Defendants' fraudulent scheme in an effort to evade liability for their participation in one of the most shocking corporate scandals ever to afflict the public financial markets. As the revelations of Defendants' misconduct caused the price of Parmalat stock plunged 95% before trading was suspended on December 29, 2003.

5. While in custody, Parmalat's former Chairman and Managing Director Calisto Tanzi has admitted that he was aware of the fraudulent "balance-sheet adjustments." Other Parmalat managers have also admitted that not only had they "cooked the books," but they had destroyed evidence. In fact, one Parmalat manager has stated that in addition to being ordered to shred relevant documents, he had been ordered to use a hammer to destroy a laptop containing incriminating evidence. Defendants' fraudulent scheme has inflicted billions of dollars of damage on Class members who have witnessed the value of their Parmalat securities evaporate.

### **SUMMARY OF THE ACTION**

6. Parmalat is an international food and dairy company and was founded in 1961 by defendant Tanzi. Parmalat is controlled by the Tanzi family via its ownership and control of defendant Coloniale S.p.A. which holds a 50.68% equity interest in Parmalat. Beginning in the early 1990's, Tanzi together with Parmalat's former CFO/board member Fausto Tonna directed a massive acquisition/roll-up scheme whereby Parmalat acquired dozens of existing food service businesses in Europe, the United States and South America in an effort to portray Parmalat as a strong and growing company and to mask the substantial business reversals Parmalat was then experiencing in

its Latin American operations. By using “creative” acquisition accounting and other artifices such as off-balance sheet accounting, SPEs and by falsifying financial records, Parmalat insiders and its advisors were able to conceal Parmalat’s true operating performance and financial condition and portray the Company as one that was generating strong operating profits and net income growth.

7. By 1998, Defendants began to have a difficult time concealing the truth about Parmalat’s operating problems. Moreover, Parmalat’s capital requirements were increasing exponentially as Parmalat was not only generating poor operating performance, it was acquiring scores of diverse food companies across the globe. Tonna, Tanzi, Coloniale and GT also realized that their ability to conceal their fraud was further jeopardized by accounting rules which required Parmalat to replace GT (which had audited Parmalat’s books for a decade) as Parmalat’s existing audit firm beginning with Parmalat’s FY 99 audit.<sup>1</sup> To avoid having to reveal the truth to the public about the gaping \$1+ billion hole in Parmalat’s financial statements, defendants Tonna, Tanzi, Coloniale and GT arranged to create, and then have GT audit, a substantial number of Parmalat’s operating and financing subsidiaries while Deloitte & Touche SpA would begin auditing Parmalat’s consolidated FY 99 financial statements.

8. In connection with the auditor transition, defendants Coloniale, Tanzi, Tonna and GT worked together with Parmalat’s legal advisors to create a new wholly-owned Cayman Island subsidiary, Bonlat Financing Corporation, which Parmalat and defendants Coloniale, Tonna, Tanzi and GT agreed GT would audit so that Defendants could continue to conduct fictitious transactions

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<sup>1</sup> Defendant Grant Thornton International, an Illinois corporation with headquarters in London, England, is an organization dedicated to providing accounting services to middle-market public and private clients with member firms in approximately 100 countries, including its U.S. member Chicago-based Grant Thornton LLP, its Italian member Grant Thornton SpA and its Singapore member Foo Kan Tan Grant Thornton (collectively, “GT”).

within Bonlat and thereby ensure that Parmalat would continue to post strong growth and conceal that Parmalat's consolidated balance sheet and income statements were artificially inflated.

9. In addition to preparing and/or disseminating false financial documents, defendants Tonna and Tanzi also worked with their financial advisors to artificially boost Parmalat's reported financial performance by: (i) creating SPEs and other partnerships designed to manipulate Parmalat's financial statements by raising cash for Parmalat in a manner that concealed the additional liabilities incurred by Parmalat, thereby making its balance sheet appear stronger than it actually was; and (ii) raising additional cash by using credit linked notes and other financing mechanisms.

10. During 1999, defendants Coloniale, Tonna and Tanzi caused Parmalat to make a clandestine transfer of approximately \$188 million from Parmalat to Holding Italiana Turismo, a travel company owned by the Tanzi family. The \$188 million cash transfer combined with the effect a 1999 devaluation of the Brazilian currency was having on Parmalat's Brazilian operations, placed Parmalat in a severe cash crunch by December 1999. And, it was apparent to Defendants that unless they could immediately raise \$100+ million cash by year end 1999, defendants would no longer be able to conceal their financial shenanigans. Defendants Tonna and Tanzi turned to Citigroup which agreed to work with the Individual Defendants to quickly raise \$137 million cash so that Parmalat would not be forced to reveal that the Company was cash strapped, notwithstanding its purportedly substantial operating profits and cash holdings. In that regard, Parmalat, the Individual Defendants, Zini & Associates and Citigroup worked to structure a Delaware entity named Buconero, LLC a name which means "black hole" in Italian. Buconero was designed to and did allow Citigroup, Zini & Associates and the Individual Defendants to quickly raise \$137 million in cash prior to year end 1999 and to structure the transaction in a way so that the Citigroup loan could be disguised as equity

on Parmalat's balance sheet. However, notwithstanding these defendants' agreement to (mis)characterize the amounts transferred to Parmalat as equity, Citigroup was guaranteed to recoup its investment and earn a multimillion dollar fee as a result of its willingness to engage in the creation and implementation of this transaction, which was a manipulative device and contrivance designed to artificially inflate Parmalat's financial statements on an ongoing basis.

11. During 2000 and into 2001, the Individual Defendants caused Parmalat to repeatedly return to the capital markets to raise billions of dollars via the sale of additional securities based upon the Company's investment grade credit rating and its purportedly strong FY 98, FY 99 and FY 00 operating performance, including securities designed by Parmalat's financial advisors which were essentially high-risk wagers on the Company's own credit quality, which credit quality the Defendants knew was materially less favorable than publicly presented.

12. In 2002, defendants Tanzi, Tonna, Zini and GT realized that the divergence between the Company's reported strong operating performance and healthy balance sheet and reality – that Parmalat was teetering on the edge of a financial precipice – required them to concoct some asset to claim they “invested” Parmalat's hundreds of millions of dollars of phony profits in, in order to avoid revealing that Parmalat's hundreds of millions in previously reported profits didn't actually exist. In that regard, defendant Zini & Associates together with defendants Tanzi and Tonna, caused Parmalat to record that it had transferred more than \$625 million to a Cayman Islands investment fund named Epicurum via Parmalat's recently created subsidiary, Bonlat Financing Corp.

13. In February 2003, Parmalat was forced to withdraw a \$300+ million bond offering when Parmalat and Tonna attempted to alter the terms of the debt offering in the midst of the sale process. In response to this surprising turn of events, investors' confidence in the Company began to wane and Parmalat's stock price declined by almost 40% before Defendants successfully reinflated

the price of Parmalat shares by reiterating that Parmalat was on track to post strong FY 03 growth, that Parmalat's balance sheet remained healthy and that defendant Tonna would be replaced as Parmalat's CFO.

14. During 1Q 03, GT utilized forged documents confirming the liquid assets purportedly deposited in Bonlat's \$4+ billion Bank of America account and other forged third party confirmations relating to sham transactions totaling hundreds of millions of dollars as part of its FY 02 audit of Bonlat and 17 other Parmalat subsidiaries. During 2002, GT also accepted the Zini & Associates law firm's, Tonna's and Tanzi's oral promises that Bonlat's purported \$625 million Epicurum "investment" was made on an arm's length basis. GT ostensibly relied on the "arms-length" nature of Parmalat's \$625 million Epicurum "investment," even though GT never spoke with or even attempted to speak with anyone at Epicurum. Rather, GT agreed that it was an arm's length investment based upon the fact that when the names of the directors of Epicurum were read to GT, they did not "sound Italian."

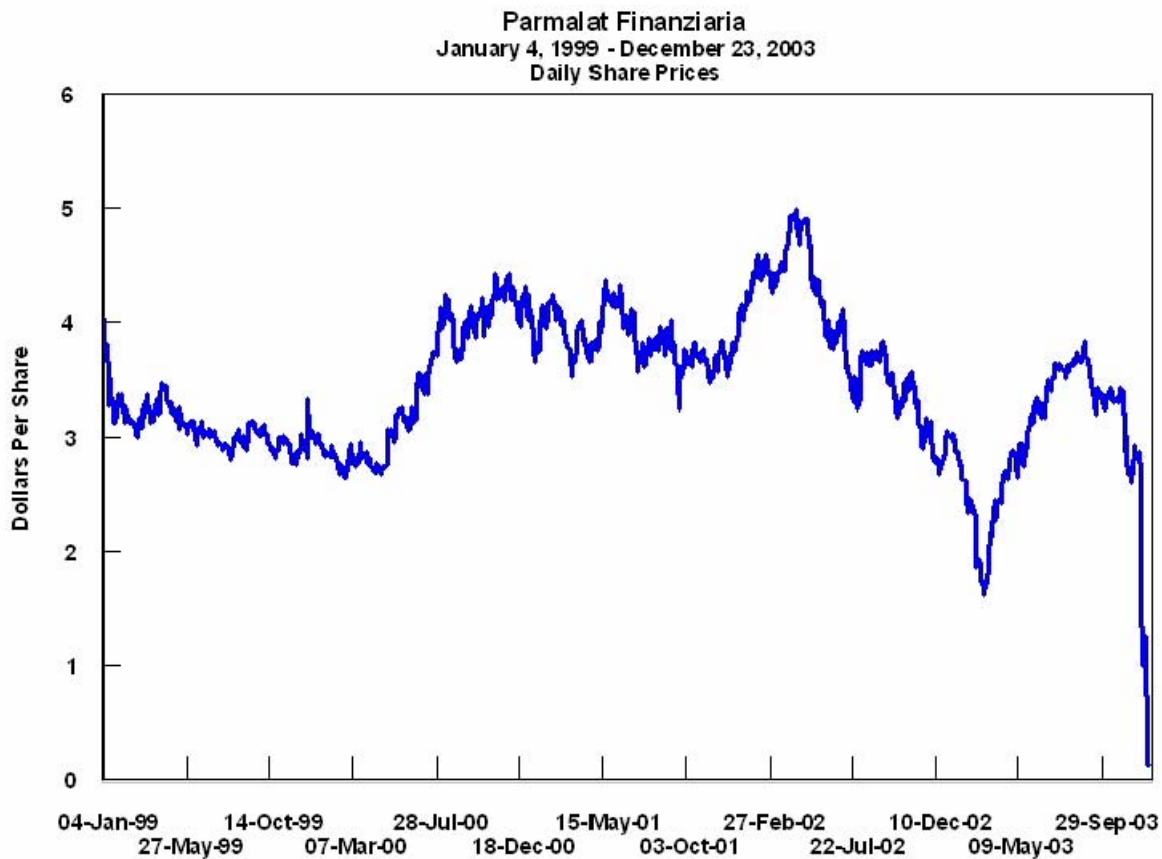
15. During August 2003 – at the same time Defendants were attempting to raise another \$100 million via another sale of additional Parmalat debt securities – Parmalat's auditors finally notified securities regulators that they had never obtained information about Epicurum's balance sheet or any other financial data about Epicurum, notwithstanding the magnitude of Parmalat's purported investment in Epicurum.

16. During the first week of December 2003, in the hope that Defendants' fraud would never be publicly revealed, defendant Tanzi and his son, Parmalat Director Stefano Tanzi, arranged a meeting in New York City to discuss a possible leveraged buy-out of Parmalat. However, in New York City, Stefano Tanzi confirmed privately that, in fact, the assets on the Company's balance sheet as publicly reported were overstated by billions of dollars. Also in early December 2003,

rumors began to swirl publicly that even though Parmalat purportedly had billions of dollars of liquid assets on hand, Parmalat would be unable to make a required payment of \$400 million to repurchase a minority interest in its Brazilian operation and/or extinguish \$187 million of outstanding bond debt which came due December 8, 2003. Although Parmalat was able to extinguish the bond debt on the very last day of the grace period, it has been unable to meet its other commitments, as it could not obtain any money back on its purported \$625 million Epicurum investment, which Defendants repeatedly represented during the Class Period was a “liquid” investment.

17. By the last week of December 2003, it was revealed that almost 40% of Parmalat’s entire assets which were purportedly held in a bank account at Bank of America *did not exist*; that Parmalat had been declared insolvent; that the \$625 million of Parmalat’s cash purportedly invested in a liquid investment fund in the Cayman Islands could not be retrieved; that the Company’s senior executives had manipulated the Company’s income statements and balance sheet for more than a decade by using off-shore shell companies, SPEs, forged documents and sham transactions; that the Company’s senior executives had been ordered to destroy relevant evidence by, among other things, using a hammer to destroy a computer which contained incriminating data; and that at least eight of Parmalat’s senior insiders, auditors and lawyers, including certain of the defendants, had been taken into custody in connection with one of the most shameless financial frauds ever perpetrated.

18. As depicted below, the price of Parmalat stock has plummeted from a high of over \$4 per share in 2002, to less than \$0.15 per share before trading was suspended on December 29, 2003.



### JURISDICTION AND VENUE

19. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act [15 U.S.C. §§78j(b) and 78t(a)] and Rule 10b-5 promulgated thereunder by the Securities and Exchange Commission (“SEC”) [17 C.F.R. §240.10b-5].

20. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331 and 1337 and §27 of the Exchange Act [15 U.S.C. §78aa].

21. Venue is proper in this District pursuant to §27 of the Exchange Act, and 28 U.S.C. §1391(b) as defendants, including Citigroup, Buconero, Zini & Associates and Deloitte Touche Tohmatsu are located in and/or conduct substantial business in this District. Many of the acts and practices made in furtherance of Defendants’ scheme and complained of herein occurred in

substantial part and/or had an effect in this District, including the creation and implementation of the manipulative devices and contrivances and the sale of Parmalat securities.

22. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

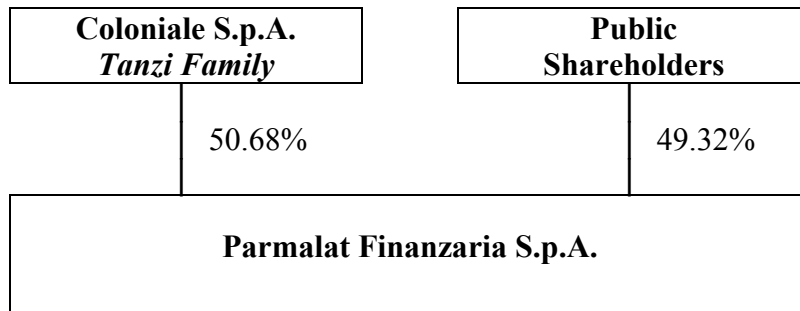
### **THE PARTIES**

#### **Plaintiff**

23. Plaintiff Southern Alaska Carpenters Pension Fund, as set forth in the accompanying certification, incorporated by reference herein, purchased Parmalat securities at artificially inflated prices during the Class Period and has been damaged thereby.

#### **Parmalat**

24. Parmalat Finanziaria SpA is a worldwide producer of dairy and vegetable products and conducts business through almost 200 operating and financing subsidiaries, including at least 22 wholly-owned subsidiaries which are incorporated in and/or located in the United States and defendant Bonlat Financing Corporation, a Cayman Islands corporation (collectively, “Parmalat”). As detailed below, Parmalat Finanziaria SpA is 50.68% owned by defendant Coloniale SpA, which in turn is owned and/or controlled by defendant Calisto Tanzi and its Chairman Fausto Tonna.



## **Defendants**

25. Defendant Calisto Tanzi (“Tanzi”) served at all relevant times prior to his December, 2003 “resignation” and subsequent incarceration in the San Vittore jail as Chairman, Managing Director and a member of the Executive Committee of Parmalat. Tanzi is a controlling shareholder of defendant Coloniale SpA, which owns 50.68% of the equity of Parmalat. Tanzi controls Parmatour, the Tanzi family’s holiday holdings company as well as other Tanzi family ventures, including SATA and Holding Italiana Turismo, to which hundreds of millions of dollars were diverted as part of defendants’ fraudulent scheme. Tanzi is liable under §§10(b) and 20(c) of the Exchange Act.

26. Defendant Fausto Tonna (“Tonna”) served at relevant times prior to his February 2003 resignation as CFO and his December 2003 resignation from the Board as the CFO, director and a member of the Executive and Audit Committees of the Company. Tonna is also the Chairman of the Board of defendant Coloniale SpA. Tonna is a director of Bonlat Financing Corporation.

27. Defendants Tanzi and Tonna are referred to herein as the Individual Defendants. Because of the Individual Defendants’ positions with the Company, they had access to the information about its business, operations, financial statements, and present and future business prospects via access to internal corporate documents (including the Company’s operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith. Each of the Individual Defendants participated in the drafting, preparation, and/or approval of the various reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership

and/or executive and managerial positions with Parmalat, each of the Individual Defendants had access to the adverse undisclosed information about Parmalat's business prospects and financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the representations made by or about Parmalat and its business materially false and misleading.

28. As officers and controlling persons of a publicly-held company whose securities were traded on several exchanges worldwide, including the Luxemburg Stock Exchange, the Mercato Telematico Azionario, the Milan Stock Exchange and in the United States in the form of American Depository Receipts ("ADR"), the Individual Defendants each had a duty to disseminate prompt, accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company's securities would be based upon truthful and accurate information.

### **Coloniale**

29. Defendant Coloniale SpA ("Coloniale") is the holding company owned and controlled by defendant Tanzi and his family. Coloniale is liable under §§10(b) and 20(a) of the Exchange Act.

30. Coloniale is the controlling shareholder of Parmalat as it owns 50.68% of the equity of Parmalat. Coloniale and its affiliates were participants in defendants' fraudulent scheme and wrongful course of business and were the recipients of hundreds of millions of dollars diverted from Parmalat pursuant thereto.

### **Citigroup**

31. Defendant Citigroup, Inc. is an integrated financial-services institution based in New York City. Citigroup is liable under §§10(b) and 20(a) of the Exchange Act.

32. Citigroup and its directly and indirectly owned and/or controlled subsidiaries, including Buconero LLC and Citibank, N.A., are collectively referred to herein as “Citigroup.” Through its subsidiaries and divisions, Citigroup provides strategic and financial-advisory services and participated in a scheme to defraud and engaged in acts and a course of business that operated as a fraud or deceit upon purchasers of Parmalat securities. Citigroup directly and indirectly controlled and directed the acts of its subsidiaries that participated in the fraud. Citigroup, through its Citibank, N.A. subsidiaries headquartered in New York City, is also the depository which, during the Class Period, served as the administrator of the Parmalat ADR Program providing stock transfer services, dividend distribution services and registry services in connection with the trading of Parmalat ADRs.

33. Defendant Buconero LLC (“Buconero”) is a Delaware LLC that was formed, owned and controlled by Citigroup. Buconero is liable under §10(b) of the Exchange Act for its participation in defendants’ fraudulent scheme to defraud, which operated as a fraud or deceit upon purchasers of Parmalat securities. Buconero was formed on or about December 9, 1999 by Citigroup, for the sole purpose of manipulating Parmalat’s financial statements and concealing from Parmalat investors the true nature of the financial arrangement between Citigroup and Parmalat.

#### **Zini & Associates**

34. Defendant Zini & Associates, P.C. (“Zini”) is a law firm based in New York City. Zini is liable under §§10(b) and 20(a) of the Exchange Act.

35. Zini served as Parmalat’s outside counsel during the Class Period. Zini also served as counsel to the Tanzi family controlled companies, including Parmatour and Coloniale. Parmalat was one of Zini’s largest clients. Zini received millions of dollars during the Class Period for its participation in the fraudulent scheme alleged herein, including the structuring and implementation of certain of the manipulative devices and contrivances utilized by defendants, including Epicurum.

36. Zini was a primary participant in defendants' scheme by, among other things, participating in the structuring of partnerships and/or creation of false documentation, which acts were perpetrated in order to conceal the true status of Parmalat's operations, knowing these manipulative devices and contrivances were being used to falsify Parmalat's reported financial results and financial condition. These manipulative devices and contrivances were designed to and did artificially boost Parmalat's reported profits and assets by: (i) artificially inflating Parmalat's reported operating performance; (ii) hiding billions of dollars of debt obligations that belonged on Parmalat's balance sheet; and (iii) depicting billions of dollars of fictitious assets that did not exist.

#### **Deloitte Touche Tohmatsu**

37. Defendant Deloitte Touche Tohmatsu, headquartered in New York City, is a professional services organization with member firms around the world, including members in the United States, Deloitte & Touche LLP and Italy, Deloitte & Touche SpA (collectively, "D&T"). D&T is liable under §§10(b) and 20(a) of the Exchange Act.

38. The leadership structure of D&T is centralized with a global Chief Executive Officer and a global Board of Directors. The Board of Directors of D&T is the highest governing body of the worldwide organization. D&T markets itself as a single global organization, describing itself as follows:

Deloitte Touche Tohmatsu is an organization of member firms devoted to excellence in providing professional services and advice. We are focused on client service through *a global strategy executed locally in nearly 150 countries. With access to the deep intellectual capital of 120,000 people worldwide*, our member firms (including their affiliates) deliver services in four professional areas: audit, tax, consulting, and financial advisory services. *Our member firms serve over one-half of the world's largest companies*, as well as large national enterprises, public institutions, and successful, fast-growing global growth companies.

39. On its website D&T discusses the importance of its name Deloitte in the worldwide marketplace:

One word says it all

Beginning 1 October 2003, ***our organization will be recognized in the marketplace by the single brand name “Deloitte.”*** The legal name of our global organization will continue to be Deloitte Touche Tohmatsu, and the legal names of our local organizations will largely remain the same.

It is the name by which we are most widely known around the world and the name to which we are most often abbreviated.

It illustrates the completeness of the Deloitte proposition and our integrated approach to solving clients’ problems.

Executives are facing more complex issues than ever before and have to respond to a greater number of constituents in a shorter time frame. Deloitte brings a unique and more comprehensive way of looking at every issue and understands the broader implications of each business decision.

Our ability to collaborate more effectively, combined with our broad range of services, enables our member firms to create the more complete solution.

***To learn more about Deloitte and what we can do for you, please contact your nearest Deloitte office.*** You can also use the Global Site Selector at the top of this page to navigate directly to one of our member firms.

40. D&T reports revenue for the organization on a combined basis. In a release dated October 1, 2003, D&T stated:

Deloitte Touche Tohmatsu, the global professional services organization, announced today its tenth consecutive year of annual growth, with combined worldwide revenues from its member firms totaling US\$15.1 billion, a 20.8 percent increase over FY2002 revenues of US\$12.5 billion. Additionally, the global organization announced the launch of the new brand name “Deloitte” to highlight the value of its multidisciplinary organization. Today’s change means that the firms known in various national and global markets as Deloitte Touche Tohmatsu, Deloitte & Touche, and Deloitte Consulting, while retaining their local legal names, will now be known as the brand “Deloitte.”

William G. Parrett, global chief executive officer, said, “The FY2003 results are a testament to our people’s dedication and commitment to serving our clients, their stakeholders, and the capital markets. We accomplished this growth in a year that witnessed sweeping regulatory changes around the world — changes that altered the way our member firms conduct our business.”

D&T has also publicly stated that its “global organization” decided to retain its consulting arm of the business, further confirming that decisions affecting D&T are made on a centralized basis and followed by its member firms.

41. D&T was engaged by Parmalat to provide independent auditing and/or consulting services to Parmalat, including the preparation, examination and/or review of Parmalat’s consolidated financial statements for FY 99-FY 02, which financial statements were disseminated to investors in the United States and were included in offering memoranda and other selling documents used by Defendants to raise over \$5 billion during the Class Period via the sale of Parmalat securities for which D&T received millions of dollars in fees. D&T was engaged to and performed these services so that Parmalat’s financial statements would be presented to, reviewed and relied upon by securities purchasers, governmental agencies, the investing public and members of the financial community. As a result of the services it rendered to Parmalat, D&T’s representatives were present at Parmalat’s corporate headquarters and financial offices in New Jersey frequently between 1999 and 2003 and had continual access to Parmalat’s confidential corporate financial and business information, including Parmalat’s true financial condition, financial statements and business problems which information D&T was aware of and/or recklessly disregarded. D&T actively participated in the presentation, review and issuance of Parmalat’s false financial statements.

**Grant Thornton**

42. Defendant Grant Thornton International, an Illinois corporation with headquarters in London, England, is an organization dedicated to providing accounting services to middle-market public and private clients with member firms in approximately 100 countries, including its U.S. member Chicago-based Grant Thornton LLP, its Italian member Grant Thornton SpA and its Singapore member Foo Kan Tan Grant Thornton (collectively, “GT”). GT is liable under §§10(b) and 20(a) of the Exchange Act.

43. GT markets itself as a global organization. GT issued a release on August 13, 2003, which stated:

**Grant Thornton is first global accounting organization to file with PCAOB**

*Grant Thornton*, the leading global accounting, tax and business advisory firm dedicated to serving the needs of mid-size companies, ***filed today the first*** Public Company Accounting Oversight Board (PCAOB) ***registration application of any major international accounting organization.***

“We are committed to restoring public trust in the audit process and the accounting profession, and ***I am proud that Grant Thornton is the first major global organization*** to have taken this step toward that goal,” said Grant Thornton Chief Executive Officer Edward Nusbaum.

Created by the Sarbanes-Oxley Act of 2002, the PCAOB oversees public company audits to ensure audit quality and independence for the protection of investor interests. Accounting firms that audit public companies must register with the Board by Oct. 22, 2003.

Grant Thornton is the leading global accounting, tax and business advisory firm dedicated to serving the needs of middle-market companies. Founded in 1924, Grant Thornton serves public and private middle-market clients through 50 offices in the United States, and in 585 offices in 110 countries through Grant Thornton International. Grant Thornton’s Web site address is [www.grantthornton.com](http://www.grantthornton.com).

44. Grant Thornton International requests its members to comply with the procedures, policies and practices it sets forth. In fact, Grant Thornton International performs a review of its members at least every three years to ensure their compliance with such procedures, policies and practices. A review of Grant Thornton SpA is scheduled to take place in 2004.

45. GT provides accountancy, audit and business advice around the world, which services generate approximately \$2 billion per year in fees, of which the U.S. unit’s shares were approximately \$460 million. GT audited Parmalat’s financial statements prior to 1999, and beginning in 1999, was engaged by Parmalat to provide auditing services, including the preparation, examination and/or review of the financial statements of Bonlat and at least 17 other Parmalat subsidiaries, which financial data GT knew was being disseminated to investors and included in

offering memoranda and other selling documents used to raise over \$5 billion from unsuspecting investors via the issuance of newly issued securities for which GT received millions of dollars in fees. GT performed these services so that Parmalat's consolidated financial statements would be presented to securities purchasers, governmental agencies, the investing public and members of the financial community. As a result of the services it rendered to Parmalat, GT's personnel were present at Parmalat's corporate headquarters and financial offices in Italy and/or in the United States frequently between 1999 and 2003 and had continual access to Parmalat's confidential corporate financial and business information, including Parmalat's false financial statements and true financial condition. GT actively participated in the preparation, review and issuance of Parmalat's false financial statements and fictitious financial documents, including false audit opinions and false confirmation requests, including those relating to Bonlat used in connection with GT's FY 02 audit of Bonlat and purportedly sent to Bank of America on December 20, 2002 and to seven other third parties on or about January 31, 2003.

46. Camfield Pte. Ltd is a Singapore-based holding company, which has ties to Parmalat. Camfield also has ties to GT. The Singapore address and phone number for Camfield are the same as GT's Singapore affiliate, Foo Kan Tan Grant Thornton. Additionally, Camfield's company secretary, Lawrence Kwan, is an employee of Kon Choon Kooi, which is an affiliate of Foo Kan Tan Grant Thornton.

47. In a press release dated December 31, 2003, Grant Thornton International made the following announcement concerning the ongoing investigation:

**31 December 2003 - STATEMENT FROM GRANT THORNTON INTERNATIONAL REGARDING GRANT THORNTON SpA**

Grant Thornton International announced today (31 December 2003) that, following its request, Grant Thornton SpA, its Italian member firm, took the actions outlined below after the arrest by the Italian authorities of two Grant Thornton SpA senior executives in relation to the Parmalat matter.

- Grant Thornton SpA has accepted the resignation of Lorenzo Penca as chairman of the Italian member firm
- The two deputy chairmen, Carlo Andreis and Contardino Mangiarotti will operate as acting co-chairmen until a new chairman is appointed shortly
- Lorenzo Penca and Maurizio Bianchi have both been suspended with immediate effect from all responsibilities for an indefinite period

Grant Thornton International is continuing, with the involvement of legal counsel, its investigation into the Parmalat matter and its review of Grant Thornton SpA.

David McDonnell, chief executive of Grant Thornton International said: ***“Grant Thornton International has built a strong worldwide reputation over the years and I remain confident for the future.*** I would like to thank all our clients from around the world who have sent us messages of support and confidence at this difficult time and for the dedication and support of staff working for all Grant Thornton International member firms around the network.”

#### **PLAINTIFF’S CLASS ACTION ALLEGATIONS**

48. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired the securities of Parmalat during the Class Period and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

49. The members of the Class are so numerous that joinder of all members is impracticable. As of November 30, 2002, there was more than 804 million Parmalat shares and/or ADRs issued and more than \$5 billion face amount of Parmalat debt outstanding. Throughout the Class Period, Parmalat securities were actively traded on the Luxemburg Stock Exchange, the Mercato Telematico Azionario, the Milan Stock Exchange and in the United States in the form of ADRs. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are thousands of members

in the Class. Record owners and other members of the Class may be identified from records maintained by Parmalat or its transfer agent and maybe notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

50. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

51. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

52. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein; and

(b) whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and financial statements of Parmalat.

### **BACKGROUND TO THE CLASS PERIOD**

53. Parmalat is an international food and dairy company and was founded in 1961 by defendant Tanzi. Beginning in the late 1980's, defendants Tanzi and Tonna commenced a massive acquisition/roll-up scheme whereby Parmalat acquired dozens of existing food service businesses in Europe, the United States and South America in an effort to portray Parmalat as a strong and growing company and to mask the substantial business reversals Parmalat was then experiencing at its Latin American operations. By using "creative" acquisition accounting and other artifices such as off-balance sheet accounting, SPEs and by otherwise falsifying financial records, Parmalat and its

financial advisors were able to conceal Parmalat's true operating performance and financial condition and portray the Company as one that possessed a healthy balance sheet and was generating strong operating profits and net income growth.

54. By 1998, Defendants began to have a difficult time concealing the truth about Parmalat's operating problems. Moreover, Parmalat's capital requirements were increasing exponentially as Parmalat was not only generating poor operating performance, it was acquiring scores of diverse food companies across the globe. Defendants' ability to conceal their fraud was further aggravated by new accounting rules which required Parmalat to replace its existing audit firm, GT (which had audited Parmalat's books for a decade), beginning with its FY 99 audit. Knowing this, defendants Tanzi, Tonna and Coloniale worked together with GT to create additional subsidiaries which these defendants could use to execute sham transactions on a going forward basis which Parmalat was becoming increasingly reliant upon to post the net profit growth promised by Defendants. Importantly, new entities could, unlike Parmalat's consolidated financial statements, continue to be audited by GT.

#### **DEFENDANTS' SCHEME AND WRONGFUL COURSE OF BUSINESS**

55. On November 30, 1998, a news story appeared on the *Dow Jones Newswire* noting that Parmalat would generate return on capital of 20% within five years, a 30+% increase from current levels. The story detailed Parmalat's FY 97 results and expected FY 98 performance and was "alive" in the market when the Class Period commenced on January 5, 1999. The story stated:

Dairy and food products group Parmalat Finanziaria SpA (I.PFS) expects stable operating profit in 1998 from 1997 despite a hefty set of acquisitions made during the latest year.

Parmalat Financial Director Fausto Tonna told analysts at [a] meeting here that the effect of its expansion weren't as onerous as originally thought and thus wouldn't weigh on operating profit.

Parmalat's 1997 operating profit rose to ITL529 billion from ITL470 billion in 1996.

Over the next five years, Parmalat aims to improve its return on capital employed to 20% from 15%, Tonna also said.

56. On February 3, 1999, a news story titled "Parmalat to Buy Cirio Unit; 2nd Half Pretax up 40%," appeared on *Bloomberg News* stating:

Parmalat Finanziaria SpA, the world's largest dairy company, said it will buy the dairy unit of its main Italian rival, Cirio SpA, for 780 billion lire (\$458 million) in cash and assumed debt, consolidating its hold over the Italian market for milk, cheeses and yogurt.

Parmalat, which also implied second-half pretax profit rose 40 percent to 273 billion lire, said it plans to sell as much as 500 million euros (\$565 million) in bonds convertible into common stock through Morgan Stanley Dean Witter & Co to finance the acquisition.

Parmalat has been accumulating large amounts of debt as it expands through acquisitions in Italy and abroad, consolidating its position as the world's leading dairy company. In 1998 the company's debt more than doubled to 3.4 trillion lire as it spent 1.6 trillion lire acquiring companies in eight different countries.

\* \* \*

Parmalat said 1998 pretax profit rose to at least 38 percent to "above 500 billion lire from 362 billion lire in 1997. In 1998, sales rose 38 percent to 9.8 trillion lire, though Parmalat's profitability as a percentage of sales decreased slightly to 10.3 percent.

In 1998, 29 percent of sales were in Europe, 27 percent in North America, 37 percent in South America and 7 percent in the rest of the world

57. On April 14, 1999, the *Dow Jones Newswire* carried a news story discussing the Company's FY 98 financial results, which stated:

Italian food and dairy group Parmalat Finanziaria SpA (I.PFS) said Wednesday that consolidated net profit in 1998 rose to ITL262 billion from ITL203 billion in the year earlier as revenues jumped to ITL9.833 trillion from ITL7.120 trillion.

Parmalat said operating profit rose to ITL719 billion in 1998, compared with ITL529 billion in the year earlier period.

Parmalat also said that net debt rose to ITL3.418 trillion from ITL1.555 trillion in 1997 due to significant acquisitions made during the course of the year.

The company said that if the full consolidation of its 1998 acquisitions could have been taken into account, 1998 revenues would have been ITL11.4 trillion.

In February 1998, Parmalat acquired U.S. dairy company Sunny Dale while in April, the company bought 51% of the company that controls the Brazilian Batavo brand of dairy products. In May 1998, Parmalat also acquired Belgorod, a Russian dairy company.

In June 1998, Parmalat bought a 63% interest in a South African dairy products company Bonnita Holdings Ltd.

In the same month, Parmalat bought Australian dairy concern National Foods Ltd. (A.NFD).

58. On or about April 22, 1999, Defendants caused Parmalat to issue a Notice of Annual General Meeting. The Notice of Annual General Meeting was signed by defendant Tanzi and stated that Parmalat had posted FY 98 net profit of 262 billion Lire and had shareholder equity as of December 31, 1998 of 2.47 billion Lire.

59. On or about October 15, 1999, Defendants caused Parmalat to distribute a report on the Company's operations for the first half of 1999. The report stated:

(a) that Parmalat had posted purported "significant growth" for the first six months of 1999, including 30% growth in gross operating margin and 12% growth in pre-tax earnings over the corresponding period of 1998;

(b) that, as of June 30, 1999, Parmalat had (i) total liabilities and shareholders' equity of €8.19 billion; (ii) total current assets of €3.83 billion; and (iii) total shareholder equity of €2.16 billion; and

(c) that, as to GT, it "did not acquire knowledge of any significant variations or alterations that should be added" to Parmalat's balance sheet or income statements for the first half of 1999.

60. On or about April 18, 2000, Defendants caused Parmalat to convene a press conference and announced a 28% increase in net profit for FY 99 as compared to FY 98. Immediately thereafter, based upon representations by defendants Tonna and Tanzi:

(a) The *Dow Jones Newswire* reported:

Parmalat said earnings were in line with targets despite economic troubles in Brazil, where the company has large operations.

\* \* \*

For 2000, Parmalat predicted flat internal revenue growth, but said further consolidation of newly acquired businesses will benefit earnings. Operating profitability should improve, Parmalat said.

Parmalat said sales volumes in the first few months of 2000 was in line with expectations in North America, Venezuela, Colombia, Chile, Australia and Italy. The drought, and consequent milk shortage, that has hit Uruguay and part of Argentina is being felt in its operations in other South American countries. Conversely, floods in South Africa are disrupting distribution, while sales volumes in Eastern Europe are higher than a year before.

(b) *Bloomberg News* disseminated a news story titled "Parmalat 1999 Profit Rose as Takeovers Lifted Sales," which stated:

Parmalat Finanziaria SpA, Italy's largest dairy company, said 1999 profit rose 28 percent, boosted by revenue from the dairy business it bought from Cirio SpA and by other recent acquisitions.

Profit rose to 337 billion lire (\$165 million), or 225.6 lire a share, from 262 billion lire, or 176.9 lire a share, in 1998. Sales rose 25 percent to 12.3 trillion lire. The company said it will pay a dividend of 22 lire a share, up from 20 lire a share last year.

"What made the sales go up so much is the first time consolidation of the milk business of Cirio," said Beatrice Reich, an analyst at Bank Vontobel in Zurich. "Their growth is especially by acquisitions."

The company's earnings exceeded Reich's full-year earnings estimate of 154 million euros.

Parmalat has boosted profit in recent years with takeovers such as that of rival Cirio's dairy unit. In the second half of the year, the dairy and food company also benefited from gradual recoveries in Europe and South America, two of its main markets.

Parmalat is also pushing to cut costs at home, planning to reduce its Italian staff of 4,500 by about 14 percent, or 610 people through an early retirement plan, said Stefano Tanzi, an executive with the company.

“This will give us an advantage as we seek to boost our international competitiveness,” he said at a press conference.

Parmalat shares rose 0.04 euros, or 3.3 percent, to 1.16.

Parmalat also said its board will seek permission from shareholders to sell as much as 300 billion lire par value of additional stock and 500 billion lire of convertible bonds during the next five years.

Parmalat also plans to ask shareholders to agree to the creation of stock with a par value of as much as 300 billion lire to service a convertible bond it plans to sell. It didn't give any details of the timing.

Parmalat could use the proceeds of the additional stock and bond sales for acquisitions or joint ventures, said Parmalat Chief Financial Officer Fausto Tonna.

61. On or about May 15, 2000, Defendants caused Parmalat to announce its results for 1Q 00, which confirmed:

Parmalat Finanziaria SpA, Italy's largest dairy company, posted first-quarter earnings before interest, taxation, depreciation and amortization of 190.4 million euros (\$174.5 million). The company did not provide comparable figures for the period last year.

Parmalat said earnings before interest and taxation amounted to 123.3 million euros, adding that it expects operating profit in 2000 to surpass that of last year.

Parmalat has bought several companies producing dairy and food products, including rival Cirio's dairy unit, which increased the company's earnings. Profit was also boosted by faster economic growth in Europe and South America, two of its main markets, which spurred demand for its goods.

“Sales in 2000 will benefit from the acquisitions that were carried out in 1999,” the company said.

The dairy and food producer said its board will seek permission from shareholders to sell as much as 300 billion lire par value of additional stock and 500 billion lire of convertible bonds during the next five years.

62. On or about September 12, 2000, Defendants caused Parmalat to issue a statement concerning Parmalat’s positive results for the first half of 2000, resulting in a *Bloomberg News* story titled “Parmalat 1st-Half Pretax Profit Rises 27% on Acquisitions,” which stated:

Parmalat Finanziaria SpA, the world’s largest dairy company, said first-half pretax profit rose 27 percent, boosted by acquisitions. It also announced a new purchase in the U.S.

Pretax profit rose to 167 million euros (\$144 million) from 132 million euros as sales increased 17 percent to 3.5 billion. Parmalat said it agreed to buy MA Holding, a U.S. biscuit maker that produces the Mother’s and Archway brands, for \$250 million.

“This purchase completes the baked-goods investment strategy” in North America, said Parmalat in a faxed statement. “It gives Parmalat a 10 percent share in the U.S. biscuit market.”

Parmalat hadn’t made any major acquisitions in the past 12 months after a buyout spree in which it acquired businesses including the dairy unit of its main Italian rival, Cirio SpA. The company has been seeking an acquisition outside of Italy, where it already gets about 70 percent of its sales.

Parmalat said it saw full-year operating sales in line with those in the first half.

63. On or about November 14, 2000, Defendants caused Parmalat to issue a Directors’ Report for 3Q 00 which included net operating profit of €139.77 million and total liquid assets of €2.87 billion. The Directors’ Report stated:

*Income Data*

<b>(thousand Euro)</b>	<b>Third Quarter 2000 (1 July – 30 September)</b>
Sales	1,917,238
Other income	80,386
Production costs excluding depreciation/amortisation	(1,773,482)
<b>Gross operating margin (EBITDA)</b>	<b>224,142</b>
Depreciation/amortisation	(84,369)
<b>Adjusted net operating margin (EBIT)</b>	<b>139,773</b>
Amortisation of price premium paid for the acquisition of subsidiary Parmalat spa	(4,379)
Financial income and charges	(26,536)
<b>Result before adjustments to the value of</b>	

<b>financial assets, extraordinary income and charges, taxes and profit relating to minority interests</b>	<b>108,858</b>
Gross operating margin/sales ratio	11.7%
Net operating margin/sales ratio	7.3%

\* \* \*

### *Net Financial Position*

<b>(thousand Euro)</b>	<b>30 September 2000</b>
<i>Bank and debenture loans</i>	
Short term	787,760
Medium term	4,261,959
Total bank and debenture loans	5,049,719
<i>Liquid Assets</i>	
Short term	2,838,295
Medium term	38,275
Total liquid assets	2,876,570
Total borrowing net of available resources	2,173,149

\* \* \*

Parmalat Finanziaria's consolidated equity structure, as of 30 September 2000, showed total consolidated net equity, including pre-tax earnings for the period 1 January – 30 September 2000, amounting to ... 2,913 million euro .... It should be mentioned that the increase in consolidated shareholders' equity also benefited from exchange gains arising from the positive trend in the main currencies of operation, which were posted as a variation to the "Consolidation reserve." These positive variations could obviously be affected by future exchange fluctuations.

64. On or about March 30, 2001, Defendants caused Parmalat to issue a release detailing the Company's FY 00 performance and containing Parmalat's FY 00 financial statements. The release stated:

#### **Parmalat Finanziaria – consolidated**

The year 2000 saw the Parmalat Group achieve further growth, in part via completion of the acquisitions and expansion strategy adopted over recent years. This has allowed the Group to reinforce its position in major dairy product markets and extend its presence across all continents. 2000 also saw the Group strengthen its competitive position via the continued launch of new products that are better suited to meeting the growing demand for healthy food products from consumers.

The introduction of new products is proving to be the driving force behind a new phase of organic growth for Parmalat, following a decade of growth primarily as

a result of acquisitions. In particular, sales of special milk products took off in Italy, where they represent 35% of UHT milk volumes, and saw growth in other countries around the world, following the launch of such products during the year.

*Key Consolidated Results from Parmalat Finanziaria SpA for 2000*

	<b>2000</b> <b>(millions of euro)</b>	<b>1999</b> <b>Change</b>
Sales	7,349	+ 15.6%
Gross operating profit (EBITDA)	871	+ 20.6%
EBITDA margin (%)		
Net operating profit (EBIT)	544	+ 17.7%
EBIT margin (%)		
Net profit attributable to the Group	195	+ 11.9%
Cash flow (total profit plus amortisation and depreciation)	579	+ 22.3%
Total shareholders' equity	2,643	+ 6.2%
Shareholders' equity attributable to the Group	1,714	+ 10.4%

\* \* \*

Total shareholders equity (as per 31 of December, 2000) totaled ... 2,643 million euro. Minority interests amounted to ITL 1,799 billion or 929 million euro.

\* \* \*

**Operating outlook**

The performance of the Group's sales during early 2001 was substantially in line with projections.

The Group is proceeding with its restructuring of the businesses acquired in the various countries over recent years and the upgrading of production technology.

The Group's consolidated sales for 2001 will reap the benefits, net of the dismissals made during 2000, of the consolidation of the acquisitions made during the previous year and not consolidated across the full financial year, and of the acquisition completed at the beginning of 2001. Organic growth in volume terms is expected to remain in step with the trend seen in 2000, whilst it is not possible to predict the performance of consolidated revenues, expressed in the Group's unit of currency, given that this will depend on exchange rates over the year. Continuation of the restructuring programme should lead to an improvement in consolidated operating profit with respect to 2000.

65. On or about March 30, 2001, Defendants caused to be issued "Information regarding compliance with the guidelines contained in the Voluntary Code of Best Practice for listed companies." This report was prepared and disseminated in connection with Parmalat's 2001 general

meeting and specifically addressed the Company's internal auditing procedures and practices. With respect to Parmalat's internal controls, the report stated:

We believe that the Group's existing structure is already sufficiently well organised to manage so-called internal audit procedures and that the existing internal procedures are, in line with the needs of the group, capable of guaranteeing healthy and efficient management, adequate to identify, prevent and manage risks of a financial and operational nature and fraudulent behavior that may damage the company.

66. On or about April 13, 2001, Defendants Tanzi, Tonna, GT and D&T completed their preparation and review of Parmalat's FY 00 financial results in connection with the dissemination of the Board of Directors' FY 00 Annual Report. That Report was disseminated to shareholders and reported Parmalat's FY 00 net profit of €195 million, total current assets of €4.7 billion and shareholder equity of approximately €2.7 billion. The Report also included an April 13, 2001 opinion of D&T which stated that D&T had conducted an audit in connection with the preparation and dissemination of Parmalat's FY 00 financial results which required D&T to "plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement." D&T asserted that its "audit provides a reasonable basis for our opinion," and that "[i]n our opinion, the consolidated financial statements present fairly the financial position of the Company as of December 31, 2000."

67. On or about April 30, 2001, Defendants caused Parmalat to issue a release reiterating that the Company's FY 00 gross operating profits had increased by 20.6%, that its consolidated net profit had increased by 11.9% and that the Company's FY 00 financial statements had been examined and approved at a meeting of the Board of Directors.

68. On or about May 15, 2001, Defendants caused Parmalat to issue a release which noted that the Company's "net operating profit up by 11.9%" and stated:

Today's meeting of the Board of Directors, chaired by Cav. Lav. Calisto Tanzi, today examined the report on operations for the first quarter of 2001 (from January 1 to March 31).

\* \* \*

*Consolidated Results:*

<b>(thousands of euro)</b>	<b>1st qtr. 2001 (Jan. 1-March 31)</b>	<b>1st qtr. 2000 (Jan. 1-March 31)</b>	<b>% change</b>	<b>2000 (Jan. 1 – Dec. 31)</b>
Sales	1,826,990	1,664,663	+9.7	7,349,294
Other revenues	48,852	26,929		112,419
Operating costs before amortisation and depreciation	(1,656,709)	(1,501,189)		(6,590,949)
<b>Gross operating profit (EBITDA)</b>	<b>219,133</b>	<b>190,403</b>	<b>+15.1</b>	<b>870,764</b>
Amortisation and depreciation	(81,110)	(67,112)		(326,196)
<b>Adjusted net operating profit (EBIT)</b>	<b>138,023</b>	<b>123,291</b>	<b>+11.9</b>	<b>544,568</b>
Ratio gross operating profit/sales	12.0%	11.4%		11.8%
Ratio net operating profit/sales	7.6%	7.4%		7.4%

\* \* \*

*Net Financial Position*

<b>(thousands of euro)</b>	<b>March 31, 2001</b>	<b>December 31, 2000</b>
<i>Bank debt and debenture loans</i>	771,786	873,344
Short-term		
Medium-term convertible bonds	631,200	281,200
Other medium-term	3,723,556	3,857,916
Total bank debt and debenture loans	5,126,542	5,012,460
<i>Cash and cash equivalents</i>	2,909,778	2,702,664
Short-term		
Medium-term	38,890	38,351
Total cash and cash equivalents	2,948,668	2,741,015
Total debt net of cash and cash equivalents	2,177,874	2,271,445

69. On or about September 11, 2001, Defendants caused Parmalat to issue a release which reported the Company's first half 2000 results, stating:

*Key Consolidated Results:*

<b>(millions of euros)</b>	<b>First half 2001</b>	<b>First half 2000</b>	<b>2000</b>
----------------------------	------------------------	------------------------	-------------

Sales	3,834	3,454	7,349
Gross operating profit	461	406	871
EBITDA margin	12.0%	11.7%	11.8%
Amortisation/depreciation	176	150	326
Net operating profit	285	256	545
ROS	7.4%	7.4%	7.4%
Group pre-tax profit	194	167	338

\* \* \*

*Net debt breaks down as follows at the end of the first half:*

(millions of euros)	June 30, 2001	December 31, 2000
<i>Bank debt and debenture loans</i>		
Falling due within 12 months	746,02	873,344
Falling due between 1 and 5 years	2,195,93	2,522,722
Falling due beyond 5 years	1,725,736	1,616,394
Total bank debt and debenture loans	4,667,131	5,012,460
<i>Cash and cash equivalents</i>		
Cash on hand and at banks	1,623,298	1,920,455
Short-term financial assets	834,376	782,209
Other investment securities	39,009	38,351
Total cash and cash equivalents	2,496,683	2,741,015
Total debt net of cash and cash equivalents	2,170,448	2,271,445

\* \* \*

### **Significant subsequent events**

The trend in sales since the close of the first half of the year has substantially confirmed the positive performance registered in the first six months.

### **Operating outlook**

Forecasts indicate that the Group's sales during 2001 will benefit from the consolidation of the acquisitions made during the previous year and not consolidated across the full financial year, and from the acquisitions made at the beginning of the current year, net of disposals during 2000. Organic volume growth is expected to remain in step with the trend seen in 2000, whilst it is not possible to predict the performance of consolidated revenues, expressed in the Group's unit of currency, given that this will depend on exchange rates over the year.

Continuation of the restructuring programme should result in confirmation of the consolidated operating profit margins seen during the first half of the year.

*The Parent Company's net profit for 2001 as a whole is expected to be substantially in line with that of the previous year.*

The consolidated balance sheet and profit and loss account as of and for the six months ended June 30, 2001 are attached. The accounts, which are in the process of being examined by Deloitte & Touche spa and have yet to be checked by the Board of Statutory Auditors, show the corresponding data for the first half of the previous year and for the year to December 31, 2000 for comparative purposes.

70. On or about November 14, 2001, Defendants caused Parmalat to issue a release announcing that Parmalat's "[n]et operating profit rose 9%" for the first nine months of 2001.

(a) The release confirmed Parmalat's shareholder equity of €2.822 billion and detailed the Company's assets and liabilities, stating:

Today's meeting of the Board of Directors, chaired by Cav. Lav. Calisto Tanzi, examined the Report on Operations for the third quarter of 2001 (July 1 to September 30).

\* \* \*

*Net Financial Position*

(thousands of euro)	September 30, 2001	June 30, 2001	December 31, 2000
<i>Bank debt and debenture loans</i>			
Short-term	761,529	746,302	873,344
Medium-term convertible bonds	631,200	631,200	281,200
Other medium-term	3,376,901	3,289,629	3,857,916
Total bank debt and debenture loans	4,769,630	4,667,131	5,012,460
<i>Cash and cash equivalents</i>			
Short-term	2,659,552	2,457,674	2,702,664
Medium-term	49,086	39,009	38,351
Total cash and cash equivalents	2,708,638	2,496,683	2,741,015
Total debt net of cash and cash equivalents	2,060,992	2,170,448	2,271,445

(b) The release also detailed the Company's operating results for 3Q 01 and the nine months ended September 30, 2001, stating:

(thousands of euro)	Period January 1 – September 30, 2001	Period January 1 – September 30, 2000	Change	2000 (Jan. 1 – Dec. 31)
Sales	5,810,910	5,371,556	439,354	7,349,294

Other revenues	141,513	104,626	36,887	112,419
Operating costs before amortisation and depreciation	(5,254,109)	(4,846,511)	(407,598)	(6,590,949)
<b>Gross operating profit (EBITDA)</b>	<b>698,314</b>	<b>629,671</b>	<b>68,643</b>	<b>870,764</b>
Amortisation and depreciation	(266,689)	(233,727)	(32,962)	(326,196)
<b>Net operating profit (EBIT)</b>	<b>431,625</b>	<b>395,944</b>	<b>35,681</b>	<b>544,568</b>
EBITDA margin	12.0%	11.7%		11.8%
EBIT margin	7.4%	7.4%		7.4%

\* \* \*

(thousands of euro)	3rd quarter 2001 (July 1 – September 30)	3rd quarter 2000 (July 1 – September 30)	Change
Sales	1,977,073	1,917,238	59,835
Other revenues	75,512	80,386	(4,874)
Operating costs before amortisation and depreciation	(1,815,367)	(1,773,482)	(41,885)
<b>Gross operating profit (EBITDA)</b>	<b>237,218</b>	<b>224,142</b>	<b>13,076</b>
Amortisation and depreciation	(90,422)	(84,369)	(6,053)
<b>Net operating profits (EBIT)</b>	<b>146,796</b>	<b>139,773</b>	<b>7,023</b>
EBITDA margin	12.0%	11.7%	
EBIT margin	7.4%	7.3%	

71. On or about March 29, 2002, Defendants caused Parmalat to issue a release announcing “double-digit growth (+12.2%)” in net profit, stating:

Today’s meeting of the Board of Directors of Parmalat Finanziaria spa, chaired by Cav. Lav. Calisto Tanzi, examined and approved the statutory and consolidated financial statements as of and for the year ended December 31, 2001.

In 2001 consolidated sales rose 6.2% from the 7,349 million euros of the previous year to 7,802 million euros, thus exceeding the threshold of 15,000 billion Italian lire, EBITDA increased by 8.9% from 871 million to 948 million euros, whilst EBIT was up 9.6% from 545 million to 597 million euros.

Consolidated net profit attributable to the Group reached 218.5 million euros, representing an increase of over 12% on the 194.7 million euros of 2000. **Total net profit amounted to 262.1 million euros, compared with the 235.3 million euros of the previous year.**

\* \* \*

*Key consolidated results for Parmalat Finanziaria spa for 2001*

	<b>2001</b> <b>(millions of euros)</b>	<b>2000</b> <b>(millions of euros)</b>	<b>% change</b>
Sales	7,802	7,349	+6.2
Gross operating profit (EBITDA)	948	871	+8.9
EBITDA margin (%)	12.2%	11.8%	
Net operating profit (EBIT)	597	545	+9.6
EBIT margin (%)	7.7%	7.4%	
Net profit attributable to the Group	218.5	194.7	+12.2
Cash flow (total profit plus amortisation and depreciation)	631	579	+8.9
Total shareholders' equity	2,835	2,643	+7.3
Shareholders' equity attributable to the Group	1,874	1,714	+9.3

\* \* \*

**Total consolidated shareholders' equity** as of December 31, 2001 amounts to 2,835 million euros (2,643 million euros as of December 31, 2000), of which 961 million euros is attributable to minority interests.

\* \* \*

### **Financial Position**

*An analysis of net debt at the end of the year is provided below*

<b>(millions of euros)</b>	<b>December 31, 2001</b>	<b>December 31, 2000</b>
<i>Bank debt and debenture loans</i>		
Falling due within 12 months	831,215	873,344
Falling due between 1 and 5 years	2,475,235	2,522,722
Falling due beyond 5 years	1,618,657	1,616,394
<b>Total bank debt and debenture loans</b>	<b>4,925,107</b>	<b>5,012,460</b>
<i>Cash and cash equivalents</i>		
Cash on hand and at banks	1,464,777	1,920,455
Short-term financial assets	1,459,650	782,209
Other investment securities	44,275	38,351
<b>Total cash and cash equivalents</b>	<b>2,968,702</b>	<b>2,741,015</b>
<b>Total debt net of cash and cash equivalents</b>	<b>1,956,405</b>	<b>2,271,445</b>

\* \* \*

### **The Parent Company, Parmalat Finanziaria**

The financial statements of Parmalat Finanziaria as of December 31, 2000 report a net profit of 26 million euros compared with the 25.2 million euros of the previous year, after income tax expense of 15.8 million euros.

The result for the year derives mainly from the dividend received from the subsidiary, Parmalat spa, and the interest earned on loans to subsidiaries.

\* \* \*

The Company's assets primarily consist of the value of its equity investments in subsidiaries, totaling 865.3 million euros and more or less unchanged with respect to the previous year, and loans granted to subsidiaries amounting to 1,040.4 million euros, compared with the 785.1 million euros of December 31, 2000.

72. On April 30, 2002, Defendants caused Parmalat to issue a release which stated that the Company's financial statements for FY 01 had been approved and that the appointment of D&T had been confirmed. The release stated:

Today's Ordinary General Meeting of the Shareholders of Parmalat Finanziaria spa, held in Milan under the Chairmanship of Cav. Lav. Calisto Tanzi, approved the financial statements for 2001, which report consolidated net profit attributable to the Group of 218.5 million euros (up 12% on the 194.7 million euros of the previous year). Total consolidated net profit amounted to 262.1 million euros (235.3 million in 2000). The Meeting passed a resolution to distribute a dividend with a total value of 16 million euros, equal to a pre-tax payout of 0.02 euros for each of the 801,609,207 ordinary shares in issue. The payment date for the dividend is May 23, 2002, following the surrender of coupon no. 1 on May 20, representing the ex-dividend date.

The Chairman, Mr. Tanzi, summarized the Parmalat Group's operating results for the year to December 31, 2001. Consolidated sales rose 6.2% from 7,349 to 7,802 million euros, thus exceeding the threshold of ITL 15 billion. EBITDA increased by 8.9% from 871 to 948 million euros, whilst EBIT was up 9.6% from 545 to 597 million euros. Operating cash flow (gross profit plus amortisation and depreciation) totaled 631 million euros, compared with 579 million euros for the previous year.

The Chairman also highlighted the fact that the performance of the Group's sales during early 2002 is substantially in line with projections.

Organic volume growth is expected to remain in step with the trend seen in 2001, whilst it is not possible to predict the performance of consolidated revenues, expressed in euros, given that this will depend on exchange rates over the year. Continuation of the restructuring programme should enable the Group to maintain consolidated operating profit in line with the figure for 2001.

\* \* \*

The meeting also renewed the engagement of Deloitte & Touche to audit the statutory and consolidated financial statements for the three-year period 2002/2004,

and to carry out a review of the six-month reports for the three-year period 2003/2005.

73. On or about May 15, 2002, Defendants caused Parmalat to issue a Directors' Report on Operations for 1Q 02. The Directors' Report was purportedly "prepared in compliance with generally accepted principals for consolidated accounts" and stated:

*Results of Operations*

(thousands of euros)	1st Quarter 2002 (Jan. 1 – March 31)	1st Quarter 2001 (Jan. 1 – March 31)	Change	2001 (Jan. 1 – Dec. 31)
Sales	1,847,544	1,826,990	+1.1%	7,801,611
Other revenues	41,101	48,852		189,500
Operating costs before amortisation and depreciation	(1,664,227)	(1,656,709)		(7,042,970)
<b>Gross operating profit (EBITDA)</b>	<b>224,418</b>	<b>219,133</b>	<b>+2.4%</b>	<b>948,141</b>
Amortisation and depreciation	(83,989)	(81,110)		(351,093)
<b>Net Operating Profit (EBIT)</b>	<b>140,429</b>	<b>138,023</b>	<b>+1.7%</b>	<b>597,048</b>
Amortisation of goodwill paid in acquiring control of Parmalat spa	(4,362)	(4,370)		(17,477)
Interest income (expense), net	(39,857)	(27,834)		(122,388)
<b>Income before adjustments to financial assets, extraordinary items, income taxes and minority interests in income</b>	<b>96,210</b>	<b>105,819</b>	<b>-9.1%</b>	<b>457,183</b>
EBITDA margin	12.1%	12.0%		12.2%
EBIT margin	7.6%	7.6%		7.7%

*Analysis of Net Debt*

(thousands of euros)	March 31, 2002	December 31, 2001
<i>Bank debt and debenture loans</i>		
Short-term	806,437	831,215
Medium-term convertible bonds	631,200	631,200
Other medium-term debt	3,667,604	3,462,692
Total bank debt and debenture loans	5,105,241	4,925,107
<i>Cash and cash equivalents</i>		
Short-term	3,032,377	2,924,427
Medium-term	44,515	44,275
Total cash and cash equivalents	3,076,892	2,968,702
Total debt net of cash and cash equivalents	2,028,349	1,956,405

\* \* \*

### *Financial Position*

Net debt stands at 2,028 million euros as of March 31, 2002, compared with the 1,956 million euros of December 31, 2001. Operating cash flow was partially used to cover the cost of investment and working capital requirements.

The consolidated balance sheet of Parmalat Finanziaria as of March 31, 2002 shows total consolidated shareholders' equity, before income taxes for the period and after deducting dividends for 2001, as approved by the General Meeting of April 30, 2002, of 2,793 million euros. Consolidated shareholders' equity attributable to the Group amounts to 1,981 million euros compared with the 1,874 million of December 31, 2001.

It should be noted that consolidated shareholders' equity was negatively impacted by the performance of a number of key operating currencies, whose effect was charged to the "Consolidation reserve." Such movements may, of course, be subject to future fluctuations in exchange rates.

\* \* \*

### *Operating Outlook*

Organic volume growth should remain substantially in step with the trend witnessed during the first quarter. It is not, however, possible to predict the performance of consolidated revenues, expressed in euros, given that this will depend on exchange rates over the year.

The operating performance should enable the Group to maintain consolidated operating profit margins in line with the figures for the first quarter.

74. On or about September 11, 2002, Defendants caused Parmalat to issue a release concerning the Company's results for the first half of 2002. The release stated:

#### *Results for first half of 2002*

*Key Consolidated Results may be summarized as follows:*

<b>(millions of euro)</b>	<b>First half 2002</b>	<b>First half 2001</b>	<b>2001</b>
Sales	3,857	3,834	7,802
Gross operating profit (EBITDA)	468	461	948
EBITDA margin (%)	12.1%	12.0%	12.2%
Amortisation and depreciation	171	176	351
Net operating profit (EBIT)	297	285	597
ROS	7.7%	7.4%	7.7%
Group's pre-tax profit	191	194	371

Today's meeting of the Board of Directors of Parmalat Finanziaria Spa, chaired by Cav. Lav. Calisto Tanzi, examined and approved the "Interim Report for the first half of 2000 ...."

\* \* \*

EBITDA rose 1.5% from the 461.1 million euro of the first half of the previous year to 467.9 million.

**The EBITDA margin** stood at 12.1%, compared with the 12% of the corresponding period of the previous year and the 12.2% of the entire year 2001.

Net Operating Profit increased by 4.2% from the 284.8 million euro of the first half to 296.7 million. **The EBIT** margin amounted to 7.7%, in line with the entire year 2001 and on the increase compared to the 7.4% of the corresponding period of the previous year.

\* \* \*

**Operating cash flow** (EBITDA minus net interest expense) amounted to 393 million euro, compared with 402.2 million in the first half of the previous year and was used to cover financial needs arising from capital expenditure and working capital requirements.

**Total consolidated shareholders' equity** as of June 30, 2002, including profit in the first half pre-tax, amounts to 2,394 million euro (2,835 million as of December 31, 2001) of which 736 million euro is attributable to minority interests (961 million as of December 31, 2001).

It should be noted that the decrease in consolidated shareholders' equity was due to the negative performance of several key operating currencies, charged, accordingly to the Italian accounting standards, to the "Consolidation reserve." Such movements may, of course, be subject to future fluctuations in exchange rates.

An analysis of net debt at the end of the period is provided below:

<b>(million of euro)</b>	<b>June 30, 2002</b>	<b>December 31, 2001</b>
<i>Bank debt and debenture loans</i>		
Falling due within 12 months	1,225,540	831,215
Falling due between 1 and 5 years	2,561,128	2,475,235
Falling due beyond 5 years	1,620,518	1,618,657
Total bank debt and debenture loans	5,307,186	4,925,107
<i>Cash and cash equivalents</i>		
Cash on hand and at banks	1,513,038	1,464,777
Short-term financial assets	1,706,061	1,459,650
Other investment securities	72,675	44,275
Total cash and cash equivalents	3,291,774	2,968,702

Total debt net of cash and cash equivalents	2,015,412	1,956,405
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\* \* \*

The controlling group's operating performance for the entire year 2002 is expected to be in line with the previous year.

75. On or about November 8, 2002, Defendants caused Parmalat to issue a release containing Parmalat's 3Q 02 results and a Directors' Report for 3Q 02 which stated:

Today's meeting of the Board of Directors of Parmalat Finanziaria spa, chaired by Cav. Lav. Calisto Tanzi, examined the Report of Operations for the third quarter of 2002 (July 1-September 30).

\* \* \*

EBITDA amounted to 687.3 million euros, down 1.6% on the 698.3 million of the first nine months of the previous year. The EBITDA margin stood at 12.1%, substantially in line with the 12% of the same period of 2001 and the 12.2% of full year 2001.

\* \* \*

#### *Consolidated Results for Third Quarter 2002*

(thousands of euros)	3rd quarter 2002 (July 1-September 30)	3rd quarter 2001 (July 1-September 30)	change 2002-2001
Sales	1,806,316	1,977,073	(170,757)
Other income	38,306	75,512	(37,206)
Operating costs excluding amortisation and depreciation	(1,625,160)	(1,815,367)	190,207
<b>EBITDA</b>	<b>219,462</b>	<b>237,218</b>	<b>(17,756)</b>
Amortisation and depreciation	(62,761)	(90,422)	27,661
<b>EBIT</b>	<b>156,701</b>	<b>146,796</b>	<b>9,905</b>
EBITDA margin	12.1%	12.0%	
EBIT margin	8.7%	7.4%	

#### *Financial review*

Net debt has shifted from the 2,015 million euros of June 30, 2002 to 1,966 million euros as of September 30, 2002 (1,956 million euros as of December 31, 2001). Operating cash flow was used to cover the cost of investment and working capital requirements.

#### *Analysis of Net Debt*

<b>(thousands of euros)</b>	<b>September 30, 2002</b>	<b>June 30, 2002</b>	<b>December 31, 2001</b>
<i>Bank debt and debenture loans</i>			
Short-term	1,167,644	1,125,540	831,215
Medium-term convertible bonds	938,000	938,000	631,200
Other medium-term debt	3,211,451	3,243,646	3,462,692
<b>Total bank debt and debenture loans</b>	<b>5,317,095</b>	<b>5,307,186</b>	<b>4,925,107</b>
<i>Cash and cash equivalents</i>			
Short-term	3,278,789	3,219,099	2,924,427
Medium-term	72,615	72,675	44,275
<b>Total cash and cash equivalents</b>	<b>3,351,404</b>	<b>3,291,774</b>	<b>2,968,702</b>
<b>Total debt net of cash and cash equivalents</b>	<b>1,965,691</b>	<b>2,015,412</b>	<b>1,956,405</b>

The consolidated balance sheet of Parmalat Finanziaria as of September 30, 2002 shows total consolidated shareholders' equity, including pre-tax profit for the period January 1-September 30, 2002, of 2,426 million euros, compared with the 2,394 million of June 30, 2002 and the 2,835 million of December 31, 2001.

76. On or about April 14, 2003, Defendants caused Parmalat to disseminate a Board of Directors' Report in connection with the Company's 2003 meeting. The Directors' Report included the Company's FY 02 sales of €7.59 billion and net operating profit of €613 million. The Report also included a summary analysis of Parmalat's outstanding debt:

*The Group's Financial Position*

Net debt as of December 31, 2002 amounted to 1,862 million euros, representing an improvement of 94 million euros compared with the figure for December 31, 2001.

An analysis of net debt at the end of the year is provided below:

<b>(millions of euros)</b>	<b>December 31, 2002</b>	<b>December 31, 2001</b>
<i>Bank debt and debenture loans</i>		
Falling due within 12 months	1,155,685	831,215
Falling due between 1 and 5 years	2,980,888	2,475,235
Falling due beyond 5 years	1,299,237	1,618,657
<b>Total bank debt and debenture loans</b>	<b>5,435,810</b>	<b>4,925,107</b>
<i>Cash and cash equivalents</i>		
Cash on hand and at banks	950,620	1,464,777
Short-term financial assets	2,412,945	1,459,650

Other investment securities	210,134	44,275
Total cash and cash equivalents	3,573,699	2,968,702
Total debt net of cash and cash equivalents	1,862,111	1,956,405

77. On or about May 15, 2003, Defendants caused Parmalat to issue a release detailing its financial performance for 1Q 03, stating:

Today's meeting of the Board of Directors, chaired by Cav. Lav. Calisto Tanzi, examined and approved the Report on Operations for the first quarter of 2003 (January 1 – March 31).

*Operating results*

(thousands of euros)	Q1 2003 (Jan. 1-March 31)	Q1 2002 (Jan. 1-March 31)	Change	2002 (Jan. 1-Dec. 31)
Sales	1,622,032	1,847,544	- 12.2%	7,590,014
Other income	13,539	41,101		131,661
Operating costs before amortisation and depreciation	(1,438,963)	(1,664,109)		(6,790,405)
<b>Gross operating profit (EBITDA)</b>	<b>196,608</b>	<b>224,536</b>	<b>- 12.4%</b>	<b>931,270</b>
Amortisation, depreciation and write-downs of fixed assets	(72,037)	(84,107)		(318,121)
<b>Net operating profit (EBIT)</b>	<b>124,571</b>	<b>140,429</b>	<b>- 11.3%</b>	<b>613,149</b>
EBITDA margin	12.1%	12.1%		12.3%
EBIT margin	7.7%	7.6%		8.1%

\* \* \*

The consolidated balance sheet of Parmalat Finanziaria as of March 31, 2003 shows total consolidated shareholders' equity, after pre-tax income for the period and after deducting dividends for 2002, as approved by the General Meeting of April 30, 2003, of 2,190 million euros (2,250 million as of December 31, 2002). Consolidated shareholders' equity attributable to the Group amounts to 1,506 million euros compared with the 1,541 million of December 31, 2002.

\* \* \*

The operating performance should enable the Group to maintain the EBITDA margin reported for the first quarter of the year.

78. On or about June 18, 2003, Defendants caused Parmalat to issue a release confirming the successful completion of a €300 million bond issue.

79. On or about September 11, 2003, Defendants caused Parmalat to issue its 2003 half year report. The Report included Parmalat's sales and net operating profit for the first six months of FY 03 of €3.43 billion and €270 million, respectively. The Report also stated:

*The Group's Financial Position*

The Group's net debt as of June 30, 2003 is 1,810 euros, down 52 million compared with the net debt of 1,862 million euros posted as of December 31, 2002.

An analysis of net debt at the end of the period is provided below:

<b>(millions of euros)</b>	<b>June 30, 2003</b>	<b>December 31, 2002</b>
<i>Bank debt and debenture loans</i>		
Falling due within 12 months	1,245,768	1,155,685
Falling due between 1 and 5 years	2,852,754	2,980,888
Falling due beyond 5 years	1,248,636	1,299,237
Total bank debt and debenture loans	5,347,158	5,435,810
<i>Cash and cash equivalents</i>		
Cash on hand and at banks	866,582	950,620
Short-term financial assets	2,455,610	2,412,945
Other investment securities	214,885	210,134
Total cash and cash equivalents	3,537,077	3,573,699
Total debt net of cash and cash equivalents	1,810,081	1,862,111

As of June 30, 2003 bank debt and debenture loans include:

<b>(millions of euros)</b>	
Debt represented by debentures classified as "Debenture loans"	258,229
Debt represented by bonds convertible into Parmalat Finanziaria ordinary shares classified as "Convertible bonds"	1,184,400
Debt represented by bonds classified as "Bank debt"	4,465,985
Bonds bought back and/or subscribed by consolidated subsidiaries and eliminated from "Bank debt"	(2,911,000)
Total debt represented by debentures and bonds	2,997,614
Bank debt or debt to other lender classified as "Bank debt"	2,349,544
Total bank debt and debenture loans	5,347,158

(footnotes omitted)

As shown in the above chart, the Group has bought back and/or subscribed a part of the bonds issued. Such intercompany transactions have no impact on the consolidated financial position, are economically beneficial and are primarily carried out, at favourable market conditions, in order to invest a portion of the liquidity deriving from financing subject to lower interest rates compared with the financial cost of the bonds bought back.

\* \* \*

The Group's liquidity is invested in short-term, low-risk financial instruments at the best possible market conditions, before being used to meet the Group's financial requirements (investment, the repayment of loans on maturity, etc.). The financial business plan foresees that liquidity of almost 900 million euros will be used to reduce the Group's financial debt by the end of 2005.

*Current financial assets break down as follows:*

<b>(millions of euros)</b>	<b>June 30, 2003</b>
Other equity investments	0.004
Bonds	1,315,173
Investment funds	477,807
Promissory notes/Commercial paper	655,880
Other	6,746
<b>Total</b>	<b>2,455,610</b>

80. On or about September 15, 2003, Defendants caused Parmalat to issue a release announcing that together with Deutsche Bank, Defendants had completed the sale of €350 million of 6.125% bonds, stating:

Following approval by the Board of Directors of Parmalat Finanziaria, under the presidency of Cav. Lav. Calisto Tanzi, the Parmalat Group issued today, via a fully owned foreign subsidiary, a seven years bond fully underwritten by Deutsche Bank, with a 6.125% yearly coupon, guaranteed by Parmalat SpA, within the EMTN programme to which Standard & Poor's assigned a rating of BBB.

Cav. Lav. Calisto Tanzi commented that "this transaction is perfectly in line with what declared in conjunction with the semiannual results of the Group and with the financial policy of the Group. The policy of gross debt reduction will require a partial reimbursement of short term bank debt and the buy back of part of the bonds due to expiry in the next 24 months."

Deutsche Bank declares that they have assisted the Parmalat Group in completing this transaction which, by type, duration and conditions is considered by both parties as the most adequate to the financial strategies of the Group, and to be

assigned, other than to Deutsche Bank, to a restricted number of institutional investors.

The group confirms its own financial debt management policy as shown in the recent press release dated 11th of September and, in particular, that the Group intends to use market opportunities to finance itself at competitive terms in order to refinance in the medium - long term its short term debt. The group confirms also its policy of gross debt reduction using internal resources for € 900 million by 31 December 2005.

81. On or about November 14, 2003, Defendants caused Parmalat to issue a release which detailed Parmalat's 3Q 03 financial statements, stating:

Parmalat Finanziaria announces results for first nine months of 2003:

- organic sales growth of 4.1% (third quarter also up)
- EBITDA margin improves to 12.4% and EBITDA margin to 8.3%
- second environmental report ready

Today's meeting of the Board of Directors of Parmalat Finanziaria spa, chaired by Cav. Lav. Calisto Tanzi, examined the report on operations for the third quarter of 2003 (July 1 – September 30).

\* \* \*

*Consolidated results for third quarter 2003*

<b>(thousands of euros)</b>	<b>3rd quarter 2003 (July 1-September 30)</b>	<b>3rd quarter 2002 (July 1-September 30)</b>	<b>2003 – 2002</b>
Sales	1,837,698	1,806,316	31,382
Other income	47,847	38,306	9,541
Operating costs excluding amortisation and depreciation	(1,647,959)	(1,624,437)	(23,522)
<b>Gross operating profit (EBITDA)</b>	<b>237,586</b>	<b>220,185</b>	<b>17,401</b>
Amortisation, depreciation and write-downs of fixed assets	(68,701)	(63,484)	(5,217)
<b>Net operating profit (EBIT)</b>	<b>168,885</b>	<b>156,701</b>	<b>12,184</b>
Amortisation of goodwill purchased as part of the acquisition of the controlling interest in Parmalat Spa	(4,362)	(4,362)	0
Net interest expense	(56,966)	(29,013)	(27,953)
<b>Profit before adjustments to financial assets, extraordinary items, taxes and minority interests</b>	<b>107,557</b>	<b>123,326</b>	<b>(15,769)</b>
EBITDA margin	12.9%	12.2%	
EBIT margin	9.2%	8.7%	

\* \* \*

*Current financial assets break down as follows:*

<b>(thousands of euros)</b>	<b>September 30, 2003</b>	<b>June 30, 2003</b>	<b>December 31, 2002</b>
Other equity investments	0	4	4
Bonds	1,576,935	1,315,173	853,198
Investment funds	496,533	477,807	504,855
Promissory notes/Commercial paper	571,686	655,880	1,052,586
Other	5,827	6,746	2,302
Total	2,650,891	2,455,610	2,412,945

\* \* \*

**Shareholders' equity**

The consolidated balance sheet of Parmalat Finanziaria as of September 30, 2003 shows total consolidated shareholders' equity, including pre-tax profit for the period January 1 – September 30, 2003, of 2,074 million euros, compared with the 2,100 million euros of June 30, 2003 and the 2,250 million euros of December 31, 2002.

82. Ominously, the November 14, 2003 release also addressed the departure of Parmalat's current CFO, stating:

**Rationalisation of the functions of the administrative and finance departments**

Parmalat has decided to combine the functions of the General Manager Finance and the General Manager Administration and Control, appointing Mr. Luciano Del Soldato to the new post. Until to day Mr. Del Soldato has held the post of General Manager Administration and Control.

Effective today Mr. Alberto M. Ferraris will no longer *fulfill his position as Chief Financial Officer of the Parmalat Group*. Mr. Ferraris will pursue different personal interests in a new international venture.

83. The statements made by Defendants during the Class Period were each false and misleading when made. The true facts, which were then known by or available to each of the Defendants based upon their access to and/or review of internal Parmalat data, were:

(a) That Parmalat's sales, net operating profit, assets and shareholder equity as reported for FY 98, FY 99, FY 00, FY 01 and FY 02, as well as the interim periods 1999-2003, were false, as they were artificially inflated by the manipulations detailed in ¶¶85-124, below.

(b) That defendants Coloniale, Tonna, Tanzi and GT had actively participated in the falsification of Parmalat's accounts for more than a decade.

(c) That the Company's assets as reported on its balance sheet were overstated by more than \$8 billion, including at least \$4.9 billion in a fictitious account purportedly held by Bonlat at Bank of America.

(d) That the Company's liabilities were understated by at least \$3.6 billion based upon Defendants' representations that Parmalat had repurchased outstanding bonds which it had not, in fact, repurchased.

(e) That GT's December 20, 2002 request for confirmation of the \$4.9 billion cash held in the Bonlat account never left Parmalat's headquarters.

(f) That under the direction of defendant Tonna, a fraudulent Bank of America response was created in Parmalat's offices and included in GT's files in connection with its FY 02 audit.

(g) That the March 6, 2003 letter purportedly confirming the existence of \$4.9 billions on deposit with Bank of America was a forgery, and that GT had not conferred with and/or independently confirmed the existence of the \$4.9 billion that Parmalat via Bonlat, purportedly had on deposit at Bank of America.

(h) That GT had not conducted adequate confirmation procedures as part of its audit of Bonlat's statements of accounts in connection with its audits of the financial statements of Parmalat subsidiaries between 1999 and 2003.

(i) That the responses to the January 31, 2003 requests for confirmation sent by GT in connection with its FY 02 audit were forgeries.

(j) That on at least eight occasions GT failed to send third-party confirmation-request letters in connection with its audits of Parmalat's subsidiaries and/or ensure that response letters received in response thereto came directly from the third party.

(k) That GT failed to conduct independent audits on the 17 Parmalat subsidiaries which it was engaged to audit for FY 99-FY 03, but rather participated in the falsification of audit confirmation documents.

(l) That Parmalat did not in fact have a \$625 million liquid investment in Epicurum Fund.

(m) That, as he has now admitted, Tanzi siphoned off from Parmalat more than \$625 million, which transfers were via the Defendants' use of sham transactions and fictitious investment assets.

(n) That, as defendants Tonna and Tanzi have now admitted, Defendants engaged in a “systematic falsifying” of accounts at Parmalat for at least 15 years.

(o) That the Individual Defendants worked with several investment banks to structure and sell debt securities which were designed to conceal Parmalat’s true capital structure.

(p) That, beginning in December 1999, the Individual Defendants worked with Citigroup to create a debt financing mechanism which was designed to allow Defendants to artificially inflate Parmalat’s balance sheet and income statement on an ongoing basis by raising \$137 million for Parmalat which Defendants characterized as an investment in a Parmalat subsidiary, instead of as an additional debt obligation.

(q) That GT and the Zini law firm worked with defendants Tonna and Tanzi to create fictitious business transactions, including transactions with entities such as Camfield Pte. Ltd. whereby, in order to boost Bonlat’s reported assets, Defendants concocted a fictitious \$620 million credit for payment of hundreds of thousand tons of powdered milk that Parmalat falsely claimed it sold to a Cuban company.

(r) That defendants used multiple legal entities to divert hundreds of millions of dollars to the Tanzi family, including Holding Italiana Turismo and two corporations located in the Dutch Antilles: Curcastle Corp. and Zilpa Corp.

(s) That, in connection with the falsification of Parmalat’s FY 00 results, Tonna refused to disengage from Defendants’ scheme even when apprised by his colleagues that the magnitude of the fictitious milk sales to Cuba was so dramatic that defendants would “drown in it” if they did not stop their pretend sales of powdered milk to Cuba.

(t) That in November 2003, Tonna told executives in Parmalats finance department to “clean-up” old financial records related to defendant’s fraudulent scheme, including

documents related to Bonlat by taking the paper documents and electronic documents contained on a computer disk “to his home to destroy them,” which conduct was affirmatively endorsed by Gian Paolo Zini of the Zini law firm.

#### **REVELATIONS OF DEFENDANTS’ FRAUD**

84. By the last week of December 2003, it was revealed that that almost 40% of Parmalat’s assets were in a bank account at Bank of America *that did not exist*; that Parmalat had been declared legally insolvent; that \$600 million of Parmalat’s cash that purportedly had been invested in a liquid investment fund could not be retrieved; that the Company’s senior executives had manipulated the Company’s income statements and balance sheet for more than a decade by using off-shore shell companies, SPEs, forged documents and sham transactions; that the Company’s senior executives destroyed relevant evidence and/or ordered others to destroy relevant evidence by, among other things, taking a hammer to a computer containing data relevant to Defendants’ scheme; and that at least eight of Parmalat’s senior insiders, auditors and lawyers had been taken into custody in connection with one of the largest financial fraud ever perpetrated.

#### **DEFENDANTS’ ACCOUNTING FRAUD**

85. In order to mask Parmalat’s true financial condition, Defendants falsified Parmalat’s financial results and caused Parmalat to issue false and misleading financial statements during the Class Period. As part of the most shocking corporate financial fraud in history, Defendants engaged in a practice of manipulating Parmalat’s balance sheet accounts, overstating Parmalat’s assets by more than \$8 billion, understating Parmalat’s liabilities by more than \$3.6 billion and booking nonexistent sales in order to overstate Parmalat’s earnings and meet profit expectations during the Class Period.

86. Parmalat included these results in press releases and in its audited financial statements, including its year end financial statements for FY 98-FY 02 and its half-year reports for

1998-2002. See ¶¶111-122. The Company represented that the financial information was a fair statement of the Company's financial results.

87. These representations were false and misleading as to the financial information reported, as the information provided was not a fair presentation of the Company's operations due to the Defendants' manipulation of Parmalat's financial results.

### **Fraudulent Manipulation of Parmalat's Revenues and Assets**

88. As part of Defendants' scheme and wrongful course of business, they created a complex global structure which included shell corporations and sophisticated SPEs that enabled them to engage in and cover-up Parmalat's false financial reporting. Defendants used this network of offshore companies to make it look as if Parmalat had more assets and greater sales than it actually did in order to offset huge liabilities on Parmalat's balance sheet, as well as to cover-up the fraudulent transfer of funds to Defendants. Parmalat's insiders and advisors did not simply manipulate accounts in order to overstate assets and revenues from one period to the next, but rather orchestrated an ongoing scheme and wrongful course of business whereby Defendants fashioned bogus documents showing assets that Parmalat did not own and sales that it had never made. The Defendants' fraudulent scheme allowed Parmalat to meet earnings projections each quarter by booking fictitious sales at the end of each quarter. Many of these fictitious transactions involved Parmalat's Cayman Islands-based subsidiary Bonlat, which was created by Tanzi, Tonna, Zini and GT and audited by GT.

89. Bonlat was simply "an empty box" which held "worthless credits" created as part of Defendants' scheme. According to Bonlat's financial records, it had many financial dealings with other Parmalat entities throughout the world. As its auditor, GT would often accept the various transactions as legitimate. In some instances, GT used forged documents to establish proof of different transactions. GT utilized these fake documents as legitimate without independent third-

party verification in deciding to attest to the veracity of Bonlat's and the other subsidiaries' financial statements each year.<sup>2</sup> Notwithstanding their highly suspicious nature, D&T accepted GT's opinion concerning these entities without independent verification in deciding to attest annually to the veracity of Parmalat's consolidated financial statements.

### **Bank of America Account**

90. On its balance sheet at year end 2002, Bonlat purported to have \$4.9 billion in an account with Bank of America. GT drafted a letter dated December 20, 2002 requesting verification of this amount from Bank of America. However, it appears that this letter was never actually sent to Bank of America. Instead, GT was willing to accept from Parmalat's offices a March 6, 2003 Bank of America letter, certifying the existence of the Bonlat account. It was on the basis of this letter that GT certified Bonlat's financial statements. By including this non-existent asset in its financial statements, Parmalat's financial statements were not a fair presentation of its assets during the Class Period.

### **Diversion of Parmalat's Corporate Assets**

91. Tanzi has admitted to regulators that Defendants diverted at least \$625 million from Parmalat during the Class Period, funneling the money into Tanzi family-owned operations such as Parmatour, Holding Italiana Tursimo and SATA. Nonetheless, these funds remained on Parmalat's balance sheet, thus, overstating Parmalat's assets for the period.

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<sup>2</sup> GT's participation in the fraud was extensive and has resulted in the arrest of two of GT representatives who worked on the Parmalat audits. On December 31, 2003, Italian authorities arrested Lorezo Penca, chairman of Grant Thornton SpA, and Maurizio Bianchi, a partner in the Milan office, in connection with the scheme alleged herein, based in part upon the extensive involvement of GT in creating, suggesting and/or structuring ways Parmalat's balance sheet could be falsified and then falsely certifying the financial statements as being accurate. Mr. Penca has since resigned from GT and Mr. Bianchi has been suspended.

92. In some instances, the shortfalls created by these illegal transfers were covered up by the creation of fictitious credits to make it appear as if these Tanzi-family companies owed Parmalat money. These credits were “paid off” via payments from fake bank accounts and held on Parmalat’s books as being invested in bogus bank accounts at Parmalat subsidiaries, including Bonlat.

93. Additionally, in some instances, the illegal transfers were made through fictitious investments, such as Epicurum. According to Gianfranco Biocchi, a former member of the finance department, the creation of Epicurum by defendants Tanzi, Tonna, Zini and GT was undertaken simply as part of defendants’ efforts to effectuate transfers of money to Tanzi-family companies.

94. Defendants claim that Parmalat invested \$620 million in a mysterious Cayman Islands-based fund in 2002. Defendants concealed this “investment” until issuing a release on November 11, 2003, after regulators launched an investigation into Parmalat’s accounting. Notwithstanding Defendants’ public representation in 4Q 03 that its Epicurum “investment” was liquid, it has yet to liquidate its “investment” in this fund. The existence of this obscure and unknown fund has been called into doubt as there is no publicly available information concerning this fund, other than what information Parmalat publicly disseminated throughout November and December of 2003 in its press releases.

95. Defendants’ fraudulent transfers, including those detailed above, and the ensuing cover-up caused Parmalat’s assets to be overstated and further caused Parmalat’s financial statements to not be a fair representation of its assets during the Class Period.

#### **Use of Epicurum to Overstate Parmalat’s Earnings for the First-Half of 2003**

96. In Parmalat’s half-year report for 2003, Parmalat reported pre-tax earnings for the consolidated group of \$157.5 million. The report concealed all details about the break-down of this amount and no mention was made of any derivative financial contract Parmalat had entered into with Epicurum. However, D&T qualified its review letter submitted with the 2003 half-year report in part

because it could not obtain independent “fair value” valuation of a derivative financial contract Parmalat had entered into with an “overseas mutual investment fund.” Thereafter, in a conference call to analysts on November 16, 2003, Defendants disclosed that Parmalat had, in fact, made \$152.5 million in the first half by engaging in a currency swap with Epicurum, *meaning that 97% of Parmalat’s net profit for the first half of 2003 is derived from this one transaction with the same obscure Cayman Islands-based fund that Parmalat had purportedly invested \$625 million in 2002 and which appears to have been formed by and/or have close ties with Parmalat’s counsel, Zini.* Defendants further admitted that this gain had been included in ordinary income, along with the earnings from its milk operations but refused to separate the earnings from its normal operations as a milk producer from its earnings made from the currency swap.

97. In light of the fact that the existence of this very fund has been called into doubt, as well as the fact that Parmalat’s auditors could not obtain independent verification of this gain, Parmalat’s earnings in the first half of 2003 were materially overstated due to this improper transaction. Moreover, Parmalat’s financial statements were not a fair presentation of the Company’s financial condition nor did they provide investors with sufficient information concerning the Company’s central operation as a milk producer.

#### **Cuban/ Camfield Sale**

98. During the Class Period, Defendants created non-existent sales in order to meet earnings projections each period. For example, at year end 1999, Bonlat claimed to have sold 300,000 tons of milk worth \$620 million to Empresa Cuba, a Cuban state-owned importer, through Singapore-based Camfield Pte. Ltd. This credit due from the Cuban importer was carried on Bonlat’s balance sheet as an asset. Nonetheless, this sale did not actually take place. Accordingly, Bonlat’s, and in turn Parmalat’s, revenues and assets were overstated during the Class Period by \$620 million due to this bogus transaction.

99. Camfield is a Singapore based holding company, which was set up approximately five years ago. Although it is not listed in Parmalat's financial statements as an affiliated company (and thus, not included in Parmalat's consolidated financial statements), Camfield is connected to Parmalat. Camfield's CEO is Claudio Pessina. Pessina worked in Parmalat's finance department during the Class Period. Furthermore, its company secretary, Lawrence Kwan, has stated that Camfield simply uses his mailing address and any notifications he receives he forwards on to Italy.

100. Camfield also has ties to GT. The Singapore address and phone number for Camfield's are the same as GT's Singapore affiliate, Foo Kan Tan Grant Thornton. Additionally, Camfield's company secretary, Mr. Kwan, is an employee of Kon Choon Kooi, which is an affiliate of Grant Thornton's Singapore affiliate.

101. The President of the Cuban company has said that Parmalat's claims that the Communist-run nation owes it tens of millions of dollars is false. The President further added that it does have a contract with Parmalat's Chilean operation for \$700,000/mo. worth of powdered milk, (around 7,000-8,000 tons of milk annually), rather than the 300,000 tons it allegedly bought. However, the nation is current on this account and does not have any debts outstanding with Parmalat. In fact, the President of Empresa Cuba quipped that if it had purchased the amount of milk claimed by Parmalat, Cuba would be literally "swimming in milk," as it would have purchased almost 60 gallons of milk annually for every human being in Cuba.

102. Here once again, GT purported to utilize account confirmation which never reached its intended recipient. Instead GT's reliance in certifying the account came from forged documents.

103. This false sale, as well as the others that occurred during the Class Period, caused Parmalat's earnings and assets to be overstated and thus were not a fair presentation of Parmalat's finances during the Class Period.

## **Understatement of Parmalat's Liabilities**

104. Defendants' false reporting was not limited to grossly overstating the assets listed on Parmalat's balance sheet. Defendants also understated Parmalat's liabilities. This understatement, a violation of standard accounting principles, further caused Parmalat's financial statements to not be a fair representation of Parmalat's finances during the Class Period.

105. Similar to Defendants' manipulation of the Company's assets, Defendants used Parmalat's web of offshore companies to keep Parmalat's subsidiaries' debts off of Parmalat's balance sheet, masking its true financial condition.

106. Parmalat's liabilities were further understated as a result of the creation and utilization by defendants Tanzi, Tonna and Citigroup of SPEs, including one transaction where Citigroup provided Parmalat a \$137 million cash infusion via a Delaware LLC dubbed Buconero, or the "black hole." The vehicle was used in order to obtain much needed funding from Citigroup. However, the cash obtained from the deal was actually a loan and should have been included as a liability on Parmalat's financial statements. Nonetheless, Defendants treated the amount as equity on Parmalat's financial statements, causing Parmalat's liabilities to be further understated.

## **D&T'S AND GT'S PARTICIPATION IN THE FRAUD**

107. From 1990-1999, GT was Parmalat's chief auditor. However, Defendants knew that applicable law required Parmalat to rotate its auditor for FY 99. Thereafter, Parmalat retained D&T, as its main auditor. Thus in 1998, Parmalat, per GT's suggestion, created a new Cayman Islands-based subsidiary, Bonlat Financing Corp. Given that Bonlat was a new entity, Parmalat was able to retain GT as its auditor.

108. Over the next four years, Bonlat became the clearing house for many of Defendants' fraudulent transactions. While Parmalat describes Bonlat as a treasury center in its financial statements, prosecutors have deemed the Cayman Islands-based entity as a "virtual garbage dump."

109. During the four year period from 1999-2002, GT's share of the audit process rose substantially, Defendants' fraud expanded, and the importance of Bonlat grew. It jumped to 49% of the Company's assets in 2002 from 22% in 1999, despite the fact that GT audited only 17 of Parmalat's 137 units. Fees from the Parmalat audit engagement comprised 2% of Grant Thornton SpA's entire audit revenues in 2002.

110. As Parmalat's chief auditor, D&T simply relied upon GT's word in conducting its audit and preparing its opinion on Parmalat's overall consolidated performance despite the close ties GT had had with Parmalat in the past and despite the suspiciousness of the size and nature of the subsidiaries audited by GT, including huge and mysterious offshore accounts held by those subsidiaries. For example, Bonlat claimed to have a \$4.9 billion account with Bank of America as of year end 2002, while Parmalat's consolidated financial statements for year end showed a total of only \$12.85 billion in assets. Although liquidity was of great importance to Parmalat and despite this single account making up a large portion of the Company's overall assets, D&T intentionally refused to verify GT's assurances regarding the veracity of Bonlat's assets in the preparation of its audit and the issuance of its report.

#### **Auditors' False Statements as to Parmalat's FY 98-FY 03 Financial Statements**

111. D&T and GT issued materially false reports on Parmalat's 1998-2002 year end financial statements and on Parmalat's 1998-2002 half year reports during the Class Period.

112. With respect to Parmalat's consolidated financial statements for FY 98, GT represented that it had performed adequate testing and review of Parmalat's financial statements to obtain reasonable assurances that Parmalat's consolidated financial statements were free of material misstatements. GT stated that it believed its audit provided a reasonable basis for its opinion that the financial position of the Company as of December 31, 1998, and the results of operations for the year ended, fairly presented the Company's financial position.

113. With respect to Parmalat's consolidated financial statements for FY 99, D&T represented, in a report dated May 10, 2000, the following:

We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Stock Exchange Commission. ***Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.*** An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The financial statements of certain subsidiary companies representing 22% of consolidated total assets and 16% of consolidated revenues respectively have been examined by other auditors who provided us with copies of their reports. Our opinion, expressed in this report, as regards the figures relating to such companies included in the consolidation, is also based on the work carried out by these other auditors. ***We believe our audit provides a reasonable basis for our opinion.***

\* \* \*

In our opinion, the consolidated financial statements present fairly the financial position of the Company as of December 31, 1999, and the results of its operations for the year then ended, and comply with the principles which regulate the preparation of consolidated financial statements in Italy.

114. With respect to Parmalat's consolidated financial statements for FY 00, D&T represented, in a report dated April 13, 2001, the following:

We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Stock Exchange Commission. ***Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.*** An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The financial statements of certain subsidiary companies representing 40% of consolidated total assets and 23% of consolidated revenues respectively have been examined by other auditors who provided us with copies of their reports. Our opinion, expressed in this report, as regards the figures relating to such companies included in the consolidation, is also based on the work carried out by these other auditors. ***We believe our audit provides a reasonable basis for our opinion.***

\* \* \*

In our opinion, the consolidated financial statements present fairly the financial position of the Company as of December 31, 2000, and the results of its operations for the year then ended, and comply with the principles which regulate the preparation of consolidated financial statements in Italy.

115. With respect to Parmalat's consolidated financial statements for FY 01, D&T represented, in a report dated April 11, 2002, the following:

We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Stock Exchange Commission. ***Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.*** An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The financial statements of certain subsidiary companies representing 42% of consolidated total assets and 23% of consolidated revenues respectively have been examined by other auditors who provided us with copies of their reports. Our opinion, expressed in this report, as regards the figures relating to such companies included in the consolidation, is also based on the work carried out by these other auditors. ***We believe our audit provides a reasonable basis for our opinion.***

\* \* \*

In our opinion, the consolidated financial statements present fairly the financial position of the Company as of December 31, 2001, and the results of its operations for the year then ended, and comply with the principles which regulate the preparation of consolidated financial statements in Italy.

116. With respect to Parmalat's consolidated financial statements for FY 02, D&T represented, in a report dated April 14, 2003, the following:

We conducted our audit in accordance with the Auditing Standards recommended by Consob, the Italian Stock Exchange Commission. ***Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.*** An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The financial statements of certain subsidiary companies representing 49% of consolidated total assets and 30% of consolidated revenues respectively have been examined by other auditors who provided us with copies of their reports. Our opinion, expressed in this report, as regards the figures relating to such companies included in the consolidation, is also

based on the work carried out by these other auditors. ***We believe our audit provides a reasonable basis for our opinion.***

\* \* \*

In our opinion, the consolidated financial statements present fairly the financial position of the Company as of December 31, 2002, and the results of its operations for the year then ended, and comply with the principles which regulate the preparation of consolidated financial statements in Italy.

117. With respect to Parmalat's interim financial information for FY 99, GT represented, in a report dated October 14, 1999, the following:

We have reviewed the six-months Report of Parmalat Finanziaria S.p.A as of June 30, 1999, consisting of the balance sheets, the related statements of income, the accounting and financial footnotes and the group consolidated accounts. We have also reviewed the accounting and financial reporting matters for the sole purpose of checking the remaining data given in the rest of the interim report.

\* \* \*

On the above basis, we did not acquire knowledge of any significant variations or alterations that should be added to the statements and financial information as identified in paragraph 1 of the present report, in order to achieve conformity with the criteria as set out in Consob regulations, for the preparation of six-month reports as approved in decree no. 8195 dated June 30, 1994 and subsequent modifications.

118. With respect to Parmalat's interim financial information for FY 01, D&T represented, in a report dated October 15, 2001, the following:

We have reviewed the accompanying interim financial information for the six months ended June 30, 2001, made up of the consolidated accounting schedules and related notes of Parmalat Finanziaria S.p.A. In addition, we have verified the consistency of the notes with the related information contained in the above accounting schedules.

\* \* \*

Based on our review we are not aware of any material modifications that should be made to the interim financial information mentioned in the first paragraph above in order for it to be in conformity with the criteria provided by CONSOB regulations for the preparation of interim financial information approved in Resolution N. 11971 of May 14, 1999 as subsequently amended and supplemented.

119. With respect to Parmalat's interim financial information for FY 02, D&T represented, in a report dated October 15, 2002, the following:

We have reviewed the accompanying interim financial information for the six months ended June 30, 2002, made up of the consolidated accounting schedules and related notes of Parmalat Finanziaria S.p.A. In addition, we have verified the consistency of the notes with the related information contained in the above accounting schedules.

\* \* \*

Based on our review we are not aware of any material modifications that should be made to the interim financial information mentioned in the first paragraph above in order for it to be in conformity with the criteria provided by CONSOB regulations for the preparation of interim financial information approved in Resolution N. 11971 of May 14, 1999 as subsequently amended and supplemented.

120. After ignoring Bonlat for the entire Class Period, on October 31, 2003 D&T finally issued a statement of limitation regarding its own assessment of Parmalat's finances in connection with Parmalat's half year report for 2003. With respect to Parmalat's interim financial information for FY 03, D&T represented, in a report dated October 31, 2003, the following:

We have reviewed the accompanying interim financial information for the six months ended June 30, 2003, made up of the consolidated accounting schedules and related notes of Parmalat Finanziaria S.p.A. In addition, we have verified the consistency of the notes with the related information contained in the above accounting schedules.

Our review was made in accordance with the criteria for reviews recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange, under Resolution n. 10867 of July 31, 1997. The review of the six-month data of certain subsidiaries representing approximately 15% of consolidated assets and approximately 13% of consolidated income was carried out by other auditors who have provided us with a copy of their reports. In addition, we availed of the review performed by other auditors, who provided us with their report, in relation to a subsidiary company performing prevalently financial activities representing a significant part of the consolidated total assets. Our review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review did not include audit procedures such as tests of controls and verification of assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with auditing standards. Accordingly, unlike our reports on

the statutory and consolidated financial statements for the year ended December 31, 2002, we do not express an audit opinion on the interim financial information. In our review on the interim financial information for the six month data as of June 30, 2003 we have encountered the following limitations:

- Group subsidiary holds a quota in an overseas mutual investment fund as of June 30, 2003 amounting to approximately Euro 477.7 million. The investment is carried out at subscription value and classified under current financial assets. At June 30, 2003 complete and detailed information is not available on the performance in the period and on the general situation of the fund, necessary to support the return matured and the valuation of the investment at that date.

- The Company informed us that the first financial statements available regarding this fund will be those as of December 31, 2003, the period end of its first financial statements. Therefore, in the absence of this documentation, it was not possible to support the carrying value of these financial assets and the effects of the operations made by the fund in the consolidated interim financial information of the Group for the six-months period ended June 30, 2003. Among these operations are those described in the following paragraph, to which the aforementioned subsidiary was a counterparty.

- In March 2003 a Group subsidiary signed a derivative financial contract with the investment fund mentioned in the preceding paragraph in which the parties are committed to settling on a quarterly basis, until 2007, with reference to a notional amount of Euro 850 million, the USD/Euro exchange differences matured compared to an initial agreed upon exchange rate. The Group received an initial amount of approximately USD 45 million (approximately Euro 40 million) on the signing of the contract, that was entirely credited to the income statement in the period under other revenues and income. In addition, the income statement for the period includes financial income of approximately USD 90 million (approximately Euro 81.7 million) as a consequence of favorable exchange rate fluctuations for the Group in the first quarter of the contract. In the absence of national accounting standards regarding these circumstances, it was considered appropriate to make reference to international accounting standards that will be shortly introduced for listed companies for the analysis of this treatment. In accordance with these standards the up-front payment recognized by the contract under consideration must be initially recorded as a liability; at the end of each subsequent period, the derivative contracts in course must be valued at "fair value" and, based on this assessment, the initial recorded value must be adjusted. Consequently, in the absence of an independent "fair value" valuation of this contract as of June 30, 2003, we are unable to confirm the correct accounting treatment of the up-front amount received by the Group.

\* \* \*

- The consolidated financial statements as of June 30, 2003 include the reporting package of Parma AC S.p.A. which includes, under intangible assets, a

write-down relating to the long-term rights for the services of professional sports persons. The amount of the write-down, net of amortization in the period, amounts to approximately Euro 215 million and was determined on the basis of a sworn expert's appraisal. This accounting treatment is permitted as per article 18 bis of law no. 19 of March 23, 1981, introduced with law no. 27 of February 21, 2003, in departure of recording the entire charge to the income statement for the period, as required by the regulations on the preparation of financial statements in the Civil Code and relevant accounting principles. The Group did not show in the notes to the consolidated interim financial statements ended June 30, 2003 the aforesaid effect of the application of the above-mentioned law.

- Based on our review, except for the possible effects, if any, related to the limitations mentioned in paragraph 2 and the lack of information indicated in the preceding paragraph 4, we are not aware of any material modifications that should be made to the interim financial information mentioned in the first paragraph above in order for it to be in conformity with the criteria provided by CONSOB regulations for the preparation of interim financial information approved with Resolution NA 1971 of May 14, 1999 as subsequently amended and supplemented.

121. Despite having been put on notice of the fraudulent accounting at Bonlat, D&T still claimed in the issuance of this opinion that it was not aware of significant alterations that should be made to Parmalat's financial statements, except for its express limitations surrounding the Epicurum asset. However, shortly thereafter, on November 12, 2003 (after regulators announced they were launching an investigation into Parmalat's accounting on November 10, 2003), D&T did state that it would not certify Bonlat's first half 2003 results.

122. D&T's and GT's reports for FY 98-FY 02 were false and misleading due to their failure to obtain reasonable assurance about whether Parmalat's financial statements were free of material misstatement. Given that Parmalat was a close family controlled business, utilizing a large, complex global structure and its continual borrowing of large amounts of money when it purportedly had large amounts of cash on hand, D&T and GT knew of, or were on notice of, the manipulations detailed herein and knowingly failed to design their audits to obtain reasonable assurances concerning Parmalat's accounts. Throughout the Class Period, D&T and GT knew or, absent gross recklessness especially in light of the nature and the amount of Parmalat's fraud, should have known

that Parmalat's financial results were materially false and misleading in that they overstated earnings and assets and understated liabilities.

### **Auditor's Participation in the Dissemination of the Parmalat's False Financial Statements**

123. During the Class Period, D&T and GT were actively involved in the preparation, examination and/or review of Parmalat's consolidated financial statements for FY 98-FY 02. D&T and GT knew that the information contained in the financial statements would be disseminated to and relied upon investors in the United States, including the plaintiff, and around the world. D&T and GT further knew that this information would be contained in offering memoranda and other selling documents used by Defendants to raise over \$5 billion during the Class Period via the sale of Parmalat securities.

124. As the auditors for Parmalat and its subsidiaries, D&T and GT were intimately familiar with Parmalat's business, given their continual access to Parmalat's confidential financial information. As a result, D&T and GT knew or, absent gross recklessness, should have known about Parmalat's true financial condition. Despite this knowledge, D&T and GT participated in the presentation, review and issuance of Parmalat's false financial statements to the detriment of the investing public.

### **APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE MARKET DOCTRINE**

125. At all relevant times, the market for Parmalat's securities was an efficient market for the following reasons, among others:

(a) Parmalat's securities have met the requirements for listing, and were listed and actively traded on the Mercado Telematico Azionario, a highly efficient, screen-based automated market, the Luxemborg Stock Exchange and the Milan Stock Exchange and/or traded as ADRs in the United States;

(b) Parmalat regularly communicated with public investors *via* established market communication mechanisms, including through regular disseminations of releases on major newswire services and other wide-ranging public disclosures, and other communications with the financial press and other similar reporting services as well as via internet postings directed to investor in the United States; and

(c) Parmalat was followed by securities analysts employed by major brokerage firms worldwide who wrote reports based upon information disseminated by the Individual Defendants which were distributed to the sales force and certain customers of their respective brokerage firms. These reports were publicly available and entered the public marketplace.

126. As a result of the foregoing, the market for Parmalat securities promptly digested current information regarding Parmalat from all publicly available sources and reflected such information in Parmalat's stock price. Under these circumstances, purchasers of Parmalat's securities during the Class Period suffered similar injury through their purchase of Parmalat's securities at artificially inflated prices and a presumption of reliance applies.

### **FIRST CLAIM FOR RELIEF**

#### **Violation of §10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants**

127. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

128. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including plaintiff and other Class members, as alleged herein; (ii) enable defendants and Parmalat to sell more than \$5 billion of Parmalat securities; and (iii) cause plaintiff and other members of the

Class to purchase Parmalat's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

129. Defendants: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Parmalat securities in violation of §10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

130. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the financial performance and business operations of Parmalat as specified herein.

131. These defendants employed devices, schemes and artifices to defraud while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Parmalat's value and performance, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Parmalat and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Parmalat securities during the Class Period.

132. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's financial statements; and (iii) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

133. The Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose of concealing the true status of Parmalat operations and financial statements from the investing public and selling newly issued series and/or supporting artificially inflated trading price of securities. As demonstrated by Defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

134. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Parmalat securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of Parmalat's traded securities were artificially inflated, and relying directly or indirectly on the false and

misleading statements made by Defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, plaintiff and the other members of the Class acquired Parmalat securities during the Class Period at artificially high prices and were damaged thereby.

135. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that Parmalat was experiencing, which were not disclosed by Defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their Parmalat securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

136. By virtue of the foregoing, Defendants have violated §10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

137. As a direct and proximate result of Defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases of the Company's securities during the Class Period.

## **SECOND CLAIM FOR RELIEF**

### **Violation of §20(a) of the Exchange Act Against Defendants Tanzi, Tonna, Coloniale, Deloitte Touche Tohmatsu Grant Thornton International and Citigroup**

138. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

139. Defendants Tanzi, Tonna and Coloniale acted as controlling persons of Parmalat within the meaning of §20(a) of the Exchange Act. By reason of their positions as directors, officers and/or controlling shareholders of Parmalat they had the power and authority to cause Parmalat to engage in the wrongful conduct complained of herein.

140. Tanzi controls 50.68% of the equity interest in Parmalat via his and his family's equity ownership and control over Coloniale, the Tanzi family holding corporation. Tonna is the Chairman of the Board of Coloniale. All strategic decisions for Parmalat were made by or required the approval of Coloniale, Tanzi and/or Tonna. As a result of their equity ownership and executive positions at Coloniale and their positions as senior executives at Parmalat, Tanzi and Tonna exercised complete and total control over Parmalat. Similarly, Coloniale possessed and exercised control over Parmalat as a result of its majority equity interest in Parmalat and the fact that Coloniale's controlling shareholder (Tanzi) and its Chairman (Tonna) were also senior executives and/or directors of Parmalat. Defendant Citigroup, Inc. acted as a controlling person of Buconero within the meaning of §20(a) of the Exchange Act. By reason its controlling ownership interest, Citigroup, Inc. and its employees had the power and authority to cause and did cause Buconero to engage in the scheme and wrongful conduct complained of herein.

141. Defendant Citigroup, Inc. owns a majority of the equity interest in Buconero and possesses and exercised control and dominion over these defendants as the direct or indirect owner of a controlling equity interest therein. All strategic decisions for Buconero were made by or required the approval of Citigroup, Inc. and its senior executives. Defendant Citigroup, Inc. possessed and exercised the power and authority to cause Buconero to engage in the unlawful conduct asserted herein.

142. Defendant Grant Thornton International acted as a controlling person of defendant Grant Thornton SpA and the individual GT employees who participated in the scheme alleged herein. Grant Thornton International oversaw and approved the processes and procedures used by Grant Thornton SpA during the Class Period by, among other things, utilizing mandatory internal inspections to ensure compliance with the standards established by Grant Thornton International.

143. Defendant Deloitte Touche Tohmatsu acted as a controlling person of defendant Deloitte & Touche SpA and the individual D&T employees who participated in the scheme alleged herein as detailed in above.

144. By reason of such wrongful conduct, the defendants named in this Second Claim for Relief are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of these defendants' wrongful conduct, plaintiffs and other members of the Class suffered damages in connection with their purchases of Parmalat securities during the Class Period.

#### **PRAYER FOR RELIEF**

WHEREFORE, plaintiff prays for relief and judgment, including preliminary and permanent injunctive relief, as follows:

- A. Determining that this action is a proper class action, and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure;
- B. Awarding preliminary and permanent injunctive relief in favor of plaintiff and the Class against Defendants and their agents and all persons acting under, in concert with, or for them, including an accounting for and the imposition of a constructive trust and/or an asset freeze on Defendants' ill-gotten gains;
- C. Ordering an accounting of Defendants' ill-gotten gains;
- D. Ordering disgorgement of Defendants' ill-gotten gains;

E. Awarding compensatory damages in favor of plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

F. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

G. Such other and further relief as the Court may deem just and proper.

### **JURY DEMAND**

Plaintiff hereby demands a trial by jury.

DATED: January 5, 2004

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