ANNEX 1

THE CIRIO AND THE PARMALAT SCANDALS: OUTLINE OF THE MAIN EVENTS

1. A BRIEF HISTORY OF CIRIO AND THE MAIN EVENTS OF THE CRISIS

In October 2003 the Italian Cirio Group has been put in a special insolvency procedure following its default to pay a bond in November 2002 and the ensuing cross-default of other bond issues. As the companies of the Group have been very active in the capital markets, raising about Euro 1,125 billion Euro in the last two years by issuing bonds, its insolvency sparked considerable debate. Criminal investigations are in course. In addition, civil litigations have been started for the alleged responsibility of some banks for their role in the placement of the corporate bonds.

Please find below a brief chronology of the main events1.

In the early 1900, Cirio emerges as one of the most important food processing industries in Europe.

During the Seventies the company enters a phase of economic and financial difficulties and at the end of the decade its ownership is transferred to SME, a State-controlled food group owned by IRI (“Istituto per la ricostruzione industriale”, a public entity set up in the Thirties for the purpose of acquiring and restructuring distressed companies).

1993-1994

After acquiring other food-related companies, the now called Finanziaria Cirio Bertolli De Rica S.p.A. (“Cirio Bertolli De Rica”) exits the public sector and is transferred to Sagrit S.p.A., whose 51% is owned by FISVI S.p.A. and whose 49% is owned by Cognotti & Partners Capital Investments NV (“C&P”), a Netherland-based company indirectly owned by the financier Mr. Sergio Cognotti through a complex chain of foreign companies (based in Luxembourg, The Netherlands, Virgin Islands).

FISVI S.p.A. subsequently exits Sagrit’s ownership; Sagrit launches a mandatory takeover bid, at the end of which it holds more than 90% of Cirio Bertolli De Rica. Sagrit, renamed Cirio Holding S.p.A., holds Cirio Bertolli De Rica (subsequently renamed Cirio Finanziaria S.p.A.) which, in its turn, holds the other operative companies of the Group.

1994-1999

1 Source: Report of the judicial receivers according to article 28 of the Legislative Decree 270/99, published on 26 September 2003 and news from the press.
In 1994 the Cirio Group is active in the production and distribution of preserved vegetables, milk, oil and canned tuna, especially in Italy. In the following years, the Group makes a number of acquisitions in the milk sector in Italy, thus increasing the indebtedness. Starting from the 1997, a strategy of diversification in the Group is started, with the expansion to new business sectors and to new geographical areas, with particular attention to North and South America.

However this strategy determined a high increase in the gross financial indebtedness, from 280 million Euro in 1996 to 870 million Euro in 1999, mainly represented by bank loans.

2000-2002

During this period the acquisition campaign continues, but there is also an attempt to restructure the Cirio Group in order to refocus it to the alimentary sector and to restructure its financial indebtedness.

The restructuring of the debt is mainly performed by issuing bonds, usually by means of Luxembourg or Netherlands’ vehicles, guaranteed by Cirio Finanziaria S.p.A. or by Cirio Holding S.p.A., and usually devoid of credit rating. The proceeds of the bonds are mainly used to finance the debts of the other companies of the group and to reduce the shorter term bank indebtedness. From 30 May 2000 to 31 May 2002 nine bonds issues are raised, for a total amount of Euro 1,125 billion Euro. Meanwhile the bank indebtedness is reduced from 870 million Euro in 1999 to about 335 million Euro in 2002.

Nov. 2002

On 3 November 2002 a bond note of 150 million Euro, with fixed interest rate of 7.50%, issued by Cirio Finance Luxembourg SA and guaranteed by Cirio Del Monte S.p.A. and Cirio Finanziaria S.p.A., regulated by the English law, comes to maturity. The company is not able to reimburse the principal and the interests. On 7 and 8 November 2002 the English Trustee declares the default of the note and the cross-default of the other series of notes.

During the following months, groups of bondholders sue Cirio Finanziaria S.p.A., the Chairman of the board Mr. Sergio Cragnotti and several banks for damages alleging breach of the duties of transparency, conflicts of interests by the banks and breach of the statutes and regulations on the placement of bonds.

August 2003

The Court of Rome appoints a committee of three judicial receivers in order to evaluate the feasibility of the restructuring of Cirio Del Monte S.p.A., Cirio Holding S.p.A., Cirio Finanziaria S.p.A. and Cirio Del Monte N.V., in order to authorise the procedure of “Amministrazione Straordinaria” pursuant to Legislative Decree 270 of 1999 (a judicial procedure which provides for the restructuring of the companies instead of their winding-up, for certain aspects similar to the US Chapter 11 procedure).

Further to the Group’s bankruptcy, Mr. Cragnotti, already indicted for false corporate communications, is indicted for aggravated criminal bankruptcy and subsequently for corruption. Criminal indictments have also been brought against other managers of the group.

Criminal indictments and investigations are extended also to bank managers with regard to the way the bonds have been placed and alleging a fraud to the investors with reference to the conflicting (and
undisclosed) role of the banks as Cirio’s creditors and as intermediaries in placing the bonds to the investors.

2.2 A BRIEF HISTORY OF PARMALAT AND THE MAIN EVENTS OF THE CRISIS

In the early ’90, Parmalat, a medium size company specialised in the milk sector, starts a strategy of expansion abroad. In 2003 its turnover comes for about one third from Europe, for about one third from Northern and Central America and for the remaining third from Southern America and the rest of the world. The Parmalat group is now composed of a highly intricately and complicated web of subsidiaries and related companies also in off-shore fiscal paradises. In order to finance these world-wide acquisitions, Parmalat has made increasing recourse to debt and bond issues, also by means of Luxembourg or Netherlands based vehicles.

On July 2003, the Italian Securities Commission started to investigate on the company.

8 Dec. 2003

Parmalat fails to reimburse a 150 million Euro bond; the market price of the shares collapses and the shares are suspended from market quotation. Standard & Poors, which had given Parmalat debt an investment grade rating, downgrades it to junk status.

9 Dec. 2003

The Board ensures that the bond will be reimbursed and appoints as consultant Mr. Enrico Bondi, a corporate rescue expert, in order to re-establish public confidence and solve the situation.

19 Dec. 2003

Bank of America denies the existence of a bank account providing liquidity for 3.9 billion Euro, in favour of Bonlat, a subsidiary based in the Cayman Islands. Such amount was always claimed by the companies’ officers as evidence of the group’s soundness and liquidity.

23 Dec. 2003 The Italian government enacts an urgent Decree in order to facilitate the admission of distressed companies in the procedure provided by Legislative Decree 270 of 1999 concerning “Amministrazione Straordinaria”. On 27 December 2003, 2003 Parmalat is admitted to the procedure of “Amministrazione Straordinaria” under the new Decree.

Criminal investigations are currently in progress concerning the main shareholder and the main managers. The responsibility of the auditing companies is also called into question. Banks involved in the placement of corporate bonds are under scrutiny.

In early January the US Securities and Exchange Commission started investigating and co-operating with Italy’s public prosecutors and supervisors. An increasing number of US and Italian investors threatens lawsuits in order to recover damages on their investments.