Centrale del Latte d'Italia S.p.A.

2016 Financial Statements

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BOARD OF DIRECTORS

E.D.	N.E.D.	I.D.		A.R.C.	R.C.	C.R.C.
●			**Luigi LUZZATI** Chairman			
●			**Riccardo POZZOLI** Executive Vice Chairman and CEO			
	●		**Lorenzo MARCHIONNI** Non-Executive Vice Chairman	●	●	●
●			**Maurizio MACCHIAVELLO** Managing Director at Rapallo operating unit			
	●		**Adele ARTOM** Director			
	●		**Antonella FORCHINO** Director	●		
	●	●	**Elsa FORNERO** Director			
	●	●	**Renato GIALLOMBARDO** Director			
	●	●	**Laura MATERASSI** Director	●		
	●		**Lorenzo PETRETTO** Director			
	●	●	**Luciano ROASIO** Director	●	●	
	●	●	**Alberto TAZZETTI** Director	●	●	●
	●	●	**mano TURINETTO** Director		●	●

E.D. = Executive Director
N.E.D. = Non-executive Director
I.D. = Independent Director

ARC = Audit and Risk Committee
R.C. = Directors' Remuneration Committee
C.R.P. = Committee for transactions with related parties

BOARD OF STATUTORY AUDITORS

Francesco FINO	Chairman
Giovanni RAYNERI	Standing Auditor
Vittoria ROSSOTTO	Standing Auditor

AUDITING AND CERTIFYING FIRM

DELOITTE & TOUCHE S.p.A. - Turin

Equity investment structure

At 31 December 2016, Centrale del Latte d'Italia S.p.A. was made up as follows:

The Shareholders

The share capital of the Company is equal to € 28,840,041.20 fully paid-up, divided into 14,000,020 common shares with a par value of € 2.06 each.

According to the information available, 3,109 shareholders are registered in the shareholders' register of Centrale del Latte d'Italia S.p.A. and the shareholders holding more than 5% of the Company's share are:

Finanziaria Centrale del Latte di Torino S.p.A.	37.831%
Municipality of Florence	12.308%
Fidi Toscana S.p.A.	6.826%
Municipality of Pistoia	5.262%
Market	37.773%

Centrale del Latte d'Italia Group

2016 Separate and Consolidated Financial Statements

Directors' Report

Dear Shareholders,

For your company, listed since 200 on the MTA of Borsa Italiana and admitted to the STAR segment in 2001, 2016 was a period of significant growth and geographical extension.
The year saw the Merger by Incorporation of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. and the subsequent separation and transfer of the company into Centrale del Latte della Toscana S.p.A., an original, one-of-a-kind transaction.

Companies operating in different regions were able to overcome obstacles of various kinds and a measure of mutual distrust in order to combine markets, energy and professional skills. The similarities in the history of the companies, stretching back over sixty years, made it both reasonable and possible to complete such a merger in a country like Italy that is so often divided by an excessively individualist, regionalist approach. The whole process lasted well over 18 months, and was characterised by maximum transparency and a desire to overcome the difficulties encountered, thanks to the far-sighted approach of the public and private shareholders, directors and managers of the Companies, assisted by mutual knowledge and esteem.

This was an important corporate operation that gave rise to the third fresh milk hub in Italy, and effectively the only player really able to make the most of the specific features of the various areas in Italy in regions that are important in the milk and yogurt market. This is a leading Group in the areas it is present in, able to compete on all channels and all markets: a business development project with strong, close links with the areas of origin, yet ready to expand beyond those areas, following a tradition able to confirm its value and to innovate, able to aim for new horizons and to find the energy and resources for growth.

Centrale del Latte d'Italia Group has 5 production plants in Turin, Florence, Vicenza, Rapallo (Ge) and Casteggio (Pv), able to directly produce fresh, ESL (Extended Shelf Life) and UHT milk, yoghurt, fresh products and plant-based drinks, and to sell packaged own-brand products in the fresh sector, such as eggs, cheese and pasta produced through selected customers. It has 444 employees and over 320 reefer vans that every day supply 2750 points of sale of retail chains and over 11,600 customers in normal trade channels, as well as collecting approx. 119 million litres of milk from 161 stables.

The new Group brings together brands with a strong presence at local level, which share essential values such as quality, safety and close links with the local areas. This is combined with an awareness of the need to strengthen, relaunch, diversify and extend the Group's business, while continuing to offer the excellent quality that distinguishes the individual companies within it, making the most of the production facilities by maintaining their value and substantially respecting the way the individual companies operate, without prejudice to any improved organisational solutions that may be adopted to optimise the production chain by maintaining and adding to supplies on the part of local farmers.

With a view to providing a more accurate overview of the Group, the pro forma income statement for the entire FY 2016, adjusted for extraordinary costs totalling € 1.644 million, can be summarised as shown below:

- Revenue from sales € 176.196 million
- Value of production € 178.608 million
- EBITDA € 7.917 million (4.4%)
- EBIT € 1.304 million (0.7%)
- Net Financial Position € (60.230) million
- Shareholders' equity € 63.542 million

Merger transaction

- Statutory aspects.

As provided for in the Merger by Incorporation Plan of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. (CLF) into Centrale del Latte di Torino & C. S.p.A. approved by the Ordinary and Extraordinary Shareholders' Meeting of 13 June 2016, on 16 September 2016 the Deed of Merger of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. (CLF) into Centrale del Latte di Torino & C. S.p.A. (CLT) was signed, with subsequent recording of the deed in the Business Registry of Turin on 21 September 2016.

On 29 September 2016, by resolution no. 0086846/16, Consob granted the judgement of equivalence pursuant to article 57, paragraph 1, letter d) of Consob Regulation no. 11971/1999 on the information document related to the merger, authorising the publication of the Information Document, now available on the Company's website on.

http://centralelatteitalia.com/investor-relations/fusione/.

From 30 September 2016, 11:59 pm, the statutory, accounting and tax effects of the merger have become effective, pursuant to articles 2501-*ter* et seq. of the Italian Civil Code.

Now that the Merger has become effective, in line with the resolutions passed by the Extraordinary Shareholders' Meeting of *Centrale del Latte di Torino & C. S.p.A* held on 13 June 2016, the following was implemented: (i) the share capital increase from € 20,600,000 to € 28,840,041, by issuing 4,000,020 new ordinary shares with a par value of € 2.06 each, with the same characteristics as those outstanding and listed on the STAR segment of *Mercato Telematico Azionario* ("**MTA**") organised and managed by Borsa Italiana S.p.A. and destined for CLF's shareholders; (ii) the change of its company name to "**Centrale del Latte d'Italia S.p.A.**" (CLI); (iii) the increase in the number of Directors, which went from 9 to 13, with the appointment of the following new Directors: Renato Giallombardo, Lorenzo Marchionni, Laura Materassi and Lorenzo Petretto.

- **Exchange ratio**

The exchange ratio between the ordinary shares of CLF and the new shares of the Company Resulting from the Merger, issued for the Merger and assigned to the shareholders of CLF, defined in the Merger Plan, established the exchange ratio between the ordinary shares of CLF and the new shares of the Company Resulting from the Merger, issued for the Merger and assigned to the shareholders of CLF as follows: 1 new share of the Incorporating Company (with a par value of € 2.06 each) for 6.1965 CLF ordinary shares (with a par value of € 0.52 each), rounded off to the closest unit and without cash adjustments.

- **Accounting aspects**

Pursuant to IFRS 3 – Business combinations, the Merger transaction is classified as a business combination, pursuant to which the difference between the fair value of the net assets purchases and the fair value of the new shares issued must be posted to the income statement. This difference, in accordance with Legislative Decree no. 38/2005, cannot be distributed to the shareholders, and must be destined for the net equity reserve. Therefore, the separate and consolidated financial statements show a positive result from the business combination of € 13,902,917, the fair value of the shares issued for the merger share swap having been set at € 2.834 per share. This figure was defined with reference to the Borsa Italiana *Centrale del Latte di Torino & C. S.p.A* share price at 30 September 2016.

Effective from 1 October 2016, CLI transferred the company already controlled by CLF ("**Mukki Company**") into a new company, wholly owned by CLI, with registered and operating office in Florence, named **Centrale del Latte della Toscana S.p.A.**. The purpose of the transaction is to maintain the legal, corporate and management autonomy of the company, specifically guaranteeing: (i) the safeguarding of the production facility as an important resource for the local economy, (ii) the continuity of the existing managerial group and (iii) the safeguarding of current employment levels.

Further to this transaction, the consolidated financial statements of your Company describe the situation of the assets and liabilities of Centrale del Latte della Toscana from 1 January 2016 to 31 December 2016, whereas revenue and costs relating to the period from 1 October to 31 December 2016 are charged to the income statement.

FY 2016.

The Group closed FY 2016 with a positive economic result of € 12.015 million, obtained during a year of transition and change strongly marked by the Merger Transaction. Consolidated turnover reached € 117.786 million (+21.6% compared to € 96.851 million). **EBITDA** equalled € 2.905 million, whereas EBIT was negative for € 1.609 million.

The economic results were conditioned by extraordinary, non-recurring costs related to the merger and to the termination of a working relationship at management level; net of these entries, EBITA would have been € 4.327 million (3.7% of the value of production) and EBIT would have been negative for € 187,000.

Milk raw material purchasing prices experienced a general drop all over the world, which also in Italy triggered a reduction in the early months of the year, followed by substantial stability, followed by a rise during the last months of 2016. Prices, always agreed upon with counterparties, guaranteed adequate remuneration in a period marked by a lasting crisis in consumption, with raw material quality remaining at the highest levels.

The Group's sales, which cannot be compared with those of the previous year due to the change in the scope of consolidation, remained largely stable for the fresh + ESL (extended shelf life) milk segment. The UHT milk segment was affected by the promotional campaigns other competitors continued to organise, and which the Group, as in the past, did not organise to a huge extent. The yogurt segment suffered, while there was a rise in sales of fresh salads and a 9.5% rise in other packaged products. During 2016, there was continued growth in the plant-based drinks segment, aimed at customers following vegetarian, vegan and low-calorie diets, or who suffer from lactose allergies or intolerances.

In this context, the Group is the third-largest hub in Italy, with an Italian market share of 7.3% in the fresh + ESL milk sector and 3.7% in the long-life (UHT) milk sector, and with a leadership position in the regions of Piemonte - Valle d'Aosta, Tuscany, Liguria and Veneto, with market shares in the four regions of 27.4% in the fresh + ESL milk segment and 13.4% in the long life (UHT) milk segment. (Source IRI Infoscan I+S at 31 December 2016).

Personnel costs reached € 18.206 million, compared to € 14.672 million in 2015. The average number of employees at 31 December 2016 was 444, 168 units of which to due to the change in the scope of consolidation. In 2015 there were 259 employees. The average number of employees at 2016 year-end was as follows:

- Managers no. 21
- Middle management no. 19
- White-collar personnel no. 197
- Blue-collar personnel no. 207

Depreciation of tangible fixed assets went from € 3.129 million in 2015 to € 4.085 million in 2016, while amortisation of intangible fixed assets totalled € 73 thousand (€167 thousand in 2015).

Financial income and expenses. Financial expenses registered at the end of FY2016 amounted to a total of € 764 thousand, compared to the € 706 thousand of the previous FY, and are mainly attributable to interest on loans and financing (€ 576 thousand). Financial income from interest totalled € 72 thousand, compared to € 28 thousand in 2015.

For each of the paragraphs considered hitherto, regarding revenue and costs for FY2016, statements illustrating the figures and comparing them with the previous financial year have been drawn up and published in the notes to the consolidated financial statements.

The economic management and the equity position of the Group in FY2016 are illustrated in the reclassified consolidated financial statements in annex a) of this report. This annex contains a description of the criteria adopted for drawing up the reclassified accounting statements, notes referring back to the items in the statutory financial statements and information regarding "alternative performance indicators".

(€/000)	**2016**	**2015**	**Change**	
Revenue from sales and services	117,786	96,851	20,935	21.6%
Value of production	**119,762**	**98,319**	**21,444**	**21.8%**
EBITDA	**2,905**	**4,850**	**(1,945)**	**-40.1%**
EBIT	**(1,609)**	**1,699**	**(3,308)**	**-194.7%**

Pre-tax result	**11,780**	**603**	**11,177**	**n.a.**
Net result after taxes	**12,015**	**517**	**11,498**	**n.a.**

The Group's net revenue amounted to € 117.786 million, compared to € 96.851 million of the previous FY. Although a single operating sector has been identified at both Group and ultimate parent company level, shown in the table below is a breakdown per segment:

(€/000)	**2016**		**2015**		**Change**	
Fresh milk	49,084	41.7%	40,765	42.1%	8,319	20.4%
UHT milk	24,112	20.5%	18,467	19.1%	5,645	30.6%
Yogurt	7,042	6.0%	7,680	7.9%	(638)	-8.3%
Fresh vegetables	5,852	5.0%	5,504	5.7%	348	6.3%
Bulk milk and cream	3,174	2.7%	2,823	2.9%	351	12.4%
Other packaged products	26,014	22.1%	19,492	20.1%	6,522	33.5%
Drinks of plant origin	1,791	1.5%	1,310	1.4%	481	36.7%
Export	811	0.7%	937	0.8%	(126)	-13.4%
(*) of which goods still en route	*(93)*		*(128)*			
Total	**117,786**	**100.0%**	**96,851**	**100.0%**	**20,902**	**21.6%**

(*) Goods en route are still the property of the Company, so they are indicated for statistical purposes only and not in total turnover. In accounting terms, goods en route are booked to the warehouse value of finished products.

Financial Position.

The Group's net financial position at the end of FY2016 was negative for € 60.230 million, absorbing the net financial debt of € 35.282 million of the subsidiary Centrale del Latte della Toscana S.p.A. further to the merger.

(€/000)	**31/12/2016**	**31/12/2015**	**Change**
Cash and cash equivalents (12ne+13ne)	9,521	**12,192**	(2,671)
Total current financial assets	**9,521**	**12,192**	**(2,671)**
Payables to banks (23ne)	(8,000)	(2,502)	(5,498)
Current share of medium/long-term loans (24ne)	(15,688)	(7,017)	(8,671)
Current share of payables to other lenders (25ne)	(904)	(882)	(22)
Total current financial liabilities	**(24,592)**	**(10,401)**	**(14,191)**
Payables for medium/long-term loans (17ne)	(43,799)	(21,115)	(22,684)
Payables to other lenders for medium/long-term loans (18ne)	(1,360)	(2,331)	971
Total non-current financial liabilities	**(45,159)**	**(22,446)**	**(22,713)**
Total financial liabilities	**(69,751)**	**(32,847)**	**(36,904)**
Net financial debt	**(60,230)**	**(20,655)**	**(39,575)**

INFORMATION ON FINANCIAL AND OPERATING RISKS OF THE GROUP.

Risks associated with the business activity

The main risk related to the Group's specific industrial activity regards fluctuations in milk raw material prices. The Group contains this risk by drawing up annual agreements with milk producers, which set the purchase prices at the beginning of the dairy year and maintain those prices for the whole of the period that runs from 1 April to 31 March of the following year, save for particular circumstances in which agreements may be reached on a different basis. Prices are currently set on a quarterly basis.

For purchases made outside of the main supply channel, reference is made to the most advantageous market conditions available when the need arises.

Financial risks.

The financial instruments of the Group comprise bank loans and sight and short-term bank deposits. The aim of these instruments is to finance the Group's operating activities. Other financial instruments of the Group are trade payables and receivables deriving from operating activity.

The main risks generated by financial instruments are the interest rate, liquidity and credit risk.

Interest rate risk.

The Group's exposure to interest rate risk is connected mainly to long-term loans and financing, to which are normally applied interest rates equivalent to 3 month and 6 month Euribor rates plus a fixed *spread.* With the application of the so-called "Basel 2" all the companies in the Group are subjected to an analysis on the part of credit institutes that attribute a rating to them; the fixed spread may vary depending on the rating assigned. At the date of closure of these consolidated financial statements, no variations had been applied. Details of the rates applied to individual loans are provided in the notes to the consolidated financial statements, specifically in the note regarding financial payables.

Liquidity risk. The Group contains liquidity risk by planning the use of liquidity by considering financial investments, financial assets (trade receivables and other financial assets) and cash flows expected from transactions.

Credit risk. The Group mainly deals with familiar, reliable clients. Receivables are monitored during the financial year in order to limit exposure to losses. The maximum risk is equivalent to the book value of these assets in the event of insolvency on the part of the counterparty.

Other risks.

With regard to the dispute initiated by the ENASARCO Foundation, for the first, the ENASARCO Foundation has an appeal pending with the Court of Cassation to overturn sentence no. 8634/2014 issued by the Court of Appeal of Rome on 18 November, ordering the Foundation to refund € 811 thousand to our company for social welfare contributions recognised as being owed to the Foundation by the Court of Rome with sentence no. 1260/2013 of 28 February 2013.

The second dispute, relating to injunction no. 9800/2012 granted to the ENASARCO Foundation for an amount of € 658 thousand, was settled at first instance with sentence no. 5185/2015 of 20 July 2015 of the Court of Rome, which revoked the injunction. The Enasarco Foundation has filed an appeal, and the hearing has been set for 18 January 2018. On 11 January 2017, following the rejection on the part of the Regional Committee for Employment Relations at the Interregional Office for Employment in Rome of the appeal against the assessment report of 11 November 2014 filed by the Enasarco Foundation, notification was received from the Foundation of a new demand for payment of the amount indicated in the assessment report, totalling € 423,829.69 Euro.

Guardia di Finanza (Italian Financial Police), following the inspection related to the ENASARCO dispute, gave notice of assessment for failure to pay withholding tax to the self-employed drivers used for distribution for the 2008 and 2009 tax years. The notices of assessment amount to € 427 thousand and € 572 thousand respectively. For the inspection regarding the tax year 2008, suspension of payment was requested and obtained from the Provincial Taxation Commission; the two appeals were then combined, and after a series of postponements, were discussed and accepted, and the requests from Agenzia delle Entrate were withdrawn. On 16 December, Agenzia delle Entrate filed an appeal against the first instance decision. For the tax year 2009, the appeal presented by the company against the inspection was accepted by the Provincial Taxation Commission with a sentence filed on 20 November 2015.

Furthermore, the Guardia di Finanza (Italian financial police) regarding the possible failure to pay withholding tax to the self-employed drivers in relation with the ENASARCO dispute for the years 2010 to 2013, issued assessment reports inclusive of penalties and interest, amounting to € 945 thousand for 2010, € 996 thousand for 2011, € 1.040 million for 2012 and € 1.075 million for 2013.

For the tax years 2010 – 2013, the annulment of the acts was requested and a sentence issued by the Court of Appeal for tax year 2008. The Office pointed out that this request for annulment is not compatible with the tax settlement proposal procedure under way, and invited the company to file a settlement proposal. Although this request appears unmotivated, since in the meantime a judge has ruled in favour of the company with regard to the controversy, the decision has been taken – for the sole purpose of avoiding the dispute – to present a settlement proposal for payment of an amount equal to the unified contributions that ought to be paid by the company for the impugnation of the acts before the Provincial Taxation Commission.

Regarding the tax inspection concerning FY 2004, please note that, following the sentence of the Regional Taxation Commission, which partially admitted the appeal presented by the company regarding the most significant findings, and the rebate of € 97 thousand paid out by Agenzia delle Entrate, the latter presented an appeal to the Supreme Court of Appeal against the sentence of the Regional Taxation Commission.

Centrale del Latte d'Italia S.p.A. – stock performance

During 2016, the stock performance of Centrale del Latte d'Italia S.p.A., listed on the STAR (High Performance Equities) segment of Borsa Italiana, reached a maximum value of € 3.35 per share, as compared to a minimum of € 2.57. **The last trading day of the year, the company shares closed at € 3.21.** According to the information available, 3,109 shareholders are registered in the shareholders' register of Centrale del Latte d'Italia S.p.A..

INFORMATION ON THE MANAGEMENT OF THE PARENT COMPANY CENTRALE DEL LATTE D'ITALIA S.p.A.

Economic management

FY2016 of Centrale del Latte d'Italia S.p.A. closed with net revenue reaching € 75.022 million, +1.2% compared to € 74.102 million in FY2015. EBITDA equalled € 1.687 million (€ 4.157 million at 30 September 2015); EBIT was negative for € 497 thousand compared € 2.452 million in 2015. The net after-tax result showed a profit of € 12.784 million, due to the business combination result due to the merger mentioned above.

The economic results were affected by an increase in costs related to the extension of the sales areas in the areas bordering on those where the companies were traditionally present, and to significant maintenance costs for the Turin plant. Net of the extraordinary, non-recurring costs for the year, EBITDA would have reached € 2.469 million, while EBIT would have been positive for € 285 thousand.

As mentioned above, Company's sales amounted to € 75.022 million. Overall, sales – net of sales of bulk milk and cream – rose by 1.8%. With regard to sales of bulk milk and cream, it is important to remember that these sales are proposed on the so-called spot raw milk market, and are therefore subject to the effects of shifts downwards in the specific market and a drop in volumes available as a result of the rationalisation of raw material purchases.

The fresh + ESL (*extended shelf life*) milk market remained largely stable compared to FY2015 (+0.2%), while the (UHT) milk sector was affected by the promotional campaigns other competitors continue to propose, and which the Company, as in the past, does not intend to propose on a massive scale.

The yogurt segment decreased by 10.7%. There was a +5.6% rise in sales of fresh salads, while other packaged products rose by +9.5%. The drinks of plant origin segment, aimed at consumers following a vegetarian, vegan or low-calorie diet, or consumers with lactose allergies and intolerances, continued to grow, up 28.9% compared to 2016.

At the end of FY2016, the main indicators in the income statement are summarised and compared with those of FY2015 in the following table:

(€/000)	**2016**	**2015**	**Change**	
Net sales	75,022	74,102	920	1.2%
Value of production	**75,981**	**75,036**	**945**	**1.3%**
EBITDA	**1,687**	**4,157**	**(2,470)**	**-59.4%**
EBIT	**(497)**	**2,452**	**(2,949)**	**-120.3%**
Pre-tax result	**12,858**	**1,716**	11,143	n.a.
Net profit (loss)	**12,784**	**1,197**	**11,587**	**n.a.**

Revenue from sales

Revenue from sales recorded an increase of 1.2% compared to 2015.

Sales of the turnover segments are summarised in the table below:

(€/000)	2016		2015		Change	
Fresh milk	33,934	45.2%	34,005	45.9%	(70)	-0.2%
Intra-group	867	1.2%	731	1.0%	136	18.6%
Total fresh milk	**34,801**	**46.4%**	**34,736**	**46.9%**	**66**	**0.2%**
UHT milk	12,183	16.2%	12,596	17.0%	(413)	-3.3%
Intra-group	160	0.2%	102	0.1%	58	56.4%
Total UHT milk	**12,343**	**16.5%**	**12,698**	**17.1%**	**(355)**	**-2.8%**
Yogurt	2,479	**3.3%**	2,776	**3.7%**	**(297)**	**-10.7%**
Total yogurt	**2,479**	**3.3%**	**2,776**	**3.7%**	**(297)**	**-10.7%**
Fresh vegetables	5,116	6.8%	4,903	6.6%	213	4.3%
Intra-group	481	0.6%	401	0.5%	80	20.5%
Total fresh vegetables	**5,597**	**7.5%**	**5,304**	**7.2%**	**294**	**5.6%**
Drinks of plant origin	992	1.3%	769	**1.0%**	223	28.9%
Total drinks of plant origin	**992**	**1.3%**	**769**	**1.0%**	**223**	**28.9%**
Bulk milk and cream	1,469	2.0%	1,647	2.2%	(178)	-10.8%
Intra-group	115	0.2%	291	0.4%	(176)	-60.3%
Total bulk milk and cream	**1,584**	**2.1%**	**1,938**	**2.6%**	**(354)**	**-18.3%**
Other packaged products	16,382	21.8%	15,048	20.3%	1,334	8.9%
Intra-group	123	0.2%	25	0.0%	97	384.7%
Total other packaged products	**16,505**	**22.0%**	**15,073**	**20.3%**	**1,432**	**9.5%**
Export	**811**	**1.0%**	**937**	**1.1%**	**(126)**	**-13.4%**
(*) of which still en route	*(93)*	-	***(128)***	**-**	-	-
Total	**75,022**	**100%**	**74,102**	**100%**	**920**	**1.2%**
of which intra-group	**1,747**	**2.3%**	**1,551**	**2.1%**	**198**	**12.7%**

(*) Goods en route are still the property of the Company, so they are indicated for statistical purposes only and not in total turnover. In accounting terms, goods en route are booked to the warehouse value of finished products.

Other revenue

Other revenue amounted to € 957 thousand compared to € 724 thousand in FY2015. The breakdown of this revenue is illustrated in the pertinent table contained in the notes.

Personnel costs reached € 11.503 million, compared to € 10.999 million in 2015. The average number of employees related to the plants in Turin, Rapallo (Ge) and Casteggio (Pv) for FY2016 was 206, compared to 194 in 2015. This figure can be broken down into categories as follows:

- Managers no. 11
- Middle management no. 7
- White-collar personnel no. 81
- Blue-collar personnel no. 107

Depreciation of tangible fixed assets went from € 1.889 million in 2015 to € 2.066 million of 2016, while amortisation of intangible fixed assets totalled € 62 thousand (€ 167 thousand in 2015) related to the new information system.

Financial income and expenses. Financial expenses registered at the end of FY2016 amounted to a total of € 279 thousand, a fall compared to the € 340 thousand of the previous FY, and are mainly attributable to interest on loans and financing (€ 163 thousand). Financial income from interest receivable totalled € 14 thousand (€ 21 thousand in 2015).

For each of the paragraphs considered hitherto, regarding revenue and costs for FY2016, statements illustrating the figures and comparing them with the previous financial year have been drawn up and published in the notes to the financial statements.
Adjustments of equity investments. Considering the losses recorded by the affiliate Odilla Chocolat Srl, the value of the equity investment in the Company has been reduced to € 1, i.e. a write-down of € 282,375 recorded in the income statement.
The equity investment in GPP S.r.l. was disposed of in 2016, with a capital gain of € 500 recognised in the income statement for the year.

The economic management and the equity position of the Parent Company in FY2016 are illustrated in the reclassified consolidated financial statements in annex a) of this report. This annex contains a description of the criteria adopted for drawing up the reclassified accounting statements, notes referring back to the items in the statutory financial statements and information regarding "alternative performance indicators".

Net financial position

The Parent Company's net financial position at the end of FY2016, after payment of dividends for € 600 thousand, of the balance of taxes for 2015 and advance on taxes for 2015 for € 558 thousand, was negative for € 7.762 million compared to the figure at the end of 2015, i.e. € 4.178 million. The worsening of the financial position was due to the delay on the part of the Tax Authority in refunding the VAT credit, amounting to € 6.109 million.
The average cost of the financial debt was 1.5% against 2.5% of 2015.

(€/000)	31/12/2016	31/12/2015	Change
Cash and cash equivalents (13ne+14ne)	6,099	9,517	(3,418)
Total current financial assets	**6,099**	**9,517**	**(3,418)**
Payables to banks	(500)	(1,002)	502
Current share of medium/long-term loans (23ne)	(7,210)	(3,758)	(3,452)
Current share of payables to other lenders (24ne)	(18)	(36)	18
Total current financial liabilities	**(7,728)**	**(4,796)**	**(2,932)**
Payables for medium/long-term loans (16ne)	(6,112)	(8,792)	2,680
Payables to other lenders for medium/long-term loans (17ne)	(21)	(106)	85
Total non-current financial liabilities	**(6,133)**	**(8,899)**	**2,766**
Total financial liabilities	**(13,861)**	**(13,694)**	**(167)**
Net financial position	**(7,763)**	**(4,178)**	**(3,584)**

Information on the Subsidiaries included in the scope of consolidation.

Centrale del Latte di Vicenza S.p.A.

Centrale del Latte di Vicenza S.p.A., a 100%-subsidiary, closed FY2016 with a net loss of € 979 thousand, compared to a net loss of € 680 thousand in 2015. Revenue from sales, gross of intra-group sales, amounted to € 26.701 million, compared to € 26.651 million in FY2015. During the year, the Company made significant investments in marketing (especially in the last quarter) to support its own brands, and sustained a cost of € 283 thousand for the termination of a working relationship with a management figure and set aside a provision of € 189 thousand for a loss on receivables from a customer. These extraordinary items influenced the results for Q4 2016, which net of these would have recorded an EBITDA of 8.3% on the value of production.
The value of the intangible, property and technical assets of the subsidiary Centrale del Latte di Vicenza S.p.A. underwent assessments on the part of external, independent bodies, which showed that their economic recoverable value is higher than that entered in the financial statements.
The reclassified accounting schedules and the respective net financial positions of the subsidiaries are provided in the annexes to this report.

Centrale del Latte della Toscana S.p.A.

The wholly owned Centrale del Latte della Toscana S.p.A. closed the period 1 October – 31 December 2016 with a net profit after tax of € 210,000. Revenue from sales stood at € 20.812 million. Centrale del Latte della Toscana S.p.A., incorporated on 30 May 2016, originated directly from the former Centrale del Latte di Firenze, Pistoia e Livorno, previously merged on 30 September into Centrale del Latte d'Italia S.p.A. and transferred immediately afterwards into the new entity. For this reason, in order to provide a picture of FY 2016 comprising the first nine months of the year, it should be noted that pro forma revenue amounts to € 79.220, with EBITDA of € 3.964 million and EBIT of € 1.277 million.

The reclassified accounting schedules and the respective net financial positions of the subsidiaries are provided in the annexes to this report.

Reconciliation between Financial Statements and consolidated Financial Statements.

The reconciliation between the result of the Parent Group and its net equity and the corresponding result of the Group and its net equity is set out in the explanatory notes to the consolidated financial statements.

OTHER INFORMATION

Information on Compliance with Codes of Practice (Art. 89-bis of Consob Regulation).

Corporate Governance Code. The parent company has adopted a self-regulatory Code in the application of its *Corporate Governance*, i.e. the system of rules by which a company is managed and controlled. The annual report on Corporate Governance and the latest version of the pertinent Code, approved by the Board of Directors on 30 October 2015 - effective from 1 January 2016 – are available on the company's website:

http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-Autodisciplina-2016_CLI.pdf

Code of behaviour for *internal dealing*. The parent company has adopted the Code of practice in order to govern the obligations regarding information, and has drawn up a register of those people who have access to confidential information, in compliance with the provisions of articles 2.6.3, 2.6.4 and 2.6bis of the "Regulation of Markets organised and managed by Borsa Italiana S.p.A.", approved by Consob resolution no. 13655 of 9 July 2002, and with articles 152*bis-ter-quater-quinquies-sexies-septies-octies* of the Consob Regulation for issuers, regarding the operations as per article 2.6.4 of the Borsa Italiana regulation carried out by relevant individuals as defined in article 2 of the Code of practice on internal dealing. The latest version of the Code of practice for internal dealing, approved by the Board of Directors on 1 October 2015, is available on the company's website:

http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-internal-dealing-2016_CLI.pdf

Code of procedures for dealing with transactions with related parties. The parent company has adopted the Code of Practice with related parties in compliance with the provisions of Consob resolution no. 17221 of 12 March 2010 as amended. The version of the code for related-party transactions, approved by the Board of Directors on 3 March 2017, is available on the Company's website:

http://centralelatteitalia.com/wp-content/uploads/2016/06/Procedura-parti-correlate_2017.pdf

Organisation Model as per Legislative Decree 231/2001 - Risk management and internal audit systems.

Centrale del Latte d'Italia S.p.A. (CLI) believes that the adoption of the Model as per the Decree is a further means of raising awareness among directors, employees and all other third parties that have dealings with CLI, so that, in carrying out their activities, their conduct is correct, transparent and in line with the ethical and social values that inspire CLI in the pursuit of its business purpose and prevent the risk of offences set out in Legislative Decree no. 231/2001 from being committed.

The adoption and spread of the model is aimed at rendering potential offenders fully aware that they may in fact be committing an offence and at carrying out constant observation and monitoring of activities so as to ensure *Centrale del Latte di Torino & C. S.p.A.* is able to adopt preventive measures or to intervene swiftly in order to stop offences being committed. The Model – updated to 13 December 2016 – is available on the Company's website:

http://centralelatteitalia.com/wp-content/uploads/2016/07/CLI-DI-02-mod-org-231-Rev00-del-2016-12-13_riv.pdf

Intra-group dealings and dealings with related parties.

As regards operations carried out with related parties, including intra-group operations, these may not be considered atypical or unusual, since they are part of the normal activities carried out by the companies in the group. Said operations are regulated at market conditions.

Information regarding dealings with related companies, including those required as indicated by Consob on 28 July 2006, is presented in the notes.

Offices of the Parent Company.

Registered, administrative and production office: Turin Via Filadelfia 220

Production and distribution facility: Rapallo (Ge) Via S. Maria del Campo 157

Productive plant: Casteggio (Pv) Via Rossini 10

Tax consolidation.

The parent company joined the tax consolidation regime together with its subsidiary Centrale del Latte di Vicenza S.p.A. The option is valid for three financial years from the one that closed at 31 December 2014.

Treasury shares.

The Parent Company does not hold treasury shares or shares of the ultimate parent company. The Parent Company did not sell or purchase treasury shares or shares of the ultimate parent company during the year.

***Stock Option* Plans**

There were no outstanding *stock option* plans at 31 December 2016.

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.

Following the close of the financial year, there were no events that had an impact on the data or the information in the financial statements.

BUSINESS OUTLOOK.

The first months of the new FY have been positive for the sales of all Group brands in a situation marked by the first signs of recovery in both consumption and domestic demand. The Companies have confirmed their strong positions on the market, and 2017 may be considered a year of consolidation for the Group after the extraordinary transactions of last year, with a particular focus on the implementation of new organisational structures. The focus on innovation on the part of the Companies in the Group has also been consolidated, and new products will be offered on the market during the coming year.

As regards milk raw material, there has been a rise in prices across the board, and this rise will be transferred to the price list for products from 1 April 2017.

Dear Shareholders,

We would like to thank those in charge of the Deloitte & Touche S.p.A. Audit Company, the board of statutory auditors, managers, employees and workers for their cooperation, and we invite you to approve the financial statements at 31 December 2016, the relevant explanatory notes and this report on management allocating the profit for the year (€ 12,783,720) as follows:

- to the legal reserve € 639,186
- reserve not available due to business *comb.* € 12,144,534

Turin, 3 March 2017

The Chairman of the Board of Directors

Luigi Luzzati

Centrale del Latte d'Italia Group

2016 Separate and Consolidated Financial Statements

Directors' Report – Annexes

Reclassified schedules.

The reference in the first column is to the individual item or group of items in the statutory schedule on which the reclassification is based.
The amounts shown are in €/000.

ALTERNATIVE PERFORMANCE INDICATORS (API)

With a view to facilitating understanding of the economic and financial situation of the CLI Group, a number of alternative performance indicators (**API**) have been identified. These indicators are tools designed to make it easier for the directors to identify operating trends and take decisions regarding investments, allocation of resources and other decisions on operations.
For a proper interpretation of the API, the following information is provided:

- these indicators have been drawn up based exclusively on data from the records and correspond to those entered in the financial statements of CLI Group, and are not indicative of the future performance thereof;
- the API are not contemplated in the reference accounting standards (*International Financial Reporting Standards*) regarding CLI Group, and although they are taken from the financial statements of the same, they are not subject to accounting audit;
- the API must not be considered a substitute of the indicators provided for in the reference accounting standards;
- the API for FY 2016, although drawn up with consistent, standardised definitions and representative of FY 2015, following the accounting records deriving from the Merger as described in the last point of the paragraph "Accounting aspects" of this directors' report, cannot be compared with those relating to 2015 and previous years. For these reasons, we have highlighted a number of "extraordinary", non-repeatable items that adjust the results of FY 2016, and the economic aspects are integrated with pro forma representations that comprise the income statement of the first nine months of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.;
- the definitions of the indicators used by CLI Group may not be the same as those adopted by other companies/groups and therefore may not be comparable with them.

ALTERNATIVE PERFORMANCE INDICATORS (API) - DEFINITION

- **EBITDA:** the net result before amortisation and depreciation, write-downs, financial income and charges, adjusted if necessary to exclude significant revenue and costs that, given their nature, are not expected to be repeated and will not influence future periods.
- **EBIT:** the operating result as indicated in the income statement.
- **ROI *(Return On Investments):*** the ratio between EBIT (as defined above) and the Capital Invested calculated as follows: Current Assets + Non-current assets – Current Liabilities.
- **ROE *(Return On Equity):*** the ratio between the Result for the Period and Shareholders' Equity.
- **ROS *(Return on Sales):*** the ratio between EBIT (as defined above) and Revenue from Sales.
- **ROD *(Return on Debt):*** the ratio between Financial Charges less Financial Income and Current and Non-current Payables to Banks and other Lenders.
- **Acid test ratio:** the ratio between Immediate Liquidity and Current and Non-current Liabilities as shown in the Statement of Financial Position.
- **Quick test ratio:** the ratio between Current Assets and Current Liabilities related to current payables to banks and other lenders and trade payables and payables to others, as shown in the Statement of Financial Position.
- **ROT:** the ratio between Revenue from Sales and Other Revenue as shown in the Income Statement and the Capital Invested (as defined above).
- **Net financial debt/Equity:** the ration between Net Financial Debt defined as shown below and Shareholders' Equity. NFD = Cash and cash equivalents - Payables to banks and other lenders.

Annex a) Reclassified consolidated accounting schedules

Consolidated reclassified income statement

		2016		2015		Change	
1ec	Revenue from sales and services	117,786	98.4%	96,851	98.5%	20,935	21.6%
3ec	Change in inventories	(125)	-0.1%	260	0.3%	(385)	-148.1%
2ec	Other revenue and income	2,101	1.8%	1,207	1.2%	894	74.0%
	Value of production	**119,762**	**100.0%**	**98,319**	**100.0%**	**21,444**	**21.8%**
13ec+14ec	Services	(36,393)	-30.4%	(28,032)	-28.5%	(8,361)	29.8%
4ec	Raw materials	(60,927)	-50.9%	(49,719)	-50.6%	(11,208)	22.5%
15ec	Other operating costs	(1,332)	-1.1%	(1,045)	-1.1%	(287)	27.5%
	Added value	**21,110**	**17.6%**	**19,523**	**19.9%**	**1,588**	**8.1%**
5ec+6ec+7ec+8ec	Personnel costs	(18,206)	-15.2%	(14,672)	-14.9%	(3,534)	24.1%
	EBITDA	**2,905**	**2.4%**	**4,850**	**4.9%**	**(1,945)**	**-40.1%**
11ec	Allowance to provision for bad debts	(355)	-0.3%	(261)	-0.3%	(94)	36.0%
10ec	Depreciation of tangible fixed assets	(4,085)	-3.4%	(3,129)	-3.2%	(956)	30.6%
9ec	Amortisation of intangible fixed assets	(73)	-0.1%	(167)	-0.2%	94	56.3%
12ec	Allowances / use for risks	-	0.0%	406	0.4%	(406)	-100.0%
	EBIT	**(1,609)**	**-1.3%**	**1,699**	**1.7%**	**(3,308)**	**-194.7%**
16ec	Financial income	72	0.1%	28	0.0%	44	157.1%
17ec	Financial charges	(764)	-0.6%	(706)	-0.7%	(58)	8.2%
18ec	Adjustments of equity investments	(143)	-0.1%	(418)	-0.4%	275	65.8%
	Result	**(2,444)**	**-1.9%**	**603**	**0.6%**	**(1,841)**	**-305.3**
19ec	Result from business combinations	13,903	11.6%	-	0.0%	13,903	100.0%
	Pre-tax profit (loss)	**11,459**	**9.6%**	**603**	**0.6%**	**10,856**	**n.a.**
21ec	Income taxes from tax consolidation	(64)	-0.1%	(563)	-0.6%	449	88.6%
22ec	(Deferred) prepaid taxes	620	0.5%	477	0.5%	(101)	-29.9%
	Net profit (loss) for the year	**12,015**	**10.0%**	**517**	**0.5%**	**11,498**	**n.a.**

STATEMENT OF COMPREHENSIVE INCOME

	2016	2015
Amended total net profit (loss)	**12,015**	**517**
Actuarial gains (losses) due to defined-benefit retirement plans	14	173
Total other comprehensive profits (losses)	**14**	**173**
Amended comprehensive net profit (loss)	**12,029**	**690**

Consolidated equity and financial position

		31/12/2016		31/12/2015	
	Fixed assets				
1	Technical fixed assets	105,655		51,376	
2	Current technical fixed assets	1,680		633	
3	Intangible fixed assets	19,480		11,539	
3	Intangible fixed assets under development	4		-	
4	Equity investments and securities	1,657		97	
6	Financial receivables from affiliates	1		141	
	Total fixed assets	**128,477**	**93.7%**	**63,786**	**92.6%**
	Working capital				
9	Trade receivables	28,209		14,371	
8	Inventories	7,698		3,541	
5+7+11+12	Other short-term assets	15,879		11,328	
35+36	Trade payables	(37,460)		(20,052)	
38+39	Other payables	(5,450)		(4,195)	
37	Tax liabilities	(697)		(357)	
	Net working capital	**8,180**	**6.0%**	**4,635**	**6.7%**
15	Non-current assets held for sale	446	**0.3%**	**446**	**0.7%**
	LIABILITIES AND EQUITY	**137,103**	**100.0%**	**68,866**	**100.0%**
	Long-term liabilities and provisions				
29	Employee severance indemnity	6,580		3,410	
31	Other provisions	372		440	
30	Provision for Directors' indemnity at the end of their terms in office	232		170	
28	Provision for deferred taxes	6,147		3,381	
	Total long-term liabilities and provisions	**13,331**	**9.7%**	**7,402**	**10.7%**
	Financial position				
13+14	Cash, banks and securities	(9,521)		(12,192)	
32	Payables to banks	8,000		2,502	
33	Current share of medium/long-term loans	15,688		7,017	
34	Current share of payables to other lenders	904		882	
27	Medium/long-term payables to other lenders	1,360		2,331	
26	Medium/long-term loans	43,799		21,115	
	Net financial position	**60,230**	**43.9%**	**20,655**	**30%**
	Shareholders' equity				
16	Share capital	28,840		20,600	
17+18+19+20+21+22+23+24	Reserves	22,687		19,694	
25	Net profit (loss) for the period	12,015		517	
	Total Shareholders' Equity	**63,542**	**46.4%**	**40,810**	**59.3%**
	LIABILITIES AND EQUITY	**137,103**	**100.0%**	**68,866**	**100.0%**

Annex b) Reclassified accounting schedules of Centrale del Latte d'Italia S.p.A.

Reclassified income statement of Centrale del Latte d'Italia S.p.A.

		2016		2015		Change 2016-2015	
1ec	Revenue from sales and services	75,022	98.7%	74,103	98.7%	920	1.2%
3ec	Change in inventories	2	0.0%	209	0.3%	(207)	-99.2%
2ec	Other revenue and income	957	1.3%	724	1.0%	233	32.2%
	Value of production	**75,981**	**100.0%**	**75,036**	**100.0%**	**946**	**1.3%**
13ec+14ec	Services	(24,288)	-32.0%	(22,152)	-29.5%	(2,136)	9.6%
4ec	Raw materials	(37,766)	-49.7%	(36,972)	-49.3%	(794)	2.1%
15ec	Other operating costs	(737)	-1.0%	(756)	-1.0%	19	2.6%
	Added value	**13,190**	**17.4%**	**15,156**	**20.2%**	**(1,965)**	**-13.0%**
5ec+6ec+7ec +8ec	Personnel costs	(11,504)	-15.1%	(10,999)	-14.7%	(505)	4.6%
	EBITDA	**1,687**	**2.2%**	**4,157**	**5.5%**	**(2,470)**	**-59.4%**
11ec	Allowance to provision for bad debts	(56)	-0.1%	(54)	-0.1%	(2)	3.7%
10ec	Depreciation of tangible fixed assets	(2,066)	-2.7%	(1,890)	-2.5%	(176)	9.3%
9ec	Amortisation of intangible fixed assets	(62)	-0.1%	(167)	-0.2%	105	-62.9%
12ec	**Allowance / use for risks**	-	0.0%	406	0.5%	(406)	-100.0%
	EBIT	**(497)**	**-0.7%**	**2,452**	**3.3%**	**(2,949)**	**-120.3%**
16ec	Financial income	14	0.0%	21	0.0%	(7)	-33.3%
17ec	Financial charges	(279)	-0.4%	(340)	-0.5%	61	-17.9%
18ec+19ec	Adjustments of equity investments	(282)	-0.4%	(418)	-0.6%	(136)	-32.5%
	Result	**(1,044)**	**-1.4%**	**1,716**	**2.3%**	**(2,760)**	**-160.8%**
20ec	Result from business combinations	13,903	18.3%	-	-	13,903	100.0%
	Pre-tax result	**12,858**	**16.9%**	**1,716**	**2.3%**	**11,142**	**649.3%**
21ec	Income taxes	(54)	-0.1%	(773)	-1.0%	720	93.1%
22ec	(Deferred) prepaid taxes	(20)	0.0%	254	0.3%	(274)	107.8%
	Net profit (loss) for the year	**12,784**	**16.8%**	**1,197**	**1.6%**	**11,587**	**968.0%**

STATEMENT OF COMPREHENSIVE INCOME

	2016	2015
Total net profit (loss)	**12,784**	**1,197**
Actuarial gains (losses) due to defined-benefit retirement plans	(81)	137
Total other comprehensive profits (losses)	**(81)**	**137**
Comprehensive net profit (loss)	**12,703**	**1,333**

Reclassified equity and financial position of Centrale del Latte d'Italia S.p.A.

		31/12/2016		31/12/2015	
	Fixed assets				
1	Technical fixed assets	16,441		16,238	
2	Current technical fixed assets	90		246	
3	Intangible fixed assets	6,191		6,253	
4	Equity investments and securities	52,038		27,292	
6	Financial receivables from affiliates	1		141	
	Total fixed assets	**74,760**	**93.1%**	**50,170**	**94%**
	Working capital				
8+9+10	Trade receivables	11,406		9,658	
7	Inventories	2,106		2,142	
11+12	Other short-term assets	11,348		9,342	
33+37+38	Trade payables	(16,697)		(15,232)	
40+41	Other payables	(2,868)		(2,893)	
39	Tax liabilities	(235)		(218)	
	Net working capital	**5,061**	**6.3%**	**2,799**	**5.2%**
15	**Assets held for sale**	446	**0.6%**	446	**0.8%**
	LIABILITIES AND EQUITY	**80,267**	**100.0%**	**53,415**	**100.0%**
	Long-term liabilities and provisions				
30	Employee severance indemnity	2,410		2,609	
32	Other provisions	147		182	
31	Provision for Directors' indemnity at the end of their terms in office	232		170	
29	Provision for deferred taxes	2,048		2,050	
	Total long-term liabilities and provisions	**4,837**	**6.0%**	**5,012**	**9.4%**
	Financial position				
13+14	Cash, banks and securities	(6,099)		(9,517)	
33	Payables to banks	500		1,002	
34	Current share of medium/long-term loans	7,210		3,758	
35	Current share of payables to other lenders	18		36	
28	Medium/long-term payables to other lenders	21		108	
27	Medium/long-term loans	6,112		8,792	
	Net financial position	**7,762**	**9.7%**	**4,177**	**7.8%**
	Shareholders' equity				
16	Share capital	28,840		20,600	
17+18+19+20+21 +22+23+24+	Reserves	26,042		22,430	
25	Net profit (loss) for the period	12,784		1,197	
	Total Shareholders' Equity	**67,665**	**84.3%**	**44,226**	**82.8%**
	LIABILITIES AND EQUITY	**80,266**	**100.0%**	**53,415**	**100.00%**

Annex c) Accounting Schedules of Centrale del Latte della Toscana S.p.A. – 100%-subsidiary

Reclassified income statement of Centrale del Latte della Toscana S.p.A.

	Period Oct-Dec 2016	
Revenue from sales and services	20,812	97.2%
Change in inventories	(24)	-0.1%
Other revenue and income	613	2.9%
Value of production	**21,402**	**100.0%**
Services	(6,225)	-29.1%
Raw materials	(11,462)	-53.6%
Other operating costs	(343)	-1.6%
Added value	**3,372**	**15.8%**
Personnel costs	(2,784)	-13.0%
EBITDA	**588**	**2.7%**
Depreciation of tangible fixed assets	(735)	-3.4%
EBIT	**(147)**	**-0.7%**
Financial income	50	0.2%
Financial charges	(174)	-0.8%
Adjustments of equity investments	143	0.7%
Pre-tax result	**(128)**	**-0.6%**
Income taxes	(10)	0.0%
(Deferred) prepaid taxes	349	1.6%
Net profit (loss) for the year	**210**	**1.0%**

STATEMENT OF COMPREHENSIVE INCOME

Total net profit (loss)	**210**
Actuarial gains (losses) due to defined-benefit retirement plans	120
Total other comprehensive profits (losses)	**120**
Comprehensive net profit (loss)	**330**

Reclassified equity and financial position of Centrale del Latte della Toscana S.p.A.

	31/12/2016	
Fixed assets		
Technical fixed assets	55,109	
Intangible fixed assets	7,960	
Equity investments and securities	1,646	
Total fixed assets	**64,715**	**97.2%**
Working capital		
Trade receivables	14,675	
Inventories	4,255	
Other short-term assets	2,564	
Trade payables	(17,972)	
Other payables	(1,347)	
Tax liabilities	(331)	
Net working capital	**1,845**	**2.8%**
LIABILITIES AND EQUITY	**66,560**	**100.0%**
Long-term liabilities and provisions		
Employee severance indemnity	3,350	
Provision for deferred taxes	2,767	
Total long-term liabilities and provisions	**6,117**	**9.2%**
Financial position		
Cash, banks and securities	(2,143)	
Payables to banks	7,500	
Current share of medium/long-term loans	4,462	
Medium/long-term loans	25,464	
Net financial position	**35,283**	**53.0%**
Shareholders' equity		
Share capital	24,830	
Reserves	120	
Net profit (loss) for the period	210	
Total Shareholders' Equity	**25,160**	**37.8%**
LIABILITIES AND EQUITY	**66,560**	**100.0%**

Net financial position of Centrale del Latte della Toscana S.p.A.

	31/12/2016
Cash and cash equivalents	**2,143**
Payables to banks	(7,500)
Current share of medium/long-term payables	(4,462)
Current financial liabilities	**(11,962)**
Medium/long-term payables	(25,464)
Non-current financial liabilities	**(25,464)**
Total financial liabilities	**(37,426)**
Net financial position	**(35,283)**

Annex d) Accounting Schedules of Centrale del Latte di Vicenza S.p.A. – 100%-subsidiary

The income (€ 243 thousand) deriving from the transfer of the loss to the consolidated tax position is presented under the opposite sign among "(Deferred) prepaid taxes".

Reclassified income statement of Centrale del Latte di Vicenza S.p.A.

	2016		2015		Change 2016-2015	
Revenue from sales and services	26,701	97.7%	26,651	97.5%	50	0.18%
Change in inventories	(103)	-0.4%	51	0.2%	(154)	-301.9%
Other revenue and income	724	2.7%	633	2.3%	91	14.4%
Value of production	**27,323**	**100.0%**	**27,334**	**100.0%**	**(11)**	**-0.04%**
Services	(6,053)	-22.2%	(6,003)	-22.0%	(50)	0.83%
Raw materials	(16,470)	-60.3%	(16,676)	-61.0%	206	-1.2%
Other operating costs	(252)	-0.9%	(288)	-1.1%	36	-12.5%
Added value	**4,548**	**16.6%**	**4,367**	**16.0%**	**181**	**-4.1%**
Personnel costs	(3,918)	-14.3%	(3,674)	-13.4%	(244)	6.6%
EBITDA	**630**	**2.3%**	**694**	**2.5%**	**(64)**	**-9.2%**
Allowance to provision for bad debts	(299)	-1.1%	(207)	-0.8%	(92)	44.4%
Depreciation of tangible fixed assets	(1,295)	-4.7%	(1,240)	-4.5%	(147)	11.6%
EBIT	**(964)**	**-3.5%**	**(754)**	**-2.9%**	**(210)**	**27.9%**
Financial income	5	0.0%	7	0.0%	(2)	28.6%
Financial charges	(311)	-1.1%	(366)	-1.3%	53	-14.5%
Pre-tax result	**(1,270)**	**-4.6%**	**(1,113)**	**-4.1%**	**(104)**	**-0.93%**
Prepaid taxes	291	1.1%	433	1.0%	(142)	-31.8%
Total net profit (loss)	**(979)**	**-3.6%**	**(680)**	**-2.5%**	**(299)**	**-43.9%**

STATEMENT OF COMPREHENSIVE INCOME

Total net profit (loss)	**(979)**	**(680)**
Actuarial gains (losses) due to defined-benefit retirement plans	(59)	37
Total other comprehensive profits (losses)	**(59)**	**37**
Comprehensive net profit (loss)	**(1,038)**	**(643)**

Reclassified equity and financial position of Centrale del Latte di Vicenza S.p.A.

	31/12/2016		31/12/2015	
Fixed assets				
Technical fixed assets	34,147		35,180	
Current technical fixed assets	1,591		387	
Intangible fixed assets	5,333		5,286	
Equity investments and securities	3		3	
Total fixed assets	**41,074**	**97.0%**	**40,856**	**95.7%**
Working capital				
Trade receivables	6,635		5,995	
Inventories	1,337		1,398	
Other short-term assets	1,966		1,985	
Trade payables	(7,297)		(6,103)	
Other payables	(1,235)		(1,302)	
Tax liabilities	(132)		(139)	
Net working capital	**1,274**	**3.0%**	**1,835**	**4.3%**
LIABILITIES AND EQUITY	**42,348**	**100.0%**	**42,691**	**100.0%**
Long-term liabilities and provisions				
Employee severance indemnity	821		802	
Other provisions	225		257	
Provision for deferred taxes	1,331		1,331	
Total long-term liabilities and provisions	**2,377**	**5.6%**	**2,390**	**5.6%**
Financial position				
Cash, banks and securities	(1,279)		(2,676)	
Payables to banks	0		1,500	
Current share of medium/long-term loans	1,339		3,259	
Current share of payables to other lenders	885		846	
Medium/long-term payables to other lenders	4,017		2,224	
Medium/long-term loans	12,223		11,323	
Net financial position	**17,185**	**40.6%**	**16,476**	**38.6%**
Shareholders' equity				
Share capital	29,162		29,162	
Reserves	(5,397)		(4,658)	
Net profit (loss) for the period	(979)		(680)	
Total Shareholders' Equity	**22,786**	**53.8%**	**23,824**	**55.8%**
LIABILITIES AND EQUITY	**42,348**	**100.0%**	**42,691**	**100.0%**

Net financial position

	31/12/2016	31/12/2015
Cash and cash equivalents	**1,279**	**2,676**
Payables to banks	-	(1,500)
Current share of medium/long-term payables	(4,017)	(3,259)
Current share of payables to other lenders	(885)	(846)
Current financial liabilities	**(4,902)**	**(5,605)**
Medium/long-term payables	(12,223)	(11,323)
Medium/long-term payables to other lenders	(1,339)	(2,224)
Non-current financial liabilities	**(13,562)**	**(13,547)**
Total financial liabilities	**(18,464)**	**(19,152)**
Net financial position	**(17,185)**	**(16,476)**

Annex d) Economic and Financial Indicators

The economic and financial indicators relating to the Consolidated Financial Statements are not applicable and comparable following the merger

Centrale del Latte d'Italia S.p.A. Financial Statements – Economic and financial indicators

ROI	2016	2015
Current assets	31,310	30,575
Non-current assets	74,853	50,699
Current liabilities	(27,528)	(23,138)
Invested capital	**78,635**	**58,136**
Operating Profit	**(497)**	**2,452**
ROI	**-0.6%**	**4.2%**
ROE		
Net profit (loss)	12,784	1,197
Shareholders' equity	67,665	44,226
ROE	**18.9%**	**2.7%**
ROS		
Operating Profit	(497)	2,452
Revenue from sales	75,979	74,102
ROS	**-0.7%**	**3.3%**
ROD		
Financial charges	207	340
Financial payables	13,862	13,694
Cost of debt	**1.5%**	**2.5%**

Acid test ratio	2016	2015
Acid test	6,099	9,517
Non-current and current liabilities	38,498	37,048
Acid test ratio	**0.16**	**0.26**
Quick test ratio		
Current assets	31,310	30,575
Current liabilities	(27,528)	(23,138)
Quick test ratio	**1.14**	**1.32**
ROT		
Revenue from sales and services	75,979	74,827
Invested capital	78,635	58,136
ROT	**0.97**	**1.29**
N.F.I. / Equity		
Net financial debt	7,762	4,178
Equity	67,665	44,226
N.F.I. / Equity	**0.11**	**0.094**

Centrale del Latte d'Italia S.p.A.

Report on corporate governance and company structure (art. 123-*bis* of TUF - Consolidated Finance Law) for FY2016 – Approved by the Board of Directors of 03 March 2017 -

Report available on www.centralelatteitalia.com

REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE (art. 123-*bis* of Legislative Decree 58, TUF - Consolidated Finance Law).

1. ISSUER'S PROFILE

The company produces, treats, processes and sells treated milk and food and dairy products in general. The Company may also undertake all transactions involving trade, finance, industry, securities and real estate that are necessary or useful to achieving the Company's business purpose, including the acquisition of equity investments in companies that have similar business purpose, objects or that are instrumental to its business (including the issue of personal guarantees or collateral for third parties and the contracting of loans and mortgages), excluding trust and professional services reserved under the law, the solicitation of funds from the public and the provision to the public of all services that qualify as "financial activity".

As provided for in the Merger by Incorporation Plan of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. (CLF) into Centrale del Latte di Torino & C. S.p.A. approved by the Ordinary and Extraordinary Shareholders' Meeting of 13 June 2016, on 16 September 2016 the Deed of Merger of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. (CLF) into Centrale del Latte di Torino & C. S.p.A. (CLT) was signed, with subsequent recording in the Business Registry of Turin on 21 September 2016.
On 29 September 2016, by resolution no. 0086846/16, Consob granted the judgement of equivalence pursuant to article 57, paragraph 1, letter d) of Consob Regulation no. 11971/1999 on the information document related to the merger, authorising the publication of the Information Document, now available on the Company's website on.

http://centralelatteitalia.com/investor-relations/fusione/.

From 30 September 2016, 11:59 pm, the statutory, accounting and tax effects of the merger have become effective, pursuant to articles 2501-*ter* et seq. of the Italian Civil Code.

Now that the Merger has become effective, in line with the resolutions passed by the Extraordinary Shareholders' Meeting of CLT held on 13 June 2016, CLT has implemented: (i) the share capital increase from € 20,600,000 to € 28,840,041.20, by issuing 4,000,020 new ordinary shares with a par value of € 2.06 each, with the same characteristics as those outstanding and listed on the STAR segment of *Mercato Telematico Azionario* ("**MTA**") organised and managed by Borsa Italiana S.p.A. and destined for CLF's shareholders; (ii) the change of its company name to "**Centrale del Latte d'Italia S.p.A.**" (CLI); (iii) the increase in the number of Directors, which went from 9 to 13, with the appointment of the following new Directors: Renato Giallombardo, Lorenzo Marchionni, Laura Materassi and Lorenzo Petretto.

The company is run by a Board of Directors composed of maximum fourteen members, appointed by resolution of the Shareholders' Meeting. The Directors are chosen from a list of candidates.

2. INFORMATION ON THE COMPANY STRUCTURE (as per article 123 bis paragraph 1 of TUF) at 03 March 2017

Share capital structure (as per article 123-bis, paragraph 1, letter a), TUF)

The share capital of Centrale del Latte d'Italia S.p.A. amounts to € 28,840,041.20, fully subscribed and paid-up, and is divided into 14,000,020 common shares with a par value of € 2.06 each. All the shares of the Company are listed on the Star segment of the Electronic Stock Market (MTA) organised and managed by Borsa Italiana S.p.A.
Common shares are registered, freely transferrable, in electronic format and centrally managed by Monte Titoli S.p.A.

Each common share confers the right to one vote at the Company's ordinary and extraordinary shareholders' meetings, in addition to other financial and administrative rights provided under applicable laws and corporate by-laws.

SHARE CAPITAL STRUCTURE				
	No. of shares	% on SC	Listed	Rights and obligations
Ordinary shares	14,000,020	100%	Borsa Italiana FTSE ItalY STAR	Right to vote in ordinary and extraordinary meetings
Shares with limited voting rights	-	-		
Shares with no voting rights	-	-		

Other financial instruments

There are no other financial instruments that confer the right to subscribe to newly issued shares, including bonus shares, or share-based incentive schemes.

Share-based incentive scheme

At the date of approval of this Report, there were no share-based incentive schemes involving bonus issues or other forms of share capital increase.

Restrictions on security transfer (as per article 123-bis, paragraph 1, letter b), TUF)

There are no restrictions on transfers of the securities of the Company.

Major shareholders (as per article 123-bis, paragraph 1, letter c), TUF)

According to the information available, 3,109 shareholders are registered in the shareholders' register of Centrale del Latte d'Italia S.p.A..

The holders of more than 5% of common shares at 31 December 2017 were:

MAJOR SHAREHOLDERS			
Declaring party	Direct shareholder	% held on ordinary share capital	% held on voting share capital
Adele Artom	Finanziaria Centrale del Latte di Torino S.p.A.	41.14%%	41.14%
Municipality of Florence	Municipality of Florence	12.31%	12.31%
Fidi Toscana S.p.A.	Fidi Toscana S.p.A.	6.83%	6.83%
Municipality of Pistoia	Municipality of Pistoia	5.26%	5.26%

Securities granting special rights (as per article 123-bis, paragraph 1, letter d), TUF)

No securities granting special controlling rights have been issued.

Employee shareholder system (as per article 123-bis, paragraph 1, letter e), TUF)

The Corporate By-Laws of the Company contain no particular instructions regarding the voting rights of employee shareholders.

Restrictions on voting rights (as per article 123-bis, paragraph 1, letter f), TUF)

There are no restrictions on voting rights.

Shareholders' agreements (as per article 123-bis, paragraph 1, letter g), TUF)

A Shareholders' agreement has been signed. The nature of the shareholders' understandings provided for in the agreement is a) voting and b) blocking syndicates pursuant to article 122 of TUF. The table below shows a representation of the Syndicated Shareholders involved in the Agreement and the number of Syndicated Shares in the Agreement by each Syndicated Shareholder, at the Effective Date of the Merger, and the respective percentages of each Syndicated Shareholder, regarding both the total ordinary shares and the total Syndicated Shares in the Agreement:

Syndicated Shareholder	Syndicated Shares	% on share capital of € 28,840,041.20 divided into 14,000,020 shares	% on total shares involved in the Agreement
Finanziaria Centrale del Latte di Torino S.p.A.	5,179,325	36.995%	57.028%
Lavia S.S.	551,250	3.938%	6.070%
Luigi Luzzati	166,395	1.189%	1.832%
Sylvia Loew	118,460	0.846%	1.304%
Marco Fausto Luzzati	47,410	0.339%	0.522%
Carla Luzzati	26,469	0.189%	0.291%
Municipality of Florence	1,714,323	12.245%	18.876%
Fidi Toscana S.p.A.	955,678	6.826%	10.523%
Chamber of commerce, industry and crafts of Florence	322,763	2.305%	3.554%
Total	**9,082,073**	**64.872%**	**100.000%**

The Agreement came into force on 30 September 2016, and will remain valid and effective until the first of the following expiry dates: (i) the 3rd (third) anniversary of the Date of Efficacy of the Agreement and (ii) that date on which, for any reason, the Syndicated Shares no longer represent at least 51% of the share capital of the Post-Merger Company (without prejudice to the obligation on the part of the Parties to comply, even after the expiry date, with all their respective obligations that have arisen as per the Agreement and have not been fulfilled by the date of expiry of said Agreement). At the first of the expiry dates mentioned above at point (i) of this paragraph 7 (where applicable), the Agreement will be tacitly renewed for subsequent periods of 3 (three) years each time, unless one of the Parties cancels the Agreement in writing no later than the 180th (one hundred and eightieth) working data preceding the expiry date of each three-year period. The measures agreed upon by the shareholders under the terms of the Agreement will immediately cease to be effective vis-à-vis any Syndicated Shareholder who ceases to hold Syndicated Shares, in compliance with the terms of the Agreement.

The main information regarding the Agreement is available on the website:

http://centralelatteitalia.com/wp-content/uploads/2016/07/CLI-Informazioni-essenziali-patto-parasociale-.pdf

and on Consob's website:

http://www.consob.it/web/area-pubblica/quotate/documenti/Patti_parasociali/attuale/centrale_del_latte.htm?docid=0&link=&nav=false

Change-of-control clauses (as per article 123-bis, paragraph 1, letter h), TUF)

Neither the issuer nor its subsidiaries have entered into significant agreements which become effective, are amended or cease to be valid in the event of a change of control as regards the contracting company.

Proxies for share capital increases and share buy-back authorisations (as per article 123-bis, paragraph 1, letter m), TUF)

The company directors have not been entrusted with proxies for share capital increases or for the issue of financial instruments or the purchase of treasury shares. The question is regulated by the Corporate By-Laws.

Management and coordination (as per article 2497 et seq. of the Italian Civil Code)

Pursuant to articles 36 and 37 of the Consob Regulation no. 16191/2007, regarding the publication of information prescribed by paragraphs 12 and 13 of article 2.6.2 of the Regulation of Borsa Italiana, it is hereby certified that Centrale del Latte d' Italia S.p.A.:

- is not controlled by companies set up and governed by the law of countries not belonging to the European Union;
- is not subject to management and coordination activities on the part of the ultimate parent company Finanziaria Centrale del Latte di Torino S.p.A., because the main aim of the company is the direct management of civil buildings and it does not have a structure able to control and/or direct decisions of an operational nature.

The information required by article 123-bis, first paragraph, letter i) is contained in section II of the report on the remuneration paid to directors and members of the audit bodies.

The information required by article 123-bis, first paragraph, letter l) is illustrated in the Report on corporate governance.

3. COMPLIANCE (as per article 123-bis, paragraph 2, letter a), TUF)

Compliance with codes of behaviour

Centrale del Latte d' Italia S.p.A., with regard to the codes of practice on corporate governance promoted by Borsa Italiana S.p.A, has adopted the following:

Self-Regulatory Corporate Governance Code. The Company has adopted a self-regulatory Code in the application of its Corporate Governance, i.e. the system of rules by which a company is managed and controlled. The latest version of the Code of 1 October 2016, and the annual report on Corporate Governance are available on the company's website:

http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-Autodisciplina-2016_CLI.pdf

Code of behaviour for *internal dealing*. The Company has adopted the Code of practice aimed at governing obligations regarding information, and has drawn up a register of those people who have access to confidential information, in compliance with the provisions of articles 2.6.3, 2.6.4 and 2.6bis of the "Regulation of Markets organised and managed by Borsa Italiana S.p.A.", approved by Consob resolution no. 13655 of 9 July 2002 and with articles 152*bis-ter-quater-quinquies-sexies-septies-octies* of the Consob Regulation for issuers, regarding the operations as per article 2.6.4 of the Borsa Italiana regulation carried out by relevant individuals as defined in article 2 of the Code of practice on internal dealing. The latest version of the Code of practice for internal dealing in its latest version of 1 October 2015, is available on the company's website:

http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-internal-dealing-2016_CLI.pdf

Code of procedures for dealing with transactions with related parties. The Company adopted the code of procedures for dealing with transactions with related parties, pursuant to Consob resolution no. 17221 as amended. This code – in its latest version of 3 March 2017 – is available on the company's website:

http://centralelatteitalia.com/wp-content/uploads/2016/06/Procedura-parti-correlate_2016.pdf

4. BOARD OF DIRECTORS

Appointment and replacement of Directors (as per article 123-bis, paragraph 1, letter l), TUF)

The company is managed by a Board of Directors made up of three to fourteen members, according to the resolution of the Meeting upon appointment. The Directors are chosen from a list of candidates. The lists of the Directors to be chosen – except for those with fewer than three candidates – must be drawn up in such a way as to guarantee gender balance, ensuring that the minority gender accounts for one third of the Directors, without prejudice to the provisions of the last paragraph of this article, rounded up to the next figure where appropriate. Lists may be filed only by those shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting. No shareholder may file, including through a third party or by trusts, more than one list or vote for different lists. Each candidate may be appointed in one list only, under penalty of ineligibility. Candidates may not be admitted to the lists if they already hold directorships in other five companies or entities whose stocks are liable for trading on a regulated market featured on the list provided for by articles 63 and 67 of Legislative Decree no. 58/1998. The minority list that has obtained the greatest number of votes and that is in no way connected, directly or indirectly, to the list that has received the most votes, has the right to appoint a member of the Board of Directors. The lists submitted must be filed at the headquarters of the company at least twenty five days before the date of the Meeting called upon to resolve upon the appointment of the members of the Board of Directors.

By the same deadline, statements must be filed along with each list in which each candidate accepts the nomination, and declares, undertaking full responsibility, that there are no reasons for which they are incompatible or ineligible to be appointed, and that they fulfil the requirements set forth by the bylaws and current regulations for each office. Where a list does not meet the above requirements, its submission shall be considered null.

Where a single list is submitted, this represents the entire Board of Directors. In the event no list is submitted, the shareholders' meeting shall resolve by majority vote. Abstentions shall not be taken into account.
When the composition of the Board of Directors is not such as to guarantee compliance with gender balance, taking account of the order in which they are listed, the last candidates of the gender with the highest representation to be elected on the majority list shall be replaced by the appropriate number of the top non-elected candidates of the minority gender on the same list in order to guarantee compliance with the requisite. If the number of candidates of the minority gender on the majority list is insufficient to proceed to the aforesaid replacement, the Meeting shall complete the Board with the legal majority candidates, thus ensuring compliance with the requisite.
How and by when lists must be submitted is indicated in the call notice.
The lists presented may be consulted by the public on the company's website and through other means provided for by law, at least 21 days before the date of the Shareholders' Meeting.
The Directors shall remain in office for a period of no more than three financial years, and their term of office shall end on the date of the meeting convened to approve the financial statements for the last financial year of their term. Directors may be re-appointed.
Before directors are appointed, the shareholders' meeting shall determine the number of Board members and the duration of their term. Where the number of Directors determined is lower than the maximum number provided for, the Shareholders' Meeting, during the Board's term of office, may increase this number. The term of Directors thus appointed shall expire together with those serving on the Board at the time of their appointment. The remuneration due to the members of the Board of Directors shall be determined by the Shareholders' Meeting.
According to article 11 of the Corporate By-Laws, candidates may not be admitted to the lists if they already hold directorships in other five companies or entities whose stocks are liable for trading on a regulated market featured on the list provided for by articles 63 and 67 of Legislative Decree no. 58/1998.

No plan for succession has been provided for in the event the Members of the Board of Directors are replaced before the natural expiry of their term.
With the appointment of the next Board of Directors, the company will set forth a plan that establishes mechanisms governing the replacement of Directors before the natural expiry of their term.

Structure of the Board of Directors and Committees

The current Board of Directors will expire with the approval of the financial statements at 31 December 2016, and is made up as follows:

- Luigi Luzzati – Entrepreneur
- Riccardo Pozzoli - Entrepreneur
- Lorenzo Marchionni - Lawyer
- Adele Artom - Entrepreneur
- Antonella Forchino - Lawyer
- Elsa Fornero – University Professor
- Renato Giallombardo - Lawyer
- Maurizio Macchiavello - Entrepreneur
- Laura Materassi - Lawyer
- Lorenzo Petretto – University Professor
- Luciano Roasio – Manager
- Alberto Tazzetti - Entrepreneur
- Germano Turinetto - Manager

The structure and the duties of the Board of Directors are illustrated in table 1) annexed hereto.

Role of the Board of Directors

The Board of Directors exercises the powers, functions and competences regarding the ordinary and extraordinary management of the company, with the sole exception of those competences that are attributed to the Shareholders' Meeting, either by law or by the corporate by-laws.

The Board of Directors also has the power to resolve upon the following:

- mergers in the cases provided for under articles 2505 and 2505 bis of the Italian Civil Code;
- transferring the Company's registered office within the national territory;
- establishing or closing secondary offices;
- the indication of which Directors – in addition to the Chairman, the Vice Chairman and the Managing Directors – and executives may represent the company, in accordance with the following articles 17 and 18 of the corporate by-laws;
- reducing the share capital in case of shareholders' withdrawal;
- adjusting the corporate by-laws in accordance with regulatory provisions.

The Board of Directors met 10 times during 2016. The meetings, with an average duration of 2 hours, were held to discuss and resolve upon the following:

➢ **Meeting of 27 January 2016:**
  - examination of the preliminary results for 2015;
  - approval of the pro forma Consolidated Financial Statements at 31.12.2014 and the pro forma Consolidated Half-Yearly Report at 30.06.2015;
  - Merger by incorporation plan of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A., Report of the Board of Directors on the merger plan and subsequent resolutions.

➢ **Meeting of 11 March 2016:**
  - the draft financial statements and the draft consolidated financial statements and pertinent reports and notes at 31 December 2015;
  - annual report on corporate governance for 2016;
  - annual report of the Supervisory Body;
  - report on the remuneration paid to the members of the management and audit bodies, general managers and other key management personnel
  - call of Shareholders' Meeting;
  - verification of the independence requisites of the independent Board Members;
  - update on the merger plan with Centrale del Latte di Firenze, Pistoia e Livorno S.p.A..

➢ **Meeting of 28 April 2016:**
  - Interim report on operations at 31 March 2016;
  - Transfer of equity investment in GPP Srl and subsequent resolutions;
  - Remuneration of Directors.

➢ **Meeting of 10 May 2016:**
  - call of Ordinary and Extraordinary Meeting for the merger by incorporation plan of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A.;
  - completion of the relocation project for the Turin plant.

➢ **Meeting of 21 June 2016:**
  - abridged financial statements at 31 March 2016 relating to the merger by incorporation plan of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A.;
  - discussion and approval of the draft Information Document pursuant to article 57, para. 1, letter d), of the Regulations approved by Consob through resolution 11971 of 4 May 1999, related to the merger by incorporation of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A..

➢ **Meeting of 29 July 2016:**
  - interim report at 30 June 2016;
  - discussion and approval of the draft Information Document pursuant to article 57, para. 1, letter d), of the Regulations approved by Consob through resolution 11971 of 4 May 1999, related to the merger by incorporation of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A.;
  - share capital increase of the affiliate Odilla Chocolat Srl.

➢ **Meeting of 09 September 2016:**

- approval of the final version of the Information Document pursuant to article 57, para. 1, letter d), of the Regulations approved by Consob through resolution 11971 of 4 May 1999, related to the merger by incorporation of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A.;
- acknowledgement of the assessment report on Centrale del Latte di Firenze, Pistoia e Livorno drawn up by an independent expert with a view to the subsequent transfer;
- approval of the transfer of the company into Centrale del Latte della Toscana S,p.A.;
- appointment of the new Vice Chairman and attribution of functions and tasks;
- share capital increase of the subsidiary Centrale del Latte della Toscana S.p.A..

➢ **Meeting of 14 October 2016:**
- appointment of the new Vice Chairman and attribution of functions and tasks;
- additions to supplement the Audit and Risk Committee, the Supervisory Body, the Committee with related parties and the Directors' Remuneration Committee;
- examination of the market and market trends.

➢ **Meeting of 14 November 2016:**
- Interim report at 30 September 2016.

➢ **Meeting of 13 December 2016:**
- financial statements at 30 September 2016 of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.;
- update of the Organisation Model as per Legislative Decree 231/2001;
- 2017-2021 business plan.

The documentation regarding the topics and subjects on the agenda of the Board Meetings was sent in advance to the Directors and the Statutory Auditors.

Article 13 of the Company's Self-Regulatory Code deals with the question of relations and economic transactions with related parties. The Code recommends that in the case of transactions conducted with related parties, those Directors that have an interest—including a potential or indirect interest—in the transaction should provide timely, exhaustive notification thereof to the board regarding such interest and the circumstances of the same, and should leave the board meeting when the pertinent resolutions are made.
Should the nature, value, or other characteristics of the transaction so require, in order to avoid terms being set that would not be in keeping with those normally agreed upon by non-related parties, the Board of Directors arranges for it to be carried out with the assistance of independent experts, in order to determine the value of the assets or of the pertinent financial, legal, or technical profiles.
CONSOB has given a specific indication of subjects that may be deemed related parties, as described in IAS 24; these include those that control the issuer, those that are controlled by the issuer and those that are linked to the issuer, as defined by IAS 28.
Between the parent company and the subsidiaries Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A., the affiliate Odilla Chocolat Srl and the ultimate parent company Finanziaria Centrale del Latte di Torino S.p.A., transactions were carried out at arm's length conditions. The sales prices applied have been verified and monitored by the person appointed for the purpose to the Audit and Risk Committee of the Company. This activity, in which no censurable practice was evident, has been amply reported to the Board of Directors.
As of 1 January 2011, relations with related parties are regulated by the code of procedures for dealing with transactions with related parties, pursuant to Consob resolution no. 17221 as amended.

Chairman of the Board of Directors and Managing Directors.

The Chairman of the Board of Directors and the Managing Directors are invested with the powers provided for by the Civil Code and by the corporate by-laws.

Other executive directors.

There are no executive directors other than those indicated in table 1).

Independent directors.

The Board of Directors has assessed whether the Directors appointed by the Shareholders' Meeting and indicated in table 1) fulfil the requirements of independence following the verification carried out by the Board of Statutory Auditors.

Share-based incentive scheme

On the date of approval of this report there were no share-based incentive schemes.

Compensation due to Directors in the event of resignation, dismissal or severance

An indemnity is provided for at the end of the term of office of the Executive Directors, amounting to 1/12 of their gross yearly remuneration for each FY starting from FY2011.

Regulations applicable to the appointment and replacement of Directors and audit and supervisory Committees

The regulations for the appointment and replacement of Directors and audit and supervisory Committees are described in the by-laws, in the Self-Regulatory Corporate Governance Code and in the pertinent annual reports.

5. HANDLING OF COMPANY INFORMATION.

All Directors and auditors must maintain confidentiality on documents and information acquired in the course of carrying out their task, and must comply with the procedures for conveying such documents and price-sensitive information to persons outside the company.

Acting on a proposal by the Managing Directors, the Board, during the meeting held on 18 December 2000 resolved to limit to the Chairman and the Managing Directors the right to provide persons outside the company with details on documents and information regarding the company, with particular reference to price-sensitive information. They may use the services of the consultancy firm to which financial information is entrusted.

6. COMMITTEES WITHIN THE BOARD.

Directors' Remuneration Committee.

Within the Board of Directors, a remuneration Committee has been set up. It is composed of 4 non-executive Directors, the majority of which are independent.

The remuneration committee presents the Board with:

- - proposals for the remuneration of the Chairman, the Managing Directors and the Directors that hold particular offices, monitoring the application of the decisions adopted by the Board;
- periodic assessments of the criteria adopted for the remuneration of managers with strategic responsibilities, overseeing their application based on information provided by the managing Directors, and formulating general recommendations on the subject for the Board of Directors.

No director takes part in the meetings of the remuneration Committee in which proposals to the Board of Directors are formulated regarding his own remuneration.

The Remuneration Committee is made up of the following members:

Luciano Roasio Chairman, Independent non-executive Director

Lorenzo Marchionni Non-executive Director

Alberto Tazzetti Independent non-executive Director

Germano Turinetto Independent non-executive Director

During FY2016 the Committee met twice in order to resolve upon:

- redetermining the remuneration of the Executive Vice Chairman and Managing Director;
- redetermining the remuneration of the new Vice Chairman and the new Managing Directors;

7. REMUNERATION OF EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTORS (INCLUDING THOSE BELONGING TO COMMITTEES) AND KEY MANAGEMENT PERSONNEL.

For information regarding the remuneration paid to Directors, see the Report on the remuneration of directors and audit bodies, published pursuant to article 123-ter of the Consolidated Finance Law.

8. THE AUDIT AND RISK COMMITTEE

The Board of Directors has formed the Internal Audit Committee, which is intended to serve in an advisory and proactive capacity, consisting of 5 members, three of whom are independent non-executive directors.

The members of the Audit and Risk Committee are:

- Luciano Roasio Chairman, Independent non-executive Director
- Lorenzo Marchionni Non-executive Director
- Laura Materassi Independent non-executive Director
- Antonella Forchino Non-executive Director
- Alberto Tazzetti Independent non-executive Director

The audit and risk committee:

a) assesses the correct use of accounting standards and their consistency for the purposes of drafting the consolidated financial statements, together with the executive appointed to draft corporate accounts and the auditing firm;

b) assesses and expresses opinions on specific issues related to the identification of the main company risks;

c) assesses the offers made by the auditing firm to obtain the assignment, as well as the work schedule prepared for the audit and the results set forth in the report and advisory letter, if present;

d) ensures that the auditing process is effective;

e) performs additional duties assigned by the Board of Directors;

f) periodically reports to the Board of Directors—at least every six months—on the activities performed and on the appropriateness of the internal audit system.

The Audit and Risk Committee of Centrale del Latte d'Italia S.p.A. and its subsidiaries is authorised to supply advice and submit proposals. The committee is made up of four members, three of whom are non-executive directors (two of them independent) plus the person in charge of the audit and risk Committee.

The person in charge of the audit and risk Committee appointed, Mr Federico GAI, does not operate under any figure in charge of the operational areas, and answers to the managing Directors, the audit and risk Committee and the auditors.

Within the framework of the business conducted in 2016, activities were carried out to monitor:

- the taking on board of the suggestions made during previous audits and the progress made on implementing the consequent improvements.
- The current status and the update to documentation with the changes that have occurred, and the consequent evaluation of risk at Group level.
- compliance with internal procedures and the pertinent checks provided for.
- the presence of new risks

During the audits conducted on all Group premises, the following were taken into consideration

- new projects, commercial innovations and related risks
- development of new products and related risks;
- relations with customers and management of exports;
- cycle of invoicing of accounts receivable;
- qualification and relations with suppliers and outsourcers;
- processes for sourcing raw materials and finished products;
- production process;
- outcomes of verification conducted by supervisory bodies on both legally binding and voluntary regulations;
- management of maintenance;
- outcomes of verification conducted by supervisory bodies on both legally binding and voluntary regulations;
- application of the Model pursuant to Legislative Decree 231 and related regulations;
- management of improvement;
- management of documents;
- management of doubtful loans;
- economic trend;
- inter-company prices applied;
- management of cash and counterfeit money risk.

In the course of these checks conducted in the Parent Company and its subsidiary, no situations or practices were identified that are in contrast with the procedures; no areas subject to risk or inefficiencies were identified, and in particular, no indication was found of censurable or irregular conduct in dealings with related parties. The Code of Ethics was not violated.
The interim reports of the Audit and Risk Committee provided ample information to the Board of Directors.
During 2016 the Audit and Risk Committee met 4 times.

9. ORGANISATION MODEL AS PER LEGISLATIVE DECREE 231/2001.

Risk management and internal audit systems.

Centrale del Latte d'Italia S.p.A. (hereinafter referred to as CLI) believes that the adoption of the Model as per the reference Decree is a further means of raising awareness among Directors, employees and all other third parties that have dealings with CLI, so that, in carrying out their activities, their conduct is correct, transparent and in line with the ethical and social values that inspire CLI in the pursuit of its business purpose and prevent the risk of offences set out in Legislative Decree no. 231/2001 as amended, from being committed.
The adoption and spread of the model is aimed at rendering potential offenders fully aware that they may in fact be committing an offence and at carrying out constant observation and monitoring of activities so as to ensure CLI is able to adopt preventive measures or to intervene swiftly in order to stop offences being committed.
The model covers all the activities carried out by Centrale del Latte d'Italia spa, a company that is inter-regional in scope (comprising the Turin headquarters, the Salads & Fruits Division in Casteggio (Pavia), and the Latte Tigullio Operating Unit in Rapallo (Genoa) and specialises in the production and sale of milk and dairy products, such as fresh milk, ESL milk, yogurt and probiotics, as well as fresh products such as: eggs, fresh salads, cheeses, fresh pasta, sauces, cereals, ready-to-cook vegetables and desserts.
Operating in synergy with CLI are the subsidiaries: Centrale del Latte di Vicenza spa and Centrale del Latte della Toscana spa, which come together to form Centrale del Latte d'Italia Group.
The company and its subsidiaries constantly pursue the aims of extending the sales network, increasing the range of products and improving the technology of the plants.
On 2 April 2001, Centrale del Latte Di Torino & C Spa, now Centrale del Latte d'Italia, was admitted to the Star segment of Borsa Italiana S.p.A.. Within the framework of its activities, on 13 November 2003, Centrale del Latte Di Torino & C drafted a Code of Ethics, subsequently incorporated by Centrale del Latte d'Italia, setting forth the ethical commitments and responsibilities the company seeks to observe in the carrying out of its business and financial activities. This charter of rights and duties defines the ethical and social responsibility of those operating in the name and on behalf of the company, since it introduces a clear, explicit definition of the ethical and social responsibilities of the company's top and middle management and employees, as well as suppliers, vis-à-vis the various groups of stakeholders.
In addition, the Board of Directors of CLI has adopted a Code of Practice on Internal Dealing aimed at governing obligations regarding information, in compliance with the provisions of articles 2.6.3, 2.6.4 and 2.6bis of the "Regulation of Markets organised and managed by Borsa Italiana S.p.A.", approved by Consob resolution no. 13655 of 9 July 2002 and with articles 152*bis-ter-quater-quinquies-sexies-septies-octies* of the Consob Regulation for issuers, regarding the operations as per article 2.6.4 of the Borsa Italiana regulation carried out on their own behalf by Directors, auditors and general managers of the company, or any other person who has access by virtue of their position in the company or its subsidiaries to information on events that may cause significant changes to the economic, financial and equity prospects of the company and that could, if made public, significantly influence the price of the financial instruments listed.
On 13 December 2016, the Board of Directors of CLI resolved to adopt the Organisational, Management and Control Model for the prevention of crimes and the code of Ethics.
The Model was drawn up with reference to the actual situation of the company, and may constitute a departure from—without affecting the validity of—the guidelines issued by Confindustria and approved by the Ministry of Justice.
By drafting the model, the company's intention is to:

- identify offences that may give rise to administrative liability;
- identify the areas vulnerable to the commission of offences provided for by Legislative Decree no. 231/2001 as amended;
- indicate procedures;

- establish information obligations vis-à-vis the Supervisory Body;
- illustrate the disciplinary system set up to deal with failure to comply with company procedures and regulations.

The Model is the set of documents that determine the responsibilities, activities and procedures adopted and implemented to carry out the activities typical of the company that are considered at risk of offences as per Legislative Decree no. 231/2001 as amended.

Correlation between the Model and the company documents.

The Model is a structured, coherent system of procedures and monitoring activities able to prevent risks, composed of manuals and codes of practice adopted by the company. These documents, which are regularly added to and updated in order to keep pace with changes to laws, regulations and the conditions in which the company operates, are an integral part of the Model, and the relevant parts contain the protocols that all individuals who carry out their activity in and/or for the company must comply with and ensure the application of.

The manuals and the codes of practice comprise:

- the accounting and administration procedures manual (available at the Administrative Department)
- the management system manuals of the various plants and the procedures referred to therein, drafted in compliance with the voluntary technical standards for which the CLI plants and procedures can be certified (available for consultation at the respective Quality Assurance Offices);
- the code of practice for internal dealing (available at the Administrative Department);
- the self-regulatory code for the application of Corporate Governance (available at the Administrative Department);
- the code of ethics (available at the Administrative Department).

The versions of the manuals and codes of practice, duly added to and updated, are promptly made available to all the interested parties; they are published on the company intranet.

The Model is based on a structured, organised control system aimed at preventing, as far as possible, the commission of significant offences pursuant to the pertinent regulations, by:

- identifying the activities exposed to the risk of offences being committed;
- adopting procedures also designed to ensure full awareness, among all those operating in the name and on behalf of CLI, of the risk of unlawful actions for which sanctions may be applied; unlawful activities are strongly condemned in all cases, and are contrary to the interests of the Group, even when it appears that the Company might directly or indirectly benefit from them;
- constant monitoring of activity, to allow CLI to prevent or impede offences being committed.

In addition to the principles indicated above, the Model is based on:

- identifying the sensitive activities of the company, i.e. those activities within the framework of which offences relevant to Legislative Decree no. 231/2001 as amended may be committed;
- determining methods of management of financial resources suitable to prevent offences;
- entrusting the Supervisory Body with ensuring that the Model functions correctly and effectively;
- drafting, verifying and filing the documentation on all operations of relevance for the reference regulations, and ensuring the traceability of said documentation at all times;
- the obligation to inform the Supervisory Body of offences committed, breaches of the Model and anything else of importance for company organisation;
- compliance with the principle of keeping functions separate in the areas considered at greatest risk;
- definition of powers of authorisation consistent with assigned responsibilities;
- monitoring company practice, as well as the Model, and consequently updating both periodically (*ex post* control, including spot checks);
- raising awareness of rules of conduct and established procedures and ensuring they are spread through all levels of the company (in proportion to the responsibility level);

Activities in the context of which it is theoretically possible for offences relevant to Legislative Decree No. 231/2001 to be committed in the interest or to the benefit of CLI are:

- dealings with the Public Administration (hereinafter P.A.) or other Public Institutions (hereinafter P.I.) with private individuals;
- dealings with the Data Protection Authority and related communications
- transactions and communications of an accounting, economic and financial nature;
- offences against industry and commerce;

- computer-related offences and unlawful processing of data (including digital identity theft, unlawful use, falsification, etc., of credit or payment cards);
- selection of personnel and establishment of working relations;
- identification of suppliers and dealings therewith;
- handling of cash;
- activities governed by the regulations regarding the prevention of accidents in the workplace and the safeguarding of workplace health and hygiene;
- breach of copyright;
- activities governed by the environmental protection regulations currently in force.

Actions and operations at risk pertaining to these activities are defined as "sensitive activities". The Company has appointed the figures in charge for the areas in which sensitive activities are carried out. The activities, tasks and relations with superiors and subordinates are specified in the procedures and forms of the management systems, in compliance with the pertinent voluntary regulations in accordance with which CLI plants and procedures are or are not certified by Third-Party Entities; specifically, these tasks and responsibilities are set out in the respective lists of tasks and organisation charts.

During 2016 the Supervisory Body met 4 times to:

- plan the periodical checks to be carried out;
- assess the outcome of the checks and provide suggestions on how to operate if required.

Within the framework of the business conducted, verifications were carried out to monitor

- the taking on board of the suggestions made during previous audits and the progress made on implementing the consequent improvements;
- The current status and the update to documentation with the changes that have occurred, and the consequent evaluation of risk;
- compliance with the model on the part of assignees and the presence of infringements;
- how adequate the Model is for the company structure and its actual ability to prevent the commission of offences relevant to Legislative Decree no. 231/2001.

During the audits, the following were taken into consideration:

- new projects, commercial innovations and related risks
- development of new products and related risks;
- relations with customers and management of exports;
- transport monitoring;
- processes for sourcing raw materials and finished products;
- production process;
- outcomes of verification conducted by supervisory bodies on both legally binding and voluntary regulations;
- application of Legislative Decree no. 81/2008 on safety in the workplace, incident management and emergency management, fire prevention;
- management of cash and counterfeit money risk;
- application of Legislative Decree no. 196/2003 for the secure handling of data, with drafting of the Group's Data Security Policy;
- information of assignees in the application of the model pursuant to Legislative Decree no. 231/2001;
- management of improvement;
- management of documents;
- update of risk assessment in accordance with Legislative Decree no. 231/2001.

The following emerged from the control activities carried out:

- the basic documentation (Code of Ethics and Model as per Legislative Decree no. 231/2001) is correlated and updated rapidly to keep pace with developments in organisation and operations;
- the audits conducted by third parties for the renewal/maintaining of the various certifications show substantial observance of the procedures of the various company management systems;

- there have been no breaches of the Code of Ethics by the assignees of the organisational model as per Legislative Decree no. 231/2001;
- the Supervisory Body has not received any notifications from company managers regarding episodes relevant to Legislative Decree no. 231/2001;
- with regard to risks, there have been no significant changes compared to the previous year.

The Supervisory Body as per Legislative Decree 231/2001, is made up of the following Directors:

- Luciano Roasio Chairman, Independent non-executive Director
- Lorenzo Marchionni Non-executive Director
- Laura Materassi Independent non-executive Director
- Antonella Forchino Non-executive Director
- Alberto Tazzetti Independent non-executive Director

The organisational management and control model pursuant to former Legislative Decree no. 231/2001 is available on the Company's website
http://centralelatteitalia.com/wp-content/uploads/2016/07/CLI-DI-02-mod-org-231-Rev00-del-2016-12-13_riv.pdf

10. TRANSACTIONS WITH RELATED PARTIES.

On 11 November 2010 the Board of Directors of the Company resolved upon the adoption of a procedure for transactions with related parties, in application of Consob resolution no. 17221 as amended. This procedure is an essential element in the internal control system of the group headed by Centrale del Latte d'Italia S.p.A. and the organisational model as per Legislative Decree no. 231 of 8 June 2001. The procedure is also valid as an instruction given by the Parent Company to its subsidiaries, pursuant to article 114, para. 2 of the Consolidated Finance Law.
The procedure provides for the set-up of a Committee for transactions with related parties, made up of the members of the Audit and Risk Committee, with a supplementary alternate member, who is the independent Director not part of the Audit and Risk Committee.
Transactions with related parties are carried out in line with the proper criteria in terms of both substance and procedures.
For transactions involving related parties, the Directors who have even a potential or indirect interest in the operation:

a) provide the Board of Directors with exhaustive, timely notification of the existence of this interest and the circumstances of the same;
b) withdraw from Board meetings at the time of resolution.

Should the nature, value, or other characteristics of the transaction so require, in order to avoid terms being set that would not be in keeping with those normally agreed upon by non-related parties, the Board of Directors arranges for it to be carried out with the assistance of independent experts, in order to determine the value of the assets or of the pertinent financial, legal, or technical profiles.
The Committee for transactions with related parties is made up as follows:

- Alberto Tazzetti Chairman, Independent non-executive Director
- Lorenzo Marchionni Non-executive Director
- Germano Turinetto Independent non-executive Director

During 2016 the Committee's intervention was not required, because the conditions provided for under points 5.1 and 5.2 of the regulation governing transactions with related parties did not arise.
The code in its latest version approved on 3 March 2017 – is available on the company's website:
http://centralelatteitalia.com/wp-content/uploads/2017/Procedura-parti-correlate_2017.pdf

11. AUDITING COMPANY.

DELOITTE & TOUCHE S.p.A. Engaged on 28 April 2015; engagement expires with the approval of the 2023 financial statements.

12. EXECUTIVE IN CHARGE OF DRAFTING CORPORATE ACCOUNTS.

The Board of Directors, after having heard the opinion of the board of statutory auditors, appoints or removes the executive in charge of drafting accounts, who must be in possession of the appropriate professional skills pertaining to administration, accounting and finance.

The executive in charge of drafting corporate accounts establishes the appropriate administrative and accounting procedures to draft the financial statements, the consolidated financial statements and all other communication documents of a financial nature. The executive is granted the powers and means necessary to carry out the tasks assigned to him/her.

The executive in charge of drafting corporate accounts, in a specific report provided as an annex to the financial statements and, where provided for, to the consolidated financial statements, attests to the appropriateness and the effective application of the procedures and declares that the financial statements tally with the accounting books and records.

The Board of Directors has appointed Mr. Vittorio VAUDAGNOTTI, administrative and financial manager of the Company, as the executive in charge of drafting corporate accounts.

13. MAIN FEATURES OF THE CRITERIA FOR THE RISK MANAGEMENT AND INTERNAL AUDIT SYSTEMS IN PLACE IN RELATION TO THE FINANCIAL REPORTING PROCESS AT THE SEPARATE AND CONSOLIDATED LEVEL

The internal audit system of Centrale del Latte d'Italia Group is made up of the set of company rules and procedures designed, through an appropriate process of identifying the main risks connected to the setting out and communication of financial information, to meet the company's aim to provide reliable, accurate and timely information.

The accounting reports, including consolidated accounting reports, must provide users with a clear and correct picture of management, allow for the issue of statements and declarations required by law attesting to the fact that the documents and details provided to the market by the Parent Company regarding accounting information, including interim reports, tally with the accounting books and records, as well as to the appropriateness and effective application of the administrative and accounting procedures during the period the accounting documents (financial statements, half-yearly and quarterly report) refer to, and the fact that they have been drafted in compliance with the relevant international accounting standards.

Centrale del Latte d'Italia Group has implemented, and regularly updates, a system of administrative and accounting procedures able to guarantee a reliable financial reporting process. This system comprises both the procedures and guidelines by means of which the Parent Company ensures an efficient exchange of data with the consolidated companies and conducts the necessary coordination activities, and the operating regulations established by the consolidated companies.

The assessment, updating or monitoring of the internal audit system linked to financial reporting involves identifying and evaluating the risk of significant errors, including those caused by fraud, in the elements that make up the financial report, assessing whether the existing monitoring measures are able to identify such errors and verifying the efficacy of the monitoring process.

The measures in place in the Group aimed at preventing significant errors in the preparation and publication of the financial report substantially regard the following:

- measures applied at group or individual consolidated company level, such as the allocation of responsibilities, powers and proxies, the division of tasks and allocation of privileges and rights of access to IT applications;
- measures applied at process level, such as the issue of authorisations and the carrying out of reconciliation and the performance of consistency checks.

The efficacy of these measures is regularly verified by the Manager of the Audit and Risk Committee and by the executive in charge of drafting corporate accounts.

14. APPOINTMENT OF AUDITORS.

The Board of Statutory Auditors is composed of three Statutory Auditors and three Alternate Auditors who hold office for three years and may be re-elected. The minority group is entitled to elect one Statutory Auditor and one Alternate Auditor. The Board of Statutory Auditors is appointed on the basis of lists submitted by shareholders, in which the candidates are indicated by a progressive number. One member of the gender with the least representation must always be included in each list, both for Statutory Auditors and Alternate Auditors, provided there are not fewer than three candidates. list is composed of two sections: one for candidates for the office of Statutory Auditor and another for candidates for the office of Alternate Auditor. Lists may be filed only by those shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the

ordinary meeting. No shareholder may file, either through a third party or by trusts, more than one list or vote for different lists. Each candidate may be appointed in one list only, under penalty of ineligibility. Candidates may not be admitted to the lists if they already hold directorships in other five companies or entities whose stocks are liable for trading on a regulated market featured on the list provided for by articles 63 and 67 of Legislative Decree no. 58/1998, or if they are not in possession of the requirements of honourability, professionalism and independence established by the pertinent regulations. The lists submitted must be filed with the company's headquarters at least 25 days before the date of the Shareholders' Meeting called upon to resolve upon the appointment of the members of the board of statutory auditors. How and by when lists must be submitted is indicated in the call notice.
By the same deadline, statements must be filed along with each list in which each candidate accepts the nomination, and declares, undertaking full responsibility, that there are no reasons for which they are incompatible or ineligible to be appointed, and that they fulfil the requirements set forth by the bylaws and current regulations for each office. Where a list does not meet the above requirements, its submission shall be considered null. Election of statutory auditors takes place as follows:
1. two statutory and two alternate members shall be taken from the list obtaining the highest number of votes in the Meeting, according to the progressive order in which the candidates are listed in the sections.
2. the remaining statutory and the other alternate member shall be taken from the list obtaining the second highest number of votes in the Meeting, according to the progressive order in which the candidates are listed in the sections.
When the composition of the Standing Auditors or of the Alternate Auditors is not such as to guarantee compliance with gender balance, taking account of the order in which they are listed in the respective section, the last candidates of the gender with the highest representation to be elected on the majority list shall be replaced by the appropriate number of the top non-elected candidates of the minority gender on the same list and on the same section in order to guarantee compliance with the requisite.
The first candidate on the minority list obtaining the highest number of votes will be the Chairman. Should the Auditor no longer be in possession of the requisites established by the regulations and the by-laws, s/he shall be removed from office. In the event an Auditor is replaced, the alternate member of the same list shall take the place of the member to be replaced, guaranteeing compliance with the legal requisites and the By-Laws, and specifically taking account of the obligation to ensure gender balance.
Resolutions are passed by an absolute majority of the votes of those in attendance.
The above rulings regarding the election of Auditors do not apply to meetings held, pursuant to the law, to appoint Statutory and/or Alternate Auditors and the Chairman required to complete the Board of Statutory Auditors following the replacement or expiry of the term of an Auditor. In such cases, the meeting shall resolve by relative majority, without prejudice to the clause at paragraph two of this article. Where one list only is submitted, the entire Board of Statutory Auditors shall be appointed from said list. In the event no list is submitted, the shareholders' meeting shall resolve by majority vote. Abstentions shall not be taken into account.
The lists are made available to the public on the company's website and by the other means provided for by law at least 21 days before the date of the Shareholders' Meeting called upon to resolve upon the appointment of the members of the board of statutory auditors.
The remuneration of the Statutory Auditors is established by the Shareholders' Meeting.
The Board of Statutory Auditors may also meet by telecommunication means, provided the following conditions are met:
a) participants must be able to view, receive or transmit all the necessary documentation;
b) it must be possible to participate in the discussion in real time, in compliance with the collective decision-making method.
Meetings are held at the location of the Chairman, or in the absence of the Chairman, of the most senior Auditor in terms of age.

15. AUDITORS.
The make-up of the Board of Statutory Auditors, the date of appointment and the expiry of their term are indicated in table 3).
Their office expires with the approval of the 2017 financial statements. They were appointed during the Meeting of 28 April 2016.
During FY2016, the Board of Auditors convened 7 times.

16. RELATIONS WITH SHAREHOLDERS.
The Company has set up a dedicated section on its website, easily identifiable and accessible under the heading "Investor Relations", where shareholders can access information regarding the Company.

17. SHAREHOLDERS' MEETINGS.

Mechanisms governing the Shareholders' Meeting.

A shareholders' meeting can be ordinary or extraordinary. The ordinary shareholders' meeting is called by the Chairman, the Vice Chairman or one of the Vice Chairmen or one of the Executive Directors, at least once a year and within 120 days of the closure of the corporate year, in order to deal with the matters provided for by law.

Where the law so provides for, the ordinary shareholders' meeting may be called after the 120-day period, provided it takes place within 180 days from the end of the corporate year. The extraordinary shareholders' meeting is called to deal with matters provided for by law or by these by-laws.

The meeting may be called at the request of a number of shareholders sufficient to represent at least one twentieth of the capital of the company, who shall indicate the questions to be discussed. Requests for a meeting to be called or additions to the agenda may not be made with regard to issues the meeting resolves upon, in compliance with the law, in response to a proposal by the Directors, or on the basis of a project or report drafted by them.

The shareholders' meeting is called at the company headquarters, or elsewhere, provided it is held in Italy, with notice to be published under the terms and by the means provided for by current regulations for the questions to be dealt with, on the company's website, in the Official Gazette of the Republic of Italy or in the daily newspaper "LA STAMPA", in accordance with the terms and the means provided for by the applicable regulations, specifying the day, time and place of the meeting and the matters to be dealt with.

The call notice may also indicate the date of further calls.

Subjects entitled to vote may participate in the Shareholders' Meeting, or appoint a representative to do so on their behalf as provided for by law, provided their entitlement has been attested to by the relevant intermediary and notified to the company in compliance with the applicable regulations.

The right to intervene and to grant a power of attorney are governed by any applicable regulation.

Powers of attorney may be notified to the company by certified e-mail before the beginning of the Shareholders' Meeting, at the address indicated on the call notice.

The setting up of the shareholders' meeting and the validity of the resolutions therein adopted are regulated by the law, with the exception of the appointment of Directors, for which the provisions of article 11 apply, and for the appointment of the Board of Statutory Auditors, for which the provisions of article 20 apply.

For each Shareholders' Meeting, the company designates a subject the shareholders may grant a power of attorney, with voting instructions, for some or all of the proposals on the agenda.

The shareholders' meeting may be held in more than one location, close to or distant from each other, linked by both audio and video, under the following conditions, which must be indicated in the minutes:

- the Chairman and the Secretary, who draft the minutes, must be in attendance at the same location;
- the Chairman must be able to determine the identity and entitlement of participants, control the proceedings and determine and announce the results of each vote;
- the Secretary must be able to take proper note of the events that take place during the meeting;
- participants may take part in the discussion and vote simultaneously on the issues on the agenda, and may view, receive or transmit documents;
- the call notice must indicate the locations with which the company has set up an audio/video link and that participants may attend; the meeting shall be held to have taken place in the location where the Chairman and Secretary are present;
- an attendance sheet must be filled out at each location.

The shareholders' meeting is chaired by the Chairman of the Board, or if s/he is absent or unable to attend, by the most senior Vice Chairman in terms of age, or, should the latter be absent or unable to attend, by another person appointed for the purpose by the shareholders' meeting.

The Chairman is assisted by a Secretary or a Notary.

The Chairman, also with the assistance of persons appointed for the purpose:

- verifies the identity and entitlement of those present;
- verifies whether the shareholders' meeting has been regularly set up and that the quorum for passing resolutions has been reached;
- leads and governs the shareholders' meeting;
- establishes voting procedures (which are in any case evident) and announces the results thereof.

Turin, 3 March 2017

The Chairman of the Board of Directors
Luigi Luzzati

TABLE 1:
STRUCTURE OF THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE, INDICATING THE INVESTOR RELATOR

Office	Members	First year of office(1)	In office up to	List (2)	Executive	Non-executive	Indep. according to Code	Indep. according to TUF	% (3)	Audit and Risk Committee	Remuneration Committee	Supervisory Body	Committee for with related parties	No. of other offices
Chairman	LUZZATI Luigi	2000	Approval of 2016 Financial Statements	M	YES				100%					
Executive Vice Chairman and Managing Director	POZZOLI Riccardo	2000	Approval of 2016 Financial Statements	M	YES				100%					
Vice Chairman	MARCHIONNI Lorenzo	2016	Approval of 2016 Financial Statements	M		YES			100%	YES		YES		4
Director	ARTOM Adele	2000	Approval of 2016 Financial Statements	M		YES			70%					
Director	FORCHINO Antonella	2006	Approval of 2016 Financial Statements	M		YES			80%	YES		YES		
Director	FORNERO Elsa	2014	Approval of 2016 Financial Statements	M			YES	YES	90%					1
Director	GIALLOMBARDO Renato	2016	Approval of 2016 Financial Statements	M					100%					
Managing Director at Rapallo operating unit	MACCHIAVELLO Maurizio	2012	Approval of 2016 Financial Statements	M	YES				100%					
Director	MATERASSI Laura	2016	Approval of 2016 Financial Statements	M			YES	YES	100%	YES		YES		2
Director	PETRETTO Lorenzo	2016	Approval of 2016 Financial Statements	M		SI			90%					4
Director	ROASIO Luciano	2009	Approval of 2016 Financial Statements	M		YES	YES	YES	100%	YES	YES	YES		
Director	TAZZETTI Alberto	2002	Approval of 2016 Financial Statements	M		YES	YES	YES	100%	YES	YES	YES	YES	1
Director	TURINETTO Germano	2001	Approval of 2016 Financial Statements	M		YES	YES	YES	60%		YES		YES	1

(1) Reference to listing year
(2) M = Majority list
(3) % of attendance at Board and Committee meetings
m = minority list

Quorum required for the submission of lists for the last appointment: the shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting.

Office	**Name**	
Manager of Audit and Risk Committee	Federico GAI	Self-employed professional
Investor Relator	Edoardo POZZOLI	
Investor Relator	Vittorio VAUDAGNOTTI	

	Boards of Directors	Audit and Risk Committee	Remuneration Committee	Supervisory Body	Committee for with related parties
Number of meetings held during the period	10	4	2	4	-

TABLE 2: OTHER OFFICES OF THE DIRECTORS

At 31 December 2014

Progr. no.	Office	Members	Other office held	In LISTED COMPANIES (foreign too)	In BANKING OR INSURANCE COMPANIES	In COMPANIES OF SIGNIFICANT SIZE
1	Director	Elsa FORNERO	Member of BoD	BUZZI UNICEM S.p.A.		
	Director	**Lorenzo PETRETTO**	**Chairman**		**Fidi Toscana S.p.A.**	
2	Director	Alberto TAZZETTI	Member of BoD		Intesa San Paolo Assicura S.p.A.	
3	Director	Germano TURINETTO	Managing Director		Terfinance S.p.A.	

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Office	**Members**	**In office from**	**In office up to**	**List (*)**	**Indep. according to Code**	**% (**)**	**No. of other offices**
Chairman	FINO Francesco	28/04/2015	Approval of 2017 Financial Statements	M	YES	100%	6
Standing Auditor	RAYNERI Giovanni	28/04/2015	Approval of 2017 Financial Statements	M	YES	100%	*32*
Standing Auditor	ROSSOTTO Vittoria	28/04/2015	Approval of 2017 Financial Statements	M	YES	100%	9
Alternate Auditor	FERRERI Vittorio	28/04/2015	Approval of 2017 Financial Statements	M	YES		
Alternate Auditor	RAYNERI Michela	28/04/2015	Approval of 2017 Financial Statements	M	YES		
Alternate Auditor	RICHETTI Franco	28/04/2015	Approval of 2017 Financial Statements	M	YES		

(*) **M** = majority list
(**) % of attendance at Board and Committee meetings

m = minority list

Quorum required for the submission of lists for the last appointment: the shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting.

2016 Financial Statements
Centrale del Latte d'Italia S.p.A.

Report on the remuneration paid to the members of the management and audit bodies, general managers and other key management personnel.

REPORT ON THE REMUNERATION PAID TO THE MEMBERS OF THE MANAGEMENT AND AUDIT BODIES, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL. YEAR 2016.

SECTION I

As provided for in the Merger by Incorporation Plan of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. (CLF) into Centrale del Latte di Torino & C. S.p.A. approved by the Ordinary and Extraordinary Shareholders' Meeting of 13 June 2016, on 16 September 2016 the Deed of Merger of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. (CLF) into Centrale del Latte di Torino & C. S.p.A. (CLT) was signed, with subsequent recording in the Business Registry of Turin on 21 September 2016.
On 29 September 2016, by resolution no. 0086846/16, Consob granted the judgement of equivalence pursuant to article 57, paragraph 1, letter d) of Consob Regulation no. 11971/1999 on the information document related to the merger, authorising the publication of the Information Document, now available on the Company's website on.

http://centralelatteitalia.com/investor-relations/fusione/.

From 30 September 2016, 11:59 pm, the statutory, accounting and tax effects of the merger have become effective, pursuant to articles 2501-*ter* et seq. of the Italian Civil Code.

Now that the Merger has become effective, in line with the resolutions passed by the Extraordinary Shareholders' Meeting of CLT held on 13 June 2016, CLT has implemented: (i) the share capital increase from € 20,600,000 to € 28,840,041.20, by issuing 4,000,020 new ordinary shares with a par value of € 2.06 each, with the same characteristics as those outstanding and listed on the STAR segment of *Mercato Telematico Azionario* ("**MTA**") organised and managed by Borsa Italiana S.p.A. and destined for CLF's shareholders; (ii) the change of its company name to "**Centrale del Latte d'Italia S.p.A.**" (CLI); (iii) the increase in the number of Directors, which went from 9 to 13, with the appointment of the following new Directors: Renato Giallombardo, Lorenzo Marchionni, Laura Materassi and Lorenzo Petretto.

The company is run by a Board of Directors composed of maximum fourteen members, appointed by resolution of the Shareholders' Meeting. The Directors are chosen from a list of candidates.

At the end of FY2016, the Board of Directors, in office until approval of the 2016 financial statements, was made up as follows:

Mr. Luigi LUZZATI	Chairman
Mr. Riccardo POZZOLI	Executive Vice Chairman and Managing Director
Mr. Lorenzo MARCHIONNI	Non-Executive Chairman
Mr. Maurizio MACCHIAVELLO	Managing Director at the Rapallo operating unit
Ms Adele ARTOM	Non-executive Director
Ms Antonella FORCHINO	Non-executive Director
Ms Elsa FORNERO	Independent non-executive Director
Mr Renato GIALLOMBARDO	Independent non-executive Director
Ms Laura MATERASSI	Independent non-executive Director
Mr. Luciano ROASIO	Independent non-executive Director
Mr Lorenzo PETRETTO	Non-executive Director
Mr. Alberto TAZZETTI	Independent non-executive Director
Mr. Germano TURINETTO	Independent non-executive Director

No general managers or key management personnel were appointed by the company.

a) Bodies or individuals involved in the preparation and approval of the remuneration policy, specifying their respective roles, and bodies or individuals responsible for the proper implementation of this policy.

The following boards/individuals were involved in the preparation and approval of the remuneration policy:

- The ordinary shareholders' meeting with regard to the remuneration fixed proportion
- The Directors' Remuneration Committee for the fixed, variable and termination indemnity of Executive Directors and Managing Directors and the remuneration of the directors who are members the Company's internal Committees.

b) Mention any role played by a Remuneration Committee or other committee responsible on this matters, describing their members, authority and mode of operation.

The Directors' Remuneration Committee, integrated further to the Merger Transaction mentioned above, is made up of:

Luciano Roasio	Chairman, Independent non-executive Director
Lorenzo Marchionni	Non-executive Director
Alberto Tazzetti	Independent non-executive Director
Germano Turinetto	Independent non-executive Director

The Directors' Remuneration Committee proposes the remuneration of the Chairman, Vice Chairmen and the Managing Directors, the Directors with special duties and the directors who are members of internal committees, monitoring the implementation of decisions taken by the Board; periodically, it reviews the criteria adopted to set the remuneration, overseeing the implementation thereof based on information provided by the Managing Directors and makes general recommendations on these matters to the Board of Directors.

c) Mention any role played by independent experts.

No independent experts were involved in determining the remuneration policy.

d) Aims of the remuneration policy, underlying principles and any changes in the remuneration policy compared to the previous financial year.

The remuneration policy is aimed at attracting people with skills and diversified professional experience who can positively contribute to the Company's growth and control of corporate activities.

e) Description of policies on the remuneration fixed and variable components with particular regard to the indication of their respective proportion within the overall remuneration and distinction between the short term and medium-long term variable components.

The fixed component of executive directors' remuneration accounts for 82% of the overall remuneration, while the variable remuneration accounts for 18% of the total. The base salary is paid monthly, while variable remuneration is calculated on earnings for the financial year and paid out in the next.

f) Policy applied with regard to non-monetary benefits.

There are no non-monetary benefits.

g) With reference to the variable components, a description of performance targets upon which they are assigned, distinguishing between the short term and medium-long term variable components, and information about the link between changes in performance and changes in remuneration.

The variable remuneration is assigned by taking account of the EBITDA resulting from the consolidated financial statements of the Group as regards the short-term results. As regards the medium-long term, variable remuneration is conditional upon the achievement of the targets indicated in the 2014 – 2016 business plan concerning increases in Group turnover, the expected Group EBITDA and the improvement in the Group's net financial position.

h) Criteria used for assessing the performance targets underlying the allocation of shares, options, other financial instruments or other variable remuneration components.

The Directors' variable remuneration is calculated by applying a schedule of percentages on the value of the Group's EBITDA: 0.7% for the Chairman and executive Vice Chairman and Managing Director, and 0.2% for the Managing Director of the Rapallo operating unit.

As regards the medium-long term, variable remuneration is conditional upon the achievement of the targets indicated in the 2014 –2015 - 2016 business plan, and is structured as set out below:

1) linked to the achievement of increases in Group turnover as contemplated in the 2014 -2016 business plan:

Target below 95%	no bonuses
Target reached between 95% and 99%	75% of the bonus
Target reached between 100% and 104%	100% of the bonus
Target reached between 105% and beyond	115% of the bonus

2) linked to the achievement of Group EBITDA di for the years 2014 -2016:

Target below 95%	no bonuses
Target reached between 95% and 99%	75% of the bonus
Target reached between 100% and 104%	100% of the bonus
Target reached between 105% and beyond	115% of the bonus

3) on the reduction of the NFP: Ratio consolidated NFP / consolidated EBITDA as per the 2014 -2016 business plan:

2014 forecast	2.70
2015 forecast	1.80
2016 forecast	1.30
Target below 95%	no bonuses
Target reached between 95% and 99%	75% of the bonus
Target reached between 100% and 104%	100% of the bonus
Target reached between 105% and beyond	115% of the bonus

NFP is considered net of the financial indebtedness destined for acquisitions of equity investments and investments destined for the possible relocation of the Turin factory, net of any disposal of assets.

The bonus for the achievement of targets shall be equal, for each target reached, to 10% of the fixed remuneration due to each Director, and shall be paid out following approval of the respective financial statements for the year. If only one target is reached, the bonus will be calculated for each year on the target reached only.

The resulting variable remuneration shall not in any case exceed € 100.000,00 for each director.

i) Information aimed at highlighting that the remuneration policy is consistent with the pursuit of the company's long-term interests and its risk management policy, where there is a formal policy in place.

The use of EBITDA, the increases in turnover and the reduction in net financial indebtedness are adequate, demonstrative performance indicators.

j) The vesting periods, any deferred payment systems specifying the respective deferment periods and the criteria used for determining these periods and, any ex-post adjustment mechanisms.

Not applicable.

k) Information on any clause requiring that securities be held in portfolio after their acquisition, such holding periods and the criteria used for the determination of these periods.

There are no provisions requiring that securities be held in portfolio as there are no incentive plans based on financial instruments.

l) Policy on the remuneration provided in the event of cessation of office or termination of employment, specifying circumstances which determine the entitlement and any link between this remuneration and the Company's performance.

At the end of their mandate the executive directors are entitled to a termination indemnity equal to 1/12th of their annual gross remuneration per each financial year, starting from the financial year during which they were appointed.

m) Information on any insurance or social security or pension benefits, other than those provided for by law.

The Company has in place a group accident insurance policy and a policy for the legal protection for all executive and non-executive directors.

n) Remuneration policy, if any, applied with reference to: (i) independent directors, (ii) participation in committees and (iii) performance of specific offices (Chairman, Vice Chairman, etc.).

Entitlement to remuneration accrues from the time of appointment. The remuneration fixed portion is paid monthly, while the variable component is paid during the year following the closure of the consolidated financial statements.

The remuneration of non-executive directors who are members of the Company's internal committees amounts to € 750.00 for each meeting.

o) Specify whether the remuneration policy was defined with reference to the remuneration policies of other companies and, if so, the criteria used for choosing these companies.

The Company's remuneration policy was defined without reference to the remuneration policies adopted by other companies.

During FY2016 the Committee met twice in order to resolve upon:

- redetermining the remuneration of the Executive Vice Chairman and Managing Director;
- redetermining the remuneration of the new Vice Chairman and the new Managing Directors.

SECTION II

PART ONE

1.1 ITEMS THAT MAKE UP THE REMUNERATION

Board of Directors:

a) **Executive Directors:**

- the fixed portion is determined by resolution of the Shareholders' Meeting and the Board of Directors upon the proposal of the Remuneration Committee;
- the Chairman, and the managing directors were granted use of a company car by the Company and/or its subsidiaries
- the Company has in place a group accident insurance policy in favour of the executive Directors and an insurance policy for the legal protection:
- the variable portion is determined by resolution of the Board of Directors upon the proposal of the Remuneration Committee;
- the termination indemnity is determined by resolution of the Board of Directors upon the proposal of the Remuneration Committee;
  - indemnity amounting to 1/12th of the gross annual remuneration for each financial year
  - there are no performance criteria underlying the allowance allocation;
  - there are no incentive plans based on financial instruments;
  - there are no agreements in place providing for the assignment or retention of non-monetary benefits or the engagement under consulting agreements after cessation of office;
  - there are no agreements in place providing for paid non-competition commitments.

b) **Non-Executive Directors:**

1. the fixed portion is determined by resolution of the Shareholders' Meeting;
2. the variable portion payable for participation in Committees is determined by resolution of the Board of Directors upon the proposal of the Remuneration Committee;
3. there is no termination of indemnity.
4. the company has in place a group accident insurance policy in favour of non-executive directors.

The table below shows the emoluments of the members of the Board of Directors for the offices held in the Company, in the Subsidiaries and for the attendance at Committees:

Luigi LUZZATI	Chairman	185,000
Riccardo POZZOLI	Vice Chairman and Managing Director	481,683
Maurizio MACCHIAVELLO	Chief Executive Officer	198,000
Lorenzo MARCHIONNI	Non-Executive Chairman	100,000
Adele ARTOM	Non-executive Director	8,000
Antonella FORCHINO	Non-executive Director	14,000
Elsa FORNERO	Independent non-executive Director	8,000
Renato GIALLOMBARDO	Independent non-executive Director	2,000
Laura MATERASSI	Independent non-executive Director	5,000
Lorenzo PETRETTO	Non-executive Director	9,000
Luciano ROASIO	Independent non-executive Director	15,500
Alberto TAZZETTI	Independent non-executive Director	15,500

Germano TURINETTO	Independent non-executive Director	9,500

During FY2016, the variable remuneration paid out on the 2015 results totalled € 77,606 broken down as follows:

- variable remuneration on short-term objectives point h) € 77,605;
- variable remuneration on other medium-to-long-term objectives not achieved.

For the breakdown, see table on page 8.

Board of Statutory Auditors:

The remuneration is determined, on a fixed basis, by the Shareholders' meeting, at the time of appointment and for the full term of office. The remuneration varies between the Chairman and the statutory auditors.

The Board of Statutory Auditors, appointed by the ordinary shareholders' meeting held on 28 April 2015 and which will remain in office until the 2017 financial statements are approved, is made up as follows:

Mr Francesco FINO Chairman of the Board of Statutory Auditors
Mr Giovanni RAYNERI Standing Auditor
Ms Vittoria ROSSOTTO Standing Auditor
Mr Vittorio FERRERIAlternate Auditor
Ms Michela RAYNERI Alternate Auditor
Mr Franco RICHETTI Alternate Auditor

The table below shows the remuneration payable to the Board of auditors' members.

		Fixed remuneration
Francesco FINO	Chairman of the Board of Statutory Auditors	24,000
Giovanni RAYNERI	Standing Auditor	18,000
Vittoria ROSSOTTO	Standing Auditor	18,000

Key management personnel:

Remuneration payable to any other key management personnel.

There are no managers whom are assigned strategic responsibilities having the authority and responsibility for planning, directing and controlling the Company, either directly or indirectly.

1.2 With specific reference to arrangements providing for compensation in case of early termination of office, the following information is provided:

1.2.1 Whether any such agreement is in place.

Executive Directors:

the termination indemnity is determined by resolution of the Board of Directors, upon the proposal of the Remuneration Committee, amounting to 1/12th of the gross annual remuneration for each financial year

Non-Executive Directors:

There are no agreements in place providing for compensation in the event of early termination of office.

1.2.2 Criteria for determining the indemnity payable to each person.

See paragraph 1.2.1. above.

1.2.3 Specification of any performance criteria underlying the granting of the indemnity.

Granting of the indemnity is not based on any performance targets.

1.2.4 Potential effects of office termination upon the rights granted under incentive plans based on financial instruments or to be paid in cash

Not applicable.

1.2.5 Cases when the directors become entitled to the indemnity

Not applicable.

1.2.6 Specify whether there are any agreements in place providing for the assignment or retention of non-monetary benefits or the engagement under consulting agreements after cessation of office

No agreements have been entered into.

1.2.7 *Specify whether there are any agreements in place providing for paid non-competition commitments*

No agreements have been entered into.

1.2.8 *With reference to the directors who cease office during the financial year, any differences in the determined indemnity compared to that established in the reference agreement*

Not applicable.

1.2.9 *If no specific agreements are in place, explain the criteria used in determining the accrued termination indemnities.*

Not applicable.

PART TWO

Attached Table 1 as provided for by schedule 7-bis of the Issuers' Regulations

PART THREE

Pursuant to art. 84-quater, paragraph four, of Issuers' Regulation, table 1 attached hereto shows the investments held in the Company or its subsidiaries by the Directors and the Statutory Auditors, and by the non legally separated spouses and minor children, either directly or through subsidiaries, trust companies or nominees, resulting from the shareholders' register, the communications or other disclosures received from the Directors and Auditors (Table 2 provided for by the schedule 7-ter of the Issuers' Regulation).

Turin, 3 March 2017

The Chairman of the Board of Directors
Luigi Luzzati

Table 1)

EMOLUMENTS PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Luigi LUZZATI	**Chairman**	**(*) 2000**	**31-12-16**									
Remuneration from CLI S.p.A.				178,000	185,228	-	33,952	-	-	397,180	-	71,389
Remuneration from subsidiaries				7,000	-	-	-	-	-	7,000	-	-
Total				**185,000**	**185,228**	**-**	**33,952**	**-**	**-**	**397,180**	**-**	**71,389**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Riccardo POZZOLI	**V.P. CEO**	**(*) 2000**	**31-12-16**									
Remuneration from CLI S.p.A.				359,633	66,487	-	33,952	-	-	460,072	-	97,635
Remuneration from subsidiaries				122,000	-	-	-	-	-	122,000	-	
Total				**481,633**	**66,487**	**-**	**33,952**	**-**	**-**	**582,072**	**-**	**97,635**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Lorenzo MARCHIONNI	**Non-executive VP**	**10-2016**	**31-12-16**									
Remuneration from CLI S.p.A.				52,000	-	3,000	-	-	-	55,000	-	-
Remuneration from subsidiaries				45,000	-		-	-	-	45,000	-	-
Total				**97,000**	**-**	**3,000**	**-**	**-**	**-**	**100,000**	**-**	**-**

(*) reference to listing year

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Adele ARTOM	**Director**	**(*) 2000**	**31-12-16**									
Remuneration from CLI S.p.A.				8,000	-	-	-	-	-	8,000	-	-
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-
Total				**8,000**	**-**	**-**	**-**	**-**	**-**	**8,000**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Antonella FORCHINO	**Director**	**2006**	**31-12-16**									
Remuneration from CLI S.p.A.				8,000	-	6,000	-	-	-	14,000	-	-
Remuneration from subsidiaries				-	-		-	-	-	-	-	-
Total				**8,000**	**-**	**6,000**	**-**	**-**	**-**	**14,000**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Elsa FORNERO	**Director**	**2014**	**31-12-16**									
Remuneration from CLI S.p.A.				8,000	-	-	-	-	-	8,000	-	-
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-
Total				**8,000**	**-**	**-**	**-**	**-**	**-**	**8,000**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Renato GIALLOMBARDO	**Director**	**10-2016**	**31-12-16**									

Remuneration from CLI S.p.A.				2,000	-	-	-	-	-	2,000	-	-
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-
Total				**2,000**	**-**	**-**	**-**	**-**	**-**	**2,000**	**-**	**-**

Director	**Office**	**First year of office**	**Expiration of term**	**Fixed remuneration**	**Salaries**	**Remuneration for attendance to committees**	**Non-equity variable remuneration**		**Other remuneration**	**Total**	**Fair value of equity remuneration**	**Severance allowance**
							Variable remuneration	**Profit sharing**				
Laura MATERASSI	**Director**	**10-2016**	**31-12-16**									
Remuneration from CLI S.p.A.				2,000	-	3,000	-	-	-	5,000	-	-
Remuneration from subsidiaries				-	-		-	-	-	-	-	-
Total				**2,000**	**-**	**3,000**	**-**	**-**	**-**	**5,000**	**-**	**-**

Director	**Office**	**First year of office**	**Expiration of term**	**Fixed remuneration**	**Salaries**	**Remuneration for attendance to committees**	**Non-equity variable remuneration**		**Other remuneration**	**Total**	**Fair value of equity remuneration**	**Severance allowance**
							Variable remuneration	**Profit sharing**				
Maurizio MACCHIAVELLO	**Executive Director**	**2012**	**31-12-16**									
Remuneration from CLI S.p.A.				198,000	-	-	9,701	-	-	207,701	-	62,722
Remuneration from subsidiaries				-	-	-		-	-	-	-	
Total				**198,000**	**-**	**-**	**9,701**	**-**	**-**	**207,701**	**-**	**62,722**

Director	**Office**	**First year of office**	**Expiration of term**	**Fixed remuneration**	**Salaries**	**Remuneration for attendance to committees**	**Non-equity variable remuneration**		**Other remuneration**	**Total**	**Fair value of equity remuneration**	**Severance allowance**
							Variable remuneration	**Profit sharing**				
Lorenzo PETRETTO	**Director**	**10-2016**	**31-12-16**									
Remuneration from CLI S.p.A.				2,000	-	-	-	-	-	2,000	-	-
Remuneration from subsidiaries				7,000	-	-	-	-	-	7,000	-	-
Total				**9,000**	**-**	**-**	**-**	**-**	**-**	**9,000**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Luciano ROASIO	**Director**	**2009**	**31-12-16**									
Remuneration from CLI S.p.A.				8,000	-	7,500	-	-	-	15,500	-	-
Remuneration from subsidiaries				-	-		-	-	-	-	-	-
Total				**8,000**	**-**	**7,500**	**-**	**-**	**-**	**15,500**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Alberto TAZZETTI	**Director**	**(*) 2002**	**31-12-16**									
Remuneration from CLI S.p.A.				8,000	-	7,500	-	-	-	15,500	-	-
Remuneration from subsidiaries				-	-		-	-	-	-	-	-
Total				**8,000**	**-**	**7,500**	**-**	**-**	**-**	**15,500**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Germano TURINETTO	**Director**	**(*) 2001**	**31-12-16**									
Remuneration from CLI S.p.A.				8,000	-	1,500	-	-	-	9,500	-	-
Remuneration from subsidiaries				-	-		-	-	-	-	-	-
Total				**8,000**	**-**	**1,500**	**-**	**-**	**-**	**9,500**	**-**	**-**

				Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance accrued
							Variable remuneration	Profit sharing				
Remuneration from CLI S.p.A.				841,633	251,715	28,500	77,605	-	-	1,199,453	-	231,746
Remuneration from subsidiaries				181,000	-	-	-	-	-	181,000	-	-

Total remuneration				**1,022,633**	**251,715**	**28,500**	**77,605**	**-**	**-**	**1,380,453**	**-**	**231,746**

(*) reference to listing year

Table 2)

EMOLUMENTS PAID TO THE MEMBERS OF THE BOARD OF AUDITORS

(*) reference to listing year

Statutory Auditors	Office	First year of office (*)	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration: Variable remuneration	Non-equity variable remuneration: Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
Francesco FINO	**Chairman**	**2012**	**31-12-17**										
Remuneration from CLTO & C. S.p.A.				24,000 **24,000**							24,000 **24,000**		
	Office	**First year of office (*)**	**Expiration of term**	**Fixed remuneration**	**Salaries**	**Remuneration for attendance to committees**	**Non-equity variable remuneration: Variable remuneration**	**Non-equity variable remuneration: Profit sharing**	**Non-monetary benefits**	**Other remuneration**	**Total**	**Fair value of equity remuneration**	**Severance allowance**
Giovanni RAYNERI	**Auditor**	**2009**	**31-12-17**										
Remuneration from CLTO & C. S.p.A.				18,000 **18,000**							18,000 **18,000**		
	Office	**First year of office (*)**	**Expiration of term**	**Fixed remuneration**	**Salaries**	**Remuneration for attendance to committees**	**Non-equity variable remuneration: Variable remuneration**	**Non-equity variable remuneration: Profit sharing**	**Non-monetary benefits**	**Other remuneration**	**Total**	**Fair value of equity remuneration**	**Severance allowance**
Vittoria ROSSOTTO	**Auditor**	**2001**	**31-12-17**										
Remuneration from CLTO & C. S.p.A.				18,000 **18,000**							18,000 **18,000**		
TOTAL REMUNERATION				**60,000**							**60,000**		

EQUITY INVESTMENTS HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE BOARD OF AUDITORS

The Director Adele Artom exercises control over the Company, pursuant to article 2359, no. 2 of the Italian Civil Code (dominant influence) and article 93 of the Consolidated Law on Finance.

	Office	Subsidiary	Shares held at 01/01/2016	Purchased in 2016	Sold in 2016	Shares held at 31/12/2016
Luigi LUZZATI	Chairman	Centrale del Latte d'Italia S.p.A.	**166,395**	**-**	**-**	**166,395**
Riccardo POZZOLI	Executive Vice Chairman and Managing Director	Centrale del Latte d'Italia S.p.A.	**55,125**	**-**	**-**	**55,125**
Adele ARTOM	Director	Centrale del Latte d'Italia S.p.A.	**(*) 5,730,208**	**(*) 29,416**	**-**	**5,759,624**
Antonella FORCHINO	Director	Centrale del Latte d'Italia S.p.A.	**137,306**	**(*) 1,324**	**-**	**138,630**
Maurizio MACCHIAVELLO	Director	Centrale del Latte d'Italia S.p.A.	**10,000**	**-**	**-**	**10,000**

(*) also through directly controlled Companies

No other member of the Board of Directors or the Board of Statutory Auditors holds shares in the company Centrale del Latte d'Italia S.p.A.

Centrale del Latte d'Italia S.p.A.
2016 Financial Statements

Financial Statements – Accounting Schedules

Introduction

Notes:

- The references in the first column are to the individual item or group of items in the reclassified accounting schedules;
- The references in the second column are to the breakdown and analysis of the individual items set out in the notes, if present.

INCOME STATEMENT (amounts shown in Euros)

				2016		2015
1ec	1ene	**Revenue from sales**		**75,022,110**		**74,102,463**
		▪ *of which from subsidiaries*	*1,748,601*		*1,550,993*	
2ec	2ene	Other revenue		957,031		724,380
		▪ *of which from subsidiaries*	*48,599*		*59,741*	
		▪ *of which from affiliates*	*122,000*		*12,838*	
3ec	3ene	Change in inventories of semi-finished and finished goods		1,692		209,368
		Total revenue from sales and services		**75,980,833**		**75,036,211**
4ec	4ene	Raw and ancillary materials, consumables and goods		**(37,765,506)**		**(36,972,110)**
		▪ *of which vis-à-vis subsidiaries*	*(2,965,110)*		*(2,378,212)*	
		Personnel costs		**(11,503,761)**		**(10,998,799)**
5ec	5ene	➢ Wages and salaries		(8,115,652)		(7,751,083)
6ec	6ene	➢ Social security contributions		(2,647,024)		(2,537,485)
7ec	7ene	➢ Employee severance indemnity		(562,608)		(537,893)
8ec	8ene	➢ Other costs		(178,477)		(172,338)
		Depreciation, amortisation and write-downs		**(2,184,119)**		**(1,704,398)**
9ec	9ene	➢ Amortisation of intangible fixed assets		(62,003)		(167,425)
10ec	**10ene**	➢ Depreciation of tangible fixed assets		(2,066,380)		(1,889,426)
11ec	11ene	➢ Write-downs of current receivables		(55,737)		(53,605)
12ec	12ene	➢ Allowances (release) for risks		-		406,058
		Other operating costs		**(25,024,943)**		**(22,908,458)**
13ec	**13ene**	➢ Services		(23,936,699)		(21,845,112)
		▪ *of which vis-à-vis subsidiaries*	*(118,609)*		*(62,572)*	
		▪ *of which vis-à-vis affiliates*	*(15,115)*		*(17,492)*	
14ec	14ene	➢ Lease and rental costs		(351,617)		(307,049)
		▪ *of which vis-à-vis parent company*	-		*(7,333)*	
15ec	**15ene**	Sundry operating expenses		(736,626)		(756,297)
		EBIT		**(497,497)**		**2,452,446**
16ec	**16ene**	Financial income		13,761		21,291
		▪ *of which vis-à-vis affiliates*	-			*485*
17ec	17ene	Financial charges		(279,407)		(340,054)
18ec	18ene	Adjustment to equity investments		(286,305)		**(417,624)**
19ec	19ene	Capital gain on equity investment disposal		**4,499**		**-**
		Profit (Loss)		**(1,044,949)**		**1,716,059**
20ec	20ene	Result from business combinations		13,902,917		-
		Pre-tax profit (loss)		**12,857,969**		**1,716,059**
21ec	21ene	Income taxes		(53,885)		(773,277)
22ec	22ene	(Deferred) prepaid taxes		(20,364)		253,793
		NET PROFIT (LOSS) (A)		**12,783,720**		**1,196,575**
		Parent Company's shareholders		**12,783,720**		**1,196,575**
		Number of shares with voting rights		**14,000,020**		**10,000,000**
		Basic and diluted net earnings (loss) per share		**0.913**		**0.119**

STATEMENT OF COMPREHENSIVE INCOME (amounts shown in Euros)

	2016	2015
NET PROFIT (LOSS) (A)	**12,783,720**	**1,196,575**
Items that will never be restated under profit/(loss) for the period		
Actuarial gains (losses) due to defined-benefit retirement plans	(80,762)	136,756
TOTAL OTHER COMPREHENSIVE PROFITS (LOSSES) (B)	**(80,762)**	**136,756**
COMPREHENSIVE NET PROFIT (LOSS) (A+B)	**12,702,958**	**1,333,331**

STATEMENT OF EQUITY AND FINANCIAL POSITION - ASSETS (amounts shown in Euros)

		ASSETS	31/12/2016	31/12/2015
		NON-CURRENT ASSETS		
	1ne	**Tangible fixed assets**	**16,530,156**	**16,483,695**
1		Land	2,721,148	2,433,868
1		Buildings	6,640,927	6,576,254
1		Plants and machinery	5,776,509	5,957,040
1		Industrial, commercial and other equipment	1,302,071	1,270,533
2		Fixed assets under development and advances	89,500	246,000
	3ne	**Intangible fixed assets**	**6,191,061**	**6,253,063**
3		Trademarks	5,840,983	5,840,983
3		Goodwill	350,078	350,078
3		Software	**-**	62,002
	4ne	**Financial fixed assets**	**52,132,212**	**27,516,709**
4		Equity investments in subsidiaries	52,028,328	27,198,328
4		Equity investments in affiliates	1	77,376
4		Other financial assets	9,290	16,779
5	5ne	Deferred tax assets	93,593	83,591
6	6ne	Financial receivables from affiliates	1,000	140,635
		TOTAL NON-CURRENT ASSETS	**74,853,428**	**50,253,467**
		CURRENT ASSETS		
	7ne	**Inventories**	**2,105,751**	**2,142,174**
7		Raw and ancillary materials and consumables	950,978	1,013,608
7		Finished products and goods	1,154,773	1,128,566
		Trade and other receivables	**22,660,002**	**18,916,736**
8	8ne	Trade receivables	9,689,950	9,250,405
9	9ne	Receivables from subsidiaries	1,605,694	407,809
10	10ne	Receivables from affiliates	110,000	-
11	11ne	Tax assets	9,327,556	7,712,319
12	12ne	Receivables from others	1,926,802	1,546,203
		Cash and cash equivalents	**6,098,533**	**9,516,522**
13	13ne	Bank and postal accounts	5,907,980	9,326,131
14	14ne	Cash and valuables on hand	190,553	190,391
		TOTAL CURRENT ASSETS	**30,864,286**	**30,575,432**
15	**15ne**	Non-current assets held for sale	445,710	445,710
		TOTAL ASSETS	**106,163,424**	**81,274,609**

STATEMENT OF EQUITY AND FINANCIAL POSITION - LIABILITIES (amounts shown in Euros)

		LIABILITIES AND SHAREHOLDERS’ EQUITY	31/12/2016	31/12/2015
16	**17ne**	**Share Capital**	**28,840,041**	**20,600,000**
		Reserves	**38,825,290**	**23,626,317**
17		Share premium account	14,324,577	14,324,577
18		Merger premium reserve	3,096,015	-
19		Revaluation reserve	196,523	196,523
20		Legal reserve	1,207,334	1,147,505
21		Other reserves	12,087,176	11,550,430
22		Non-distributable IFRS first-time adoption reserve	1,265,968	1,265,968
23		Profits (losses) carried forward	41,478	41,478
24		Reserve for employee severance indemnity discounting	(28,768)	51,994
25		Merger deficit	(6,148,733)	(6,148,733)
26		Profit (loss) for the period	12,783,720	1,196,575
	18ne	**SHAREHOLDERS’ EQUITY**	**67,665,331**	**44,226,317**
		NON-CURRENT LIABILITIES		
27	19ne	Long-term loans	6,112,217	8,792,433
28	20ne	Long-term payables to other lenders	21,173	106,287
29	21ne	Deferred taxes	2,048,043	2,049,590
		Provisions	**2,788,247**	**2,961,552**
30	22ne	Employee severance indemnity	2,409,588	2,608,723
31	23ne	Provision for Directors’ indemnity at the end of their term in office	231,746	170,444
32	24ne	Provision for liabilities and charges	146,913	182,385
		TOTAL NON-CURRENT LIABILITIES	**10,969,679**	**13,909,862**
		CURRENT LIABILITIES		
		Financial payables	**7,728,200**	**4,795,768**
33	25ne	Payables to banks	500,000	1,002,473
34	26ne	Current share of long-term loans	7,210,029	3,757,541
35	27ne	Current share of payables to other lenders	18,171	35,754
		Trade and other payables	**19,800,213**	**18,342,662**
36	28ne	Trade payables	13,858,958	14,339,883
37	29ne	Payables to subsidiaries	2,824,794	875,360
38	30ne	Payables to affiliates	13,412	16,342
39	31ne	Tax liabilities	234,613	217,975
40	32ne	Payables to social security authorities	548,886	526,337
41	33ne	Other payables	2,319,551	2,366,765
		TOTAL CURRENT LIABILITIES	**27,528,413**	**23,138,430**
		TOTAL EQUITY AND LIABILITIES	**106,163,424**	**81,274,609**

Cash Flow Statement **(amounts shown in Euros)**

	31/12/2016	31/12/2015
Initial cash availability	8,514,049	8,235,559
A. Cash flow from operating activities		
Profit (loss) for the year	**12,783,720**	**1,196,575**
Amortisation of intangible fixed assets	62,003	167,425
Depreciation of tangible fixed assets	2,066,380	1,889,426
Total amortisation, depreciation and write-downs	**2,128,383**	**2,056,851**
Employee severance indemnity accrued in the FY, net of indemnities already paid and OCI effect	(279,890)	(18,793)
Provision for Directors' indemnity at the end of their term in office	61,302	46,167
Deferred taxes	(1,547)	(267,262)
Accrual to (Use of) provision for liabilities and charges	(35,472)	(597,848)
Total net allowances	**(255,607)**	**(837,736)**
Capital gain from business combinations	**(13,902,917)**	**-**
Total other non-cash flows	**(13,902,917)**	**-**
Change in net working capital		
Net trade receivables and other receivables (intra-group included)	(1,607,795)	543,404
Inventories	36,424	(203,440)
Other receivables	(2,005,839)	(3,713,799)
Suppliers (parent company and intra-group included)	1,465,578	1,249,151
Sundry payables	(24,665)	(237,348)
Tax liabilities	16,638	(106,030)
Other changes in net working capital	458,965	-
Total change in net working capital	**(1,660,694)**	**(2,468,062)**
Operating cash flow	**(907,115)**	**(52,372)**
B. Cash flow from (for) investing activities		
Net acquisitions of technical fixed assets	(2,112,841)	(3,347,795)
Net acquisitions of intangible fixed assets	-	-
Financial (investments) divestments	34,864	167,124
Total cash flow from (for) investing activities	**(2,077,976)**	**(3,180,671)**
Free cash flow	**(2,985,091)**	**(3,233,043)**
C. Cash flow from change in shareholders' equity		
Dividends paid	(600,000)	(600,000)
Total cash flow from change in shareholders' equity	**(600,000)**	**(600,000)**
D. Cash flow from financing activities		
Change in medium/long-term financial payables	669,575	4,111,533
Total cash flow from financing activities	**669,575**	**4,111,533**
Total cash flows for the period	**(2,915,516)**	**278,490**
CASH AND BANKS AT YEAR-END (net of payables to banks)	**5,598,533**	**8,514,049**
of which bank accounts and cash on hand	6,098,533	9,516,522
of which payables to banks	(500,000)	(1,002,473)
Financial charges paid	229,794	299,037
Taxes paid	304,669	1,039,042

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY *(amounts shown in Euros)*

	At 01/01/2015	Result allocation	Dividend payment	Comprehensive net profit (loss)	Changes for the period	At 31/12/2015
Share capital	20,600,000	-	-	-	-	20,600,000
Share premium account	14,324,577	-	-	-	-	14,324,577
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	1,076,796	70,709	-	-	-	1,147,505
Other reserves	10,806,985	743,445	-	-	-	11,550,430
Non-distributable IFRS first-time adoption reserve	1,265,968	-	-	-	-	1,265,968
Profits (losses) carried forward	(312,196)	-	-	-	353,674	41,478
Reserve for employee severance indemnity discounting	-	-	-	136,756	(84,762)	51,994
Merger surplus	166,015	-	-	-	(166,015)	-
Merger deficit	(6,314,748)	-	-	-	166,015	(6,148,733)
Profit (loss) for the period	1,414,153	(814,154)	(600,000)	1,196,575	-	1,196,575
	43,224,074	**-**	**(600,000)**	**1,333,331**	**268,912**	**44,226,317**

	At 01/01/2015	Result allocation	Dividend payment	Comprehensive net profit (loss)	Changes for the period	At 31/12/2015
Share capital	20,600,000	-	-	-	8,240,041(*)	28,840,041
Share premium account	14,324,577	-	-	-	-	14,324,577
Merger premium reserve	-	-	-	-	3,096,015 (*)	3,096,015
Revaluation reserve	196,523	-	-	-		196,523
Legal reserve	1,147,505	59,829	-	-	-	1,207,334
Other reserves	11,550,430	536,746	-	-	-	12,087,176
Non-distributable IFRS first-time adoption reserve	1,265,968	-	-	-	-	1,265,967
Profits (losses) carried forward	41,478	-	-	-	-	41,478
Reserve for employee severance indemnity discounting	51,994	-	-	(80,762)	-	(28,768)
Merger deficit	(6,148,733)	-	-	-	-	(6,148,733)
Profit (loss) for the period	1,196,575	(596,575)	(600,000)	12,783,720	-	12,783,720
	44,226,317	**-**	**(600,000)**	**12,702,958**	**11,336,057**	**67,665,331**

(*) Change due to merger

Centrale del Latte d'Italia S.p.A.

2016 Financial Statements

Notes to the 2016 Financial Statements

The Company.

Centrale del Latte d'Italia S.p.A., set up and domiciled in Italy and headquartered in Turin, in Via Filadelfia 220, deals with the processing, transformation and sale of:

- milk and dairy products
- packaged products in the fresh and ultra-fresh segment
- fresh vegetables
- drinks of plant origin

The Company shall exist until 31 December 2050; its terms may be prolonged one or more times by resolution of the Shareholders' Meeting.

The Company shares are listed on the STAR segment of Borsa Italiana, and according to the shareholders' register and based on the information available on the Consob website (www.consob.it) and the official notifications received and available at the date of this annual financial report at 31 December 2016, the shareholders who directly or indirectly hold equity interests amounting to more than 5% of the share capital with voting rights are: (i) Adele Artom 40.93%, (ii) Municipality of Florence 12.25%, (iii) Fidi Toscana S.p.A. 6.83%, (iv) Municipality of Pistoia 5.26%.

At 31 December 2016 the shareholder Adele Artom held a dominant position on Centrale del Latte d'Italia S.p.A. pursuant to article 2359 no. 2 of the Italian Civil Code (dominant influence) and 93 of the TUF.

The publication of the 2016 financial statements was authorised by the Board of Directors on 3 March 2017.

The Company has also prepared, in its capacity as Parent Company, the consolidated Financial Statements at 31 December 2016.

Centrale del Latte d'Italia Group has 5 production plants in Turin, Florence, Vicenza, Rapallo (Ge) and Casteggio (Pv), able to directly produce fresh, ESL (Extended Shelf Life) and UHT milk, yoghurt, fresh products and plant-based drinks, and to sell packaged own-brand products in the fresh sector, such as eggs, cheese and pasta produced through selected customers. It has 430 employees and over 320 reefer vans that every day supply 2750 points of sale of retail chains and over 11,600 customers in normal trade channels, as well as collecting approx. 119 million litres of milk from 161 stables.

The Group is the third milk producing hub in Italy, with a national market share of 7.3% in the fresh and extended shelf life (ESL) milk segment, 3.7% in the UHT milk segment and leadership positions in the Piemonte/Valle d'Aosta, Tuscany, Liguria and Veneto regions, Wight market shares of 27.4% in the fresh and extended shelf life (ESL) milk segment and 13.4% in the UHT milk segment. (Source IRI Infoscan I+S at 31 December 2016).

The Merger

FY 2016 saw the Merger by Incorporation of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. and the subsequent separation and transfer of the company into Centrale del Latte della Toscana S.p.A., an original, one-of-a-kind transaction. Companies operating in different regions were able to overcome obstacles of various kinds and a measure of mutual distrust in order to combine markets, energy and professional skills. The similarities in the history of the companies, stretching back over sixty years, made it both reasonable and possible to complete such a merger in a country like Italy that is so often divided by an excessively individualist, regionalist approach. The whole process lasted well over 18 months, and was characterised by maximum transparency and a desire to overcome the difficulties encountered, thanks to the far-sighted approach of the public and private shareholders, directors and managers of the Companies, assisted by mutual knowledge and esteem.

This was an important corporate operation that gave rise to the third fresh milk hub in Italy, and effectively the only player really able to make the most of the specific features of the various areas in Italy in regions that are important in the milk and yogurt market. This is a leading Group in the areas it is present in, able to compete on all channels and all markets: a business development project with strong, close links with the areas of origin, yet ready to expand beyond those areas, following a tradition able to confirm its value and to innovate, able to aim for new horizons and to find the energy and resources for growth.

The new Group brings together brands with a strong presence at local level, which share essential values such as quality, safety and close links with the local areas. This is combined with an awareness of the need to strengthen, relaunch, diversify and extend the Group's business, while continuing to offer the excellent quality that distinguishes the individual companies within it, making the most of the production facilities by maintaining their value and substantially respecting the way the individual companies operate, without prejudice to any improved organisational solutions that may be adopted to optimise the production chain by maintaining and adding to supplies on the part of local farmers.

For the accounting effects of the transaction, see the information on business combinations.

- **Statutory aspects.**

As provided for in the Merger by Incorporation Plan of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A. approved by the Ordinary and Extraordinary Shareholders' Meeting of 13 June 2016, on 16 September 2016 the Deed of Merger of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A. was signed, with subsequent recording in the Business Registry of Turin on 21 September 2016.

On 29 September 2016, by resolution no. 0086846/16, Consob granted the judgement of equivalence pursuant to article 57, paragraph 1, letter d) of Consob Regulation no. 11971/1999 on the information document related to the merger, authorising the publication of the Information Document, now available on the Company's website on.

http://centralelatteitalia.com/investor-relations/fusione/.

From 30 September 2016, 11:59 pm, the statutory, accounting and tax effects of the merger have become effective, pursuant to articles 2501-*ter* et seq. of the Italian Civil Code.

Now that the Merger has become effective, in line with the resolutions passed by the Extraordinary Shareholders' Meeting of *Centrale del Latte di Torino & C. S.p.A* held on 13 June 2016, *Centrale del Latte di Torino & C. S.p.A.* implemented the following: (i) the share capital increase from € 20,600,000 to € 28,840,041.20, by issuing 4,000,020 new ordinary shares with a par value of € 2.06 each, with the same characteristics as those outstanding and listed on the STAR segment of *Mercato Telematico Azionario* ("**MTA**") organised and managed by Borsa Italiana S.p.A. and destined for the shareholders of *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A*; (ii) the change of its company name to "**Centrale del Latte d'Italia S.p.A.**"; (iii) the increase in the number of Directors, which went from 9 to 13, with the appointment of the following new Directors: Renato Giallombardo, Lorenzo Marchionni, Laura Materassi and Lorenzo Petretto.

- **Exchange ratio**

The Merger Plan set the exchange ratio between the ordinary shares of *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.* and the new shares of the Company Resulting from the Merger issued for the Merger and assigned to the shareholders of *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.* as follows: 1 new Share of the Incorporating Company (with a par value of € 2.06 each) for 6.1965 ordinary shares of *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.* (with a par value of € 0.52 each), rounded off to the closest unit and without cash adjustments.

- **Accounting aspects**

Pursuant to IFRS 3 – Business combinations, the Merger transaction is classified as a business combination, pursuant to which the difference between the fair value of the net assets purchases and the fair value of the new shares issued must be posted to the income statement. This difference, in accordance with Legislative Decree no. 38/2005, cannot be distributed to the shareholders, and must be destined for the net equity reserve. Therefore, the separate and consolidated financial statements show a positive result from the business combination of € 13,902,917, the fair value of the shares issued for the merger share swap having been set at € 2.834 per share. This figure was defined with reference to the Borsa Italiana *Centrale del Latte di Torino & C. S.p.A* share price at 30 September 2016.

Effective from 1 October 2016, Centrale del Latte d'Italia S.p.a. transferred the company already controlled by *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.* ("**Mukki Company**") into a new company, wholly owned by Centrale del Latte d'Italia S.p.a., with registered and operating office in Florence, named "**Centrale del Latte della Toscana S.p.A.**". The purpose of this transaction is to maintain the legal, corporate and management autonomy of the Company, specifically guaranteeing: (i) the safeguarding of the production facility as an important resource for the local economy, (ii) the continuity of the existing managerial group and (iii) the safeguarding of current employment levels.

Structure and content of the accounting schedules.

The Financial Statements at 31 December 2016 are composed of the equity and financial position, the income statement and the statement of comprehensive income, the cash-flow statement, the statement of changes in Shareholders' Equity and the Notes. The statement of the

equity and financial position consists of assets and liabilities analysed by maturity date, separating the current and non-current entries with maturity date, respectively, within and beyond a 12-month period.
The statement of comprehensive income is presented separately from the income statement, with the latter drafted on the basis of classifying costs by nature. The cash flow statement was prepared using the indirect method.
The Financial Statements for FY2016 were drafted in Euros.
For the purpose of an accurate comparison between the two financial years, the data of the previous FY, where appropriate, have been reclassified.

Audit

The 2016 Financial Statements are subject to audit by Deloitte & Touche S.p.A..

Accounting standards, amendments and IFRS interpretations effective from 01 January 2016

The following accounting standards, amendments and IFRS interpretations have been applied for the first time by the Group since 1 January 2016:

- Amendment to IAS 19 – ***Defined Benefit Plans: Employee Contributions*** (issued on 21 November 2013): related to the posting of contributions made by employees or third parties to the defined benefit plans. The adoption of these amendments had no effect on the Company's Financial Statements.
- Amendments to ***IFRS 11 – Accounting for acquisitions of interests in joint operations*** (issued on 6 May 2014): related to the accounting of acquisitions of interest in a *joint operation* whose activity constitutes a *business*. The adoption of these amendments had no effect on the Company's Financial Statements.
- ***Amendments to IAS 16 and IAS 41 - Bearer Plants (issued on 30 June 2014):*** regarding bearer plants, i.e. fruit trees with an annual harvest (for example vines, hazel trees), which must be accounted for in accordance with the requisites of IAS 16 (rather than IAS 41). The adoption of these amendments had no effect on the Company's Financial Statements.
- Amendments to **IAS 16 and IAS 38 -** ***Clarification of acceptable methods of depreciation and amortisation*** (issued on 12 May 2014): according to which a revenue-based amortisation and depreciation criteria is not appropriate, because the revenue generated by an initiative that includes the use of the asset for amortisation or depreciation generally reflects factors other than the mere consumption of the economic benefits of said activity, a requisite that is required for depreciation or amortisation. The adoption of this amendment had no effect on the Company's Financial Statements.
- ***Amendment to IAS 1- Disclosure Initiative*** (issued on 18 December 2014): the objective of the amendments is to provide clarification on disclosure elements that may be perceived as impediments to a clear and intelligible preparation of financial statements. The adoption of this amendment had no effect on the Company's Financial Statements.
- *Amendment to IAS 27-* ***Equity Method in Separate Financial Statements*** (issued on 12 August 2014): introduces the option to use, in separate financial statements, the net equity method to measure equity investments in subsidiaries, jointly controlled companies and affiliates. The adoption of this amendment had no effect on the Company's Financial Statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the Consolidation Exception* (***issued*** on 18 December 2014), containing amendments regarding matters that arose following the application of the consolidation exception granted to investment entities. The adoption of this amendment had no effect on the Company's Financial Statements.
Lastly, as part of the annual improvement process of standards, on 12 December 2013 the IASB issued the document "**Annual Improvements to IFRSs**: **2010-2012 Cycle**" (including IFRS 2 *Share Based Payments – Definition of vesting condition*, IFRS 3 *Business Combination – Accounting for contingent consideration*, IFRS 8 *Operating segments – Aggregation of operating segments* e *Reconciliation of total of the reportable segments' assets to the entity's assets*, IFRS 13 *Fair Value Measurement – Short-term receivables and payables*) and on 25 September 2014 the document "Annual Improvements to IFRSs: **2012-2014 Cycle**" (including: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* IFRS 7 – *Financial Instruments: Disclosure* e IAS 19 – *Employee Benefits*), partially integrating the existing standards. The adoption of these amendments had no effect on the Company's Financial Statements.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, not yet mandatorily applicable and not early adopted by the Company at 31 December 2016.

- Standard *IFRS 15* – Revenue from Contracts with Customers (issued on 28 May 2014 and supplemented with further clarifications issued on 12 April 2016), which is intended to replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The standard establishes a new revenue recognition model, which will apply to all contracts with customers except those that fall within the scope of other IAS/IFRS such as finance leases, insurance contracts and financial instruments. The main steps for the recognition of revenue under the new model are:
    - identification of the contract with customer;
    - identification of the contract performance obligations;
    - determination of the price;
    - allocation of the price to the contract performance obligations;
    - revenue recognition criteria when the entity satisfies each performance obligation.

The standard applies from 1 January 2018, though earlier application is permitted. The changes to IFRS 15, *Clarifications to IFRS 15 – Revenue from Contracts with Customers*, published by IASB on 12 April 2016, have not yet been endorsed by the European Union. The analyses for the application of the new standard and the effects deriving from its application are still under way. However, it is not possible to provide a reasonable estimate of the effects until the Company – together with the Group – has completed a detailed analysis of the contracts with customers.

- Final version of IFRS 9 –Financial instruments (issued on 24 July 2014). The document contains the results of the IASB project aimed at replacing IAS 39:
    - It introduces new requirements for the classification and measurement of financial assets and liabilities;

With reference to the *impairment* model, the new standard requires that loan losses estimates be based on the *expected losses* model (rather than the *incurred losses* model used by IAS 39) by using supportable information, available at no cost or without unreasonable efforts, which include historical, current and forecast data;

- It introduces a new model of *hedge accounting* (increase in the types of transactions eligible for *hedge accounting*, change in the method for recognising forward contracts and options when part of a *hedge accounting relation*, amendments to effectiveness tests).

The new standard must be applied to the financial statements beginning on or after 1 January 2018.

The directors expect that the application of IFRS 9 may have a significant impact on the amounts and on the information provided in the Company's separate Financial Statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

As at the reference date of these Financial Statements, the relevant European Union bodies have not yet completed the standardisation process necessary for the adoption of the following standards and amendments.

- Standard IFRS 16 – *Leases (issued on 13 January 2016),* intended to replace standard IAS 17 – *Leases*, as well as IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The new standard provides a new definition of *lease* and introduces a criterion based on the right of use of an asset to distinguish leasing contracts from services contracts, identifying the following as discriminating factors: the identification of the asset, the right to replace it, the right to obtain, in substance, all the economic benefits deriving from the use of the asset and the right to govern the use of the underlying asset.

The standard establishes a single accounting model for recognising and measuring leasing contracts for the lessee, which requires the object under lease, including operating lease, to be posted to the assets, offset by a financial liability, and also offers the opportunity not to recognise leases of low-value assets or leases of 12 months or less. The Standard does not comprise significant amendments regarding lessors.

The standard applies from 1 January 2019, though earlier application is permitted only for those Companies opting for early adoption of IFRS 15 - *Revenue from Contracts with Customers*. The analysis of the effects deriving from the application of the standard are under way. However, it is not possible to provide a reasonable estimate of the effects until the Company – together with the Group – has completed a detailed analysis of the relevant contracts.

- Amendment to IAS 12 - *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016). The aim of the document is to provide clarification regarding the recognition of deferred tax assets for unrealised losses in certain circumstances and on estimating taxable income for future FYs. The amendments apply from 1 January 2017, though earlier adoption is permitted. The directors do not expect the adoption of these changes to have a significant impact on the Company's financial statements.
- *Amendment to IAS 7- Disclosure Initiative* (issued on 29 January 2016). The aim of the document is to provide clarification on how information on financial liabilities can be improved. Specifically, the amendments request that information be provided in order to allow users of the financial statements to understand variations in liabilities deriving from financing transactions. The amendments apply from 1 January 2017, though earlier application is permitted. The presentation of comparative information relating to previous FYs is not requested. The directors do not expect the adoption of these changes to have a significant impact on the Group's financial statements.
- *Amendments to IFRS 2 - Classification and measurement of share-based payment transactions (issued on 20 June 2016),* containing some clarifications concerning the recording of the effects of *vesting conditions* in the presence of *cash-settled share-based payments*, the classification of *share-based payments* characterised by *net settlement* and the recording of the amendments to the terms and conditions of a *share-based payment, changing its classification from cash-settled* to *equity-settled*. The amendments apply from 1 January 2018, though earlier application is permitted. The directors do not expect a significant impact on the Company's financial statements.
- Document "*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*" (issued on 12 September 2016). For entities whose business is predominantly made up of insurance, the aim of the amendments is to clarify the concerns deriving from the application of the new IFRS 9 to financial assets, before the IASB replaces the current IFRS 4 with the new standard currently being drafted, based on which financial liabilities are carried.

The directors do not expect the adoption of these changes to have a significant impact on the Company's financial statements.

- Document "*Annual Improvements to IFRSs: 2014-2016 Cycle*", issued on 8 December 2016 (including IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*, IAS 28 *Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice*, IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*), partially supplementing the pre-existing standards. The directors do not expect the adoption of these changes to have a significant impact on the Company's financial statements.
- IFRIC 22 Interpretation - *Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016). The aim of the interpretation is to provide guidelines for transactions conducted in foreign currency where non-monetary advances or deposits have been recognised in the financial statements in advance of the recognition of the related asset, expense or income. This document provides indications on how an entity should determine the date of a transaction, and consequently the spot exchange rate to be used for reporting foreign currency transactions when payment is made or received in advance. IFRIC 22 is applicable from 1 January 2018, though earlier application is permitted. The directors do not expect the adoption of these changes to have a significant impact on the Group's financial statements.
- *Amendment to IAS 40- Transfers of Investment Property* (issued on 8 December 2016). These changes clarify transfers of property to or from investment property. Specifically, an entity must transfer property into, or out of, investment property when there has been an evident change in the use of the property. This change must be attributable to a specific event, and must not be limited to a change in the intentions of the Management of the entity. These amendments apply from 1 January 2018, though earlier application is permitted. The directors do not expect the adoption of these changes to have a significant impact on the Company's financial statements.
- Amendment to IFRS 10 and IAS 28 "*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*" (issued on 11 September 2014). The document was issued in order to resolve the current conflict between IAS 28 and IFRS 10 concerning the measurement of the profit or loss resulting from the transfer or assignment of a non-monetary asset to a joint venture or

affiliate in exchange for a share in the capital of the latter. For the moment the IASB has suspended the application of this amendment.

Business combinations

Business combinations are recognised according to the acquisition method. According to this method:

- The payment transferred in a business combination is carried at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities acquired by the Group at the date of acquisition and the capital instruments issued in exchange for control of the business acquired. Ancillary expenses related to the transaction are generally recognised in the income statement when they are incurred.
- At the date of acquisition, the identifiable assets acquired and the liabilities acquired are recognised at their fair value at the date of acquisition; an exception to this are deferred tax assets and liabilities and assets and liabilities for benefits to employees, which are measured according to their reference standards.
- Goodwill is determined as the surplus between the sum of the payments transferred in the business combination, the value of the shareholders' equity of minority interest and the fair value of any equity investment previously held in the company acquired compared to the fair value of the net assets acquired and liabilities acquired at the date of acquisition. If the value of the net assets and net liabilities acquired at the date of acquisition is higher than the sum of the payments transferred, this surplus must be immediately recognised in the income statement as income deriving from the completed transaction.
- Shareholders' equity of minority interest at the date of acquisition can be carried at fair value, or at the pro-rata value of the net assets recognised for the company acquired. The valuation method is chosen transaction by transaction.
- Any payments subjected to conditions provided for by the business combination agreement are measured at the fair value at the date of acquisition and included in the value of the payments transferred in the business combination for the purposes of determining goodwill. Any subsequent changes to this fair value, which are calculated as adjustments arising during the measuring period, are included retrospectively in goodwill. The changes to fair value that can be calculated as adjustments arising during the measuring period are those deriving from more information on events and circumstances already in existence at the date of acquisition, obtained during the measuring period (which cannot be longer than one year from the date of the business combination).

For business combinations completed in stages, the equity investment previously held in the business acquired is revalued at the fair value at the date of acquisition of control, and any profits or losses deriving therefrom are recognised in the income statement. Any values deriving from the equity investment previously held and entered under "Other profits and losses" are reclassified in the income statement as if the equity investment had been disposed of.

If the initial values of a business combination are incomplete at the date of closure of the financial statements for the year in which the business combination occurred, the Group recognises the provisional values in its consolidated financial statements, so recognition cannot be concluded. These provisional values are adjusted during the measuring period, to take account of the new information obtained on the events and circumstances already in existence at the date of acquisition, which, if known, would have had an effect on the assets and liabilities recognised at that date.

Business combinations that took place before 1 January 2010 have been recognised in accordance with the previous version of IFRS 3.

Use of Estimates

In drafting the Financial Statements at 31 December 2016, a number of assessments, estimates and hypotheses were formulated that have an impact on the application of the accounting standards and on the amounts of the assets, liabilities, costs and revenues indicated in the Financial Statements. The estimates and assumptions are based on previous experience and on other factors considered reasonable in the relevant cases, and were adopted in order to estimate the book value of assets and liabilities that could not readily be deduced from other sources. It should be noted, however, that these are estimates and therefore the final figures may differ from the estimated figures. The

main estimates used by the Company concern the assessments to show provisions for bad debts, amortisation and depreciation, write-downs of assets, employee benefits, taxes, and provisions for liabilities and charges.
In addition, a number of assessment processes, in particular those more complex processes such as the determination of any impairment losses on non-current assets, are generally carried out exhaustively only for the drafting of the yearly Financial Statements, once all the necessary information is available, except for those cases in which there are impairment indicators requiring an immediate assessment of any impairment losses.
In consideration of a number of disclosure obligations, the Directors identify the fair value of financial assets with an indefinite useful life.
Pursuant to the provisions of IAS 36, indications are provided regarding the changes to fair value on the basis of a hierarchy (IFRS 13) that reflects the significance of the input used in determining said fair value (Level 1: reference listed prices in active markets for the assets or liabilities being measured; Level 2: input data other than listed prices, which are observable either directly or indirectly; Level 3: input data not based on observable market data).
The accounting standards and assessment criteria are illustrated below.

Business combinations
In accordance with IFRS 3, as described below in the paragraph – Acquisition of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A., in these financial statements, the group has recognised the identifiable assets and liabilities acquired (with the exception of a number of entries specified from the beginning) at the fair value of the date on which control was acquired. Considering that the value of the net assets and liabilities acquired at the date of acquisition is higher than the sum of the payments transferred (i.e. the fair value of the shares transferred), the surplus is recognised in the income statement as income deriving from the completed transaction . These values have been determined by a process of estimation of the identifiable assets and liabilities that was concluded on 30 September 2016 and which was based on assumptions considered reasonable and realistic based on the information that was available at the date on which control was acquired and which have had an effect on the value of the assets and liabilities acquired.

Merger by incorporation of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.
As provided for in the Merger by Incorporation Plan of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A. approved by the Ordinary and Extraordinary Shareholders' Meeting of 13 June 2016, on 16 September 2016 the Deed of Merger of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A. was signed, with subsequent recording in the Business Registry of Turin on 21 September 2016.
On 29 September 2016, by resolution no. 0086846/16, Consob granted the judgement of equivalence pursuant to article 57, paragraph 1, letter d) of Consob Regulation no. 11971/1999 on the information document related to the merger, authorising the publication of the Information Document, now available on the Company's website on.

http://centralelatteitalia.com/investor-relations/fusione/.

From 30 September 2016, 11:59 pm, the statutory, accounting and tax effects of the merger have become effective, pursuant to articles 2501-*ter* et seq. of the Italian Civil Code.

Now that the Merger has become effective, in line with the resolutions passed by the Extraordinary Shareholders' Meeting of *Centrale del Latte di Torino S.p.A* held on 13 June 2016, the following was implemented: (i) the share capital increase from € 20,600,000 to € 28,840,041.20, by issuing 4,000,020 new ordinary shares with a par value of € 2.06 each, with the same characteristics as those outstanding and listed on the STAR segment of *Mercato Telematico Azionario* ("**MTA**") organised and managed by Borsa Italiana S.p.A. and destined for the shareholders of *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A*; (ii) the change of its company name to "**Centrale del Latte d'Italia S.p.A.**"; (iii) the increase in the number of Directors, which went from 9 to 13, with the appointment of the following new Directors: Renato Giallombardo, Lorenzo Marchionni, Laura Materassi and Lorenzo Petretto.

The Merger Plan set the exchange ratio between the ordinary shares of *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.* and the new shares of the Company Resulting from the Merger issued for the Merger and assigned to the shareholders of *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.* as follows: 1 new Share of the Incorporating Company (with a par value of € 2.06 each) for 6.1965 ordinary shares of

Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. (with a par value of € 0.52 each), rounded off to the closest unit and without cash adjustments.

Accounting effects of the transaction

Pursuant to IFRS 3 – Business Combinations, the Merger operation is considered a business combination. In detail, the merger transaction identified the rate of exchange between the ordinary shares of Centrale del Latte di Firenze, Pistoia e Livorno S.p.a. and the new shares of the Company created by the merger, thus effectively making the difference between the fair value of the net assets acquired higher than the fair value of the new shares. Based on the provisions of IFRS 3, if the value of the net assets and liabilities acquired at the data of acquisition is higher than the sum of the payments transferred, this surplus must immediately be recognised in the income statement as income deriving from the completed transaction.
The accounting effects of this transaction are detailed below:

- The identifiable assets and liabilities acquired of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A., listed below, have been measured at their fair value at the date of acquisition of control (coinciding with the merger), with the exception of deferred tax assets and liabilities and a number of liabilities associated with employee benefits, which have been recognised, in compliance with IFRS 3, according to their reference standards. This valuation process was completed in the month of September 2016, as follows:

(Amounts in Euros)	**At the acquisition date**
ASSETS	
Tangible fixed assets	55,316,000
Intangible fixed assets	7,955,000
Financial fixed assets	1,503,427
Deferred tax assets	474,371
Total non-current assets	**65,248,798**
Inventories	3,973,892
Trade receivables	12,051,707
Tax assets	3,033,793
Receivables from others	461,481
Cash and cash equivalents	1,706,433
Total current assets	**21,227,306**
TOTAL ACQUIRED ASSETS (a)	**86,476,104**
LIABILITIES	
Long-term loans	27,083,415
Deferred taxes	3,108,000
Employee severance indemnity	3,484,421
Total non-current liabilities	**33,675,836**
Payables to banks	5,600,000
Current share of long-term loans	4,535,377
Financial liabilities held for trading	667,646
Trade payables	15,311,605
Tax liabilities	358,678

Payables to social security institutions	452,759
Other payables	635,220
Total current liabilities	**27,561,285**
TOTAL LIABILITIES (b)	**61,237,121**
Net acquired assets (liabilities) (a) – (b)	**25,238,983**

- At the end of the measuring period, the surplus of the net assets (liabilities) acquired was determined as follows:

(Amounts in Euros)	**At the acquisition date**
Fair value no. 4020.000 shares issued	(11,336,056)
Acquired net assets / (net liabilities)	25,238,983
Result from business combination	**13,902,927**

The result from the business combination, recognised as income for the year, pursuant to IFRS 3 p. 34, is closely related to the share swap ratio previously described: having set the fair value of the shares issued for the merger share swap (€ 11,336, 000 in total) at € 2.834 per share (stock market share price of Centrale del Latte di Torino shares at 30 September 2016), the difference compared to the net assets acquired (amounting to € 25,239,000) is a profit, recognised in the income statement for the period.
This difference, in accordance with Legislative Decree no. 38/2005, cannot be distributed to the shareholders, and must be destined for the net equity reserve.
The costs related to the acquisition of control, amounting to about € 1,145,000, have been recognised in the income statement for the period in which they were sustained, under "Costs for services", and were financially incurred in said period.
At the date of acquisition, the identifiable assets acquired by Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. include trade receivables entered at a fair value of € 12,052,000. The gross value owed for these receivables is € 13,093,000, of which € 1,041,000 is considered unlikely to be collected.
No potential liabilities were recorded at the date of acquisition, since none were identified by the analyses carried out.
The business acquired contributed to the revenue of Centrale del Latte Group for € 20,383,000 in 2016 and to profit for the period for € 210,000.
If control of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. had been acquired on 1 January 2016, Centrale del Latte d'Italia Group would have obtained revenue of € 170 million in 2016 and a profit for the period of about € 12,591 thousand.

Effective from 1 October 2016, Centrale del Latte d'Italia transferred the company already controlled by *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.* into a new company, wholly owned by Centrale del Latte d'Italia, with registered and operating office in Florence, named "**Centrale del Latte della Toscana S.p.A.**". This transaction, since it is a transaction under common control, was carried out according to the continuity of values criterion and is entirely neutral from the point of view of how it is represented in the Group's consolidated financial statements. The purpose of this transaction is to maintain the legal, corporate and management autonomy of the company, specifically guaranteeing: (i) the safeguarding of the production facility as an important resource for the local economy, (ii) the continuity of the existing managerial group and (iii) the safeguarding of current employment levels.
The consolidated financial statements include, with regard to the income statement, the entries regarding the economic management of the subsidiary of Centrale del latte della Toscana S.p.A. for the period from 1 October to 31 December 2016, while the consolidated balance sheet shows in full the assets and liabilities of Centrale del Latte della Toscana S.p.A. at 31 December 2016.

The accounting standards and assessment criteria are illustrated below.

Intangible fixed assets

Intangible fixed assets can have a definite useful life, or an indefinite useful life if the length of the period during which said assets are able to generate positive cash flows cannot be readily predicted.

These fixed assets are entered as credit in the statement of financial position when it is likely that the use of the assets will determine future economic benefits and when the cost of the assets can be reliably determined. They are entered at contribution value, at acquisition price or production cost, inclusive of any ancillary expenses.
Further to initial booking:

- Intangible assets with definite useful lives are amortised systematically on the basis of their expected future use so that the net amount at period end corresponds to their residual use or recoverable amount according to company production plans. Amortisation begins when the asset becomes available for use;
- intangible assets with an indefinite useful life are not amortised, but are subject to impairment checks at least once a year, using specific recoverability analyses.

Intangible assets with an indefinite useful life mainly consist of brands that have no limitations in terms of useful life from a legal, contractual, economic and competitive point of view. Pursuant to the provisions of IAS 36, indications are provided regarding the changes to fair value on the basis of a hierarchy (IFRS 13) that reflects the significance of the input used in determining said fair value (Level 1: reference listed prices in active markets for the assets or liabilities being measured; Level 2: input data other than listed prices, which are observable either directly or indirectly; Level 3: input data not based on observable market data).
The line item "Goodwill" represents the fair value of the payment transferred, plus the amount recognised of any equity investments held by third parties in the company purchased, less the net amount recognised (usually the fair value), of the identifiable assets purchased.
The "software" category includes the group operating system, used to manage all company activities, amortised at a rate of 20% per year.

Tangible Fixed Assets

Tangible fixed assets are recognised at purchase cost, plus any directly attributable accessory expenses required to prepare the asset for use and less commercial allowances or discounts. The period-end amount is net of accumulated depreciation.
The depreciation charges recognised in the statement of comprehensive income are calculated systematically and consistently according to rates deemed representative of the estimated economic and technical lives of the assets, as illustrated below:

• Buildings	2%- 4% -3%
• Light constructions	10%
• General plants	10%-5%
• Specific plants	5% - 16%
• Equipment	20%-10%
• Office furniture and ordinary equipment	12%-5%
• Electronic equipment	20%-15%
• Motor vehicles and internal means of transport	20%
• Cars	25%
• Isothermal vans	16%

The depreciation period begins from the financial year in which the asset is available for use.
Land is not depreciated, as it is presumed to have an indefinite useful life.
Profits and losses deriving from the divestment or sale of fixed assets, calculated with reference to their book value, are entered among operating income and expenses on the statement of comprehensive income. Maintenance and repair costs are charged to the income statement for the financial year in which they were sustained, except for those of an incremental nature, which are charged to the fixed assets they refer to and are amortised on the basis of their residual use. Expenses of an incremental nature are those for which the pertinent future benefits are likely to be for the Company.

Finance Lease.

Tangible assets on finance lease, under which the risks and rewards related to ownership are essentially transferred to the Group, are recognised as Group assets at their current value, or at the present value of minimum finance lease payments owed, should this be lower.

The corresponding liability towards the lessor is shown among financial debts. Assets are depreciated by applying the standard and rates illustrated above.

Items under finance lease for which the lessor essentially retains all risks and benefits related to ownership of the goods are classified as operating leases. Costs related to operating *leases* are shown on a line-by-line basis on the income statement throughout the duration of the finance lease contract.

Impairment of fixed assets

Tangible fixed assets, intangible fixed assets and other non-current assets are checked in order to verify if there is any indication that they may have suffered impairment. Intangible fixed assets with an indefinite useful life and goodwill are subjected to impairment tests at least once a year, as provided for by IAS 36. The value of a fixed asset is reduced if its net carrying amount exceeds its recoverable amount, which is defined as the greater of its net market value (fair value less sales costs) and current value in use.

Equity investments carried at cost

These are equity investments in subsidiaries and affiliates that are carried at cost in the financial statements and are written down if the recoverable value is lower than the book value. The value can be recovered in subsequent years if the grounds for the write-downs cease to apply.

Other financial assets

Equity investments in other companies are carried at fair value. Profits and losses deriving from changes in fair value are charged directly to net equity (fair value reserve) until they are transferred or become impaired; in which case overall profits and losses are charged to the income statement for the period. When fair value cannot be reliably determined, equity investments are carried at the cost adjusted for impairment, the effect of which is recognised in the income statement.

Financial liabilities

Financial liabilities are initially carried at fair value, plus any directly attributable transaction costs. They are subsequently measured using the amortised cost criterion, if significant.

Inventories

They are entered at whichever is lower between the purchase cost and the market value. For finished products, cost is determined on the basis of the average cost – acquisition cost included – of raw materials, plus direct production costs and overheads directly attributable to the product. For marketed products, raw materials and consumables, the weighted average cost for the year is used. The market value is determined on the basis of sales prices net of sales costs.

Trade receivables

Trade receivables are entered at their nominal values, less appropriate write-down to reflect the estimated loss on receivables.

Discontinued operations

Discontinued operations are classified as such if their book value is to be recovered mainly through sale rather than continued use.

These conditions are considered to be met when sale is considered highly probable and the assets are immediately available for sale in their current conditions.

Employee benefits *– Employee severance indemnity*

Effective from 1 January 2007, the decrees implementing the budget act introduced considerable changes in the rules governing employee severance indemnity, including the worker's choice of how to allocate future accruals. In particular, workers may allocate new accruals to specific pension plans or keep them with their employers (in which case the Company pays employee severance indemnity accruals into a treasury account with the INPS). The amendment of the law has resulted in the transformation of the nature of the employee severance indemnity from a defined-benefit plan to a defined-contribution plan for future accruals, whereas it continues to be regarded as defined-benefit plans for accruals prior to 31 December 2006.

Actuarial gains and losses are shown in the statement of comprehensive income – OCI, net of the fiscal effect and charged to net equity.

Provision for liabilities and charges

These provisions are entered into the financial statements when the Company has a legal or implicit obligation to pay particular amounts, as a result of past events, and it is probable that a financial outflow will be required from the company in order to settle the obligation. These amounts are recognised in the financial statements only when it is possible to carry out a reliable estimate of the pertinent amount.

Contingencies which represent only possible liabilities are described in the notes, in the section of the comments on provisions.

In the event of merely remote events, i.e. events that are highly unlikely to occur, no provision is recognised, nor is any relevant information provided.
Provisions are presented at the current amount of expected outlays where the discount effect is material.

Revenue

Revenue is recognised to the extent it is probable that the Group will receive economic benefits and that the amount thereof may be reliably determined. Revenue is carried net of any discounts, refunds, credits, and bonuses.
Revenue from the sale of an asset is recognised when the entity has substantially transferred all risks and rewards of ownership of that asset to the buyer.
Revenue on services rendered is recognised when the degree of completion of the transaction at the reporting date for the financial statements may be reliably determined according to the date of accrual of the service.

Public contributions

Contributions are entered into the Financial Statements only when it is reasonably certain that the Company will comply with the conditions set for receiving the contribution and that those contributions will effectively be received. Public contributions for plants are entered as deferred revenues and are systematically charged as income to the income statement during the useful life of the asset they refer to.
Contributions for current expenses are carried to the income statement in the financial year in which the conditions exist for their recognition.

Costs

Costs comprise the production and purchase cost of products and goods sold. It includes all material and processing costs and overheads directly associated with production. These include depreciation of property, plant and machinery, as well as the amortisation of intangible assets and transport costs.
They are entered into the Financial Statements on an accrual accounting principle, net of returns, discounts, premiums and bonuses.

Financial charges

Interest expense is stated on an accrual basis deriving from the amount financed and the applicable actual interest rate.

Taxes

Taxes payable for the period are determined in accordance with the current fiscal regulations. Deferred taxes are calculated on temporary differences between recognised assets and liabilities and the amounts of those assets and liabilities for statutory purposes. Deferred tax assets are only recognised where it is likely that the entity will earn taxable income against which it may set off the temporary deductible difference. Deferred tax liabilities are recognised on all the temporary taxable differences.
In addition, the tax consolidation program governed by Presidential Decree 971/86, amended by Legislative Decree 344/2003, was introduced in 2005. The program allows for optional group taxation, which consists of determining a single taxable group income for the ultimate parent company corresponding to the algebraic sum of the net total incomes of participants and thus a single income tax for Group companies.
The Companies that joined the tax consolidation regime are Centrale del Latte d' Italia S.p.A. and Centrale del Latte di Vicenza S.p.A. The option is valid for three financial years from the one that closed at 31 December 2014.
Segment reporting
The organisation of the Company is based on a single business segment for the production and sale of food products. Consequently, the economic and equity components of the financial statements are substantially ascribable in full to this type of business.

EPS

Earnings per share are calculated by dividing earnings by the weighted average number of shares outstanding during the period. They are presented at the foot of the income statement. At the closure of the Financial Statements, there were no financial instruments with dilutive potential financial instruments.

Capital – Capital management policy and processes

With regard to share capital and the reserves of joint stock companies, Italian legislation establishes that:
the share capital of the Company may not amount to less than € 50,000.
Any changes to the amount of the share capital must be resolved upon by the Shareholders' Meeting, which may delegate the Board of Directors, for a maximum period of five years, to increase the share capital up to a set amount; the Shareholders' Meeting is also under the obligation to adopt the necessary measures when the share capital decreases by a third as a result of ascertained losses, and must reduce the share capital if by the end of the following FY such losses have not been reduced to less than a third. If, as a result of the loss of over a

third of the share capital, this falls below the aforementioned legal minimum, the Shareholders' Meeting must resolve upon both the reduction in the share capital and the simultaneous increase of the same up to a figure not inferior to the aforementioned minimum, or, alternatively, the transformation of the Company.
The share premium reserve is created if the Company issues shares at a price superior to their face value, and it may not be distributed until the legal reserve has reached a fifth of the share capital.
As regards treasury shares, these may only be purchased by the company within the limits of the distributable profits and the reserves available as shown in the most recent approved Financial Statements. Purchase must be authorised by the Shareholders' Meeting, and on no account may the face value of the shares purchased exceed one fifth of the share capital.
The capital management objectives identified by the Company are the creation of value for shareholders in general, safeguarding business continuity and supporting the development of the Company. The Company intends to maintain an adequate level of capitalisation, allowing for satisfactory returns for equity investors and, at the same time, guaranteeing reasonable access to external sources of financing, also by achieving an adequate rating.
The Company constantly monitors the evolution of debt in relation to net equity, and in particular the level of net debt and the cash generation from industrial activities.
In order to achieve the aforementioned objectives, the Company seeks to constantly improve the profitability of the business areas it operates in.

BREAKDOWN OF INCOME STATEMENT ITEMS

REVENUE

Revenue from sales and services (1ene)

Breakdown of sales by turnover segment (1ene):

	2016		2015		Change	
Fresh milk	33,934,371	45%	34,004,541	46%	(70,170)	-0.2%
Intra-group	867,109	1%	731,407	1%	135,702	18.6%
Total fresh milk	**34,801,481**	**46%**	**34,735,948**	**47%**	**65,533**	**0.2%**
UHT milk	12,182,936	16%	12,593,558	17%	(410,622)	-3.3%
Intra-group	160,294	0%	102,467	0%	57,827	56.4%
Total UHT milk	**12,343,230**	**16%**	**12,696,025**	**17%**	**(352,795)**	**-2.8%**
Yogurt	**2,479,464**	**3%**	**2,776,194**	**4%**	**(296,730)**	**-10.7%**
Total yogurt	**2,479,464**	**3%**	**2,776,194**	**4%**	**(296,730)**	**-10.7%**
Fresh vegetables	5,115,820	7%	4,903,479	7%	212,342	4.3%
Intra-group	482,872	1%	400,725	1%	82,147	20.5%
Total fresh vegetables	**5,598,692**	**8%**	**5,304,204**	**7%**	**294,489**	**5.6%**
Drinks of plant origin	**991,784**	**1%**	**769,189**	**1%**	**222,595**	**28.9%**
Drinks of plant origin	**991,784**	**1%**	**769,189**	**1%**	**222,595**	**28.9%**
Bulk milk and cream	1,468,690	2%	1,646,962	2%	(178,272)	-10.8%
Intra-group	115,492	0%	291,052	0%	(175,560)	-60.3%
Total bulk milk and cream	**1,584,182**	**2%**	**1,938,014**	**3%**	**(353,833)**	**-18.2%**
Other packaged products	16,382,193	22%	15,047,848	20%	1,334,346	8.9%
Intra-group	122,835	0%	25,342	0%	97,493	384.7%
Total other packaged products	**16,505,029**	**22%**	**15,073,190**	**20%**	**1,431,839**	**9.4%**
Export - China	**811,438**	**1%**	**937,459**	**1%**	**(126,021)**	**-13.4%**
of which still en route (*)	**(93,188)**		**(127,760)**			
Total	**75,022,110**	**100%**	**74,102,463**	**100%**	**919,648**	**1.2%**
of which intra-group	**1,748,602**	**2%**	**1,550,993**	**2%**	**197,609**	**12.7%**

(*) Goods en route are still the property of the Company, so they are indicated for statistical purposes only and not in total turnover. In accounting terms, goods en route are booked to the warehouse value of finished products.
See the report on operations for the comment on the performance of the FY.

Breakdown of other revenue (2ene)

	2016		2015		Change	
Grants for current expenses	183,144	19%	75,178	10%	107,966	144%
Recoveries	187,005	20%	61,407	8%	125,598	205%
Other	89,264	9%	93,063	13%	(3,798)	-4%
Contributions from suppliers	84,464	9%	-	0%	84,464	100%
Capital gains on asset disposal	80,736	8%	14,900	2%	65,836	442%
Extraordinary income	68,184	7%	346,219	48%	(278,035)	-80%
Recoveries from subsidiaries	48,599	5%	59,741	8%	(11,142)	-19%
Sales of salvaged materials	41,166	5%	44,218	6%	(3,052)	-7%
Indemnities	34,130	4%	1,650	0%	32,480	1968%
Rental income	30,338	4%	27,169	4%	3,169	12%
Recoveries vis-à-vis affiliates	110,000	12%	838	0%	109,162	13026%
Total	**957,031**	**100%**	**724,383**	**100%**	**232,649**	**32%**

Use of raw materials and consumables (4ene)

The costs for raw materials and consumables amounted to € 37,765,506 and include:

	2016		2015		Change	
Purchases of ingredients – sundry foodstuffs	20,726,447	55%	20,910,759	57%	(184,312)	-1%
Goods for resale	8,156,216	22%	7,906,996	21%	249,220	3%
Packaging materials	4,847,189	13%	4,743,590	13%	103,599	2%
Consumables and ancillary material	1,070,544	3%	1,032,552	3%	37,992	4%
Intra-group products	2,945,100	8%	2,351,010	6%	594,090	25%
Intra-group ancillary material	20,010	0%	27,203	0%	(7,193)	-26%
Total	**37,765,506**	**100%**	**36,972,110**	**100 %**	**793,396**	**2%**

Personnel costs (5ene+6ene+7ene+8ene)

Personnel costs totalled € 11,503,761, broken down as follows:

	2016		2015		Change	
Wages and salaries	8,115,652	71%	7,751,083	70%	364,569	5%
Social security charges	2,647,024	23%	2,537,485	23%	109,539	4%
Employee severance indemnity	562,608	5%	537,893	5%	24,715	5%
Other costs	178,477	2%	172,338	2%	6,139	4%
Total	**11,503,761**	**100%**	**10,998,799**	**100%**	**504,962**	**5%**

The employee severance indemnity accrued in 2016, of € 562,608, and part of the social security charges may be considered a defined-contribution plan, entirely paid to the INPS Treasury account or to other pension provisions.

The average workforce related to the plants in Turin, Rapallo (Ge) and Casteggio (Pv) came to 206 at 31 December 2016 (194 at 31 December 2015).

	Hired	Resigned	Transferred	In service	Average workforce
Managers	-	2	-	10	**11**
Middle management	-	-	-	7	**7**
White-collar personnel	8	3	-	76	**81**
Blue-collar personnel	12	6	3	107	**107**
TOTAL	**20**	**11**	**3**	**200**	**206**

Amortisation and depreciation (9ene+10ene)

Amortisation of intangible assets was calculated and recognised in the total amount of € 62,003. Depreciation of tangible assets was calculated and recognised in the total amount of € 2,066,380.

The following tables provide a breakdown of intangible and tangible assets by category:

	2016		2015		Change	
Software	62,003	100%	167,425	100%	(105,422)	-63%

	2016		2015		Change	
Buildings	491,490	24%	494,349	26%	(2,859)	-1%
Plants and machinery	1,178,471	57%	963,226	51%	215,245	22%
Industrial and commercial equipment	396,419	19%	431,851	23%	(35,432)	-8%
Total	**2,066,380**	**100%**	**1,889,426**	**100%**	**176,954**	**9%**

Costs for services (13ene)

The costs for services amounted to € 23,936,699 and include:

	2016		2015		Change	
Transport for product distribution	8,571,472	36%	7,802,841	36%	768,631	10%
Commercial and advertising services	3,073,341	13%	3,067,706	14%	5,636	0%
Administrative services	3,058,212	13%	2,106,626	10%	951,587	45%
Industrial services	2,429,178	10%	1,992,572	9%	436,606	22%
Motive power and natural gas	1,771,347	8%	1,811,720	8%	(40,373)	-2%
Purchase services	1,391,128	6%	1,363,925	6%	27,203	2%
Maintenance services	1,252,086	5%	1,532,407	7%	(280,321)	-18%
Large-scale retailers' promotion contributions	1,242,343	5%	1,161,632	5%	80,711	7%
Free gifts with products	777,477	3%	682,232	3%	95,245	14%
Insurance services	251,507	1%	260,881	1%	(9,374)	-4%
Ico administrative services	118,609	0%	62,572	0%	56,037	90%
Total	**23,936,699**	**100%**	**21,845,112**	**100%**	**2,091,586**	**10%**

Costs for administrative services include the costs concerning the merger plan of Centrale del latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del latte di Torino & C. S.p.A. for a total of € 791 thousand.

Lease and rental costs (14ene)

Lease and rental costs amounted to € 351,617. Industrial leases refer to leased plant.

	2016		2015		Change	
Industrial leases	221,316	63%	217,767	71%	3,549	2%
Leases of premises and buildings	130,301	37%	89,282	29%	41,019	46%
Total	**351,617**	**100%**	**307,049**	**100%**	**44,568**	**15%**

Sundry operating expenses (15ene)

Sundry operating expenses amounted to € 736,626 Euro and include:

	2016		2015		Change	
Taxes other than income taxes	435,010	59%	406,489	54%	28,521	7%
Contingent liabilities	136,060	18%	153,492	20%	(17,432)	-11%
Membership fees	79,299	11%	77,392	10%	1,907	2%
Fines and penalties	34,143	5%	2,575	0%	31,568	1226%
Capital losses	28,132	4%	36,413	5%	(8,281)	-23%
Entertainment expenses	15,266	2%	71,057	9%	(55,791)	-79%

Other	4,656	1%	4,435	1%	221	5%
Subscriptions to magazines and books	4,060	1%	4,444	1%	(384)	-9%
Total	**736,626**	**100%**	**756,297**	**100%**	**(19,671)**	**-3%**

Financial income and expenses (16ene+17ene)

A breakdown of financial income and charges is shown in the table below:

FINANCIAL INCOME	2016		2015		Change	
Interest on VAT refunds	6,952	50%	3,065	14%	3,887	127%
Interest from banking institutions	2,548	19%	11,243	53%	(8,695)	-77%
Other	4,260	31%	6,983	33%	(2,723)	-39%
Total	**13,761**	100%	**21,291**	**100%**	**(7,531)**	**-35%**
FINANCIAL EXPENSES						
Interest on mortgages and loans	162,931	58%	206,946	61%	(44,015)	-21%
Charges for employee severance indemnity discounting	49,613	18%	41,017	12%	8,596	21%
Interest on current accounts	32,713	12%	57,012	16%	(24,299)	-43%
Performance bond expenses	30,784	11%	32,518	10%	(1,734)	-5%
Other	3,318	1%	2,455	1%	863	35%
Finance lease interest	48	0%	106	0%	(58)	-55%
Total	**279,407**	**100%**	**340,054**	**107%**	**(60,646)**	**-18%**

Capital gain on equity investment disposal (19ene)

The capital gain refers to the disposal of the equity investment in GPP S.r.l., amounting to € 4,499.

Adjustments to financial assets (18ene)

Considering the losses recorded by the affiliate Odilla Chocolat Srl, the value of the equity investment in the Company has been reduced to € 1, i.e. a write-down of € 282,375 recorded in the income statement.

Taxes (19ene+20ene).

Income taxes, not including deferred tax assets and liabilities, came to € 74,249 compared to € 519,484 in FY2015.

The result from the business combination deriving from the merger transaction is neutral from a fiscal point of view.

	2016		2015		Change	
IRES for the year 24%	-		(639,288)	83%	(639,288)	-100%
IRAP for the year 3.9%	(53,885)	100%	(133,989)	17%	(80,104)	- 60%
TOTAL TAXES	**(53,885)**	**100%**	**(773,277)**	**100%**	**(719,392)**	**-93%**
(Deferred) prepaid taxes	(20,364)		253,793		(274,157)	
NET TOTAL TAXES	**(74,249)**		**(519,484)**		**(445,235)**	**-86%**

The following schedule reconciles pre-tax profit and taxable income:

IRES (rate 24%)	Taxable base for IRES purposes	Notional IRES	Actual IRES
Net result	**12,783,720**	**3,068,092**	
Increases	1,948,244	1,295,395	
Decreases	(820,135)	(14,115,539)	
Taxable base	**2,324,684,**	**(191,099)**	**-**
IRAP (rate 3.9%)	**Taxable base for IRAP purposes**	**Notional IRAP**	**Actual IRAP**
EBIT	**(263,283)**	**-**	

Increases	(1,655,503)	
Decreases	10,550	
Taxable base	**1,381,669**	**53,885**

At 31 December 2016, Centrale del Latte d'Italia has accrued tax losses that can be carried forward for a total of € 1,053,00, for which the related prepaid taxes have not been entered.

BREAKDOWN OF ASSETS

NON-CURRENT ASSETS

Tangible fixed assets (1ne)

Changes in tangible fixed assets and the pertinent provisions are broken down in the tables below:

FIXED ASSETS TANGIBLES	Land	Buildings	Plants and machinery	Industrial, commercial and other equipment	Total	Fixed assets under development	Total
Historical cost	2,433,868	16,785,478	31,987,250	8,726,000	59,932,596	246,000	60,178,596
Accumulated depreciation		(10,209,224)	(26,030,210)	(7,455,465)	(43,694,899)	-	(43,694,899)
Initial amount	**2,433,868**	**6,576,254**	**5,957,040**	**1,270,533**	**16,237,695**	**246,000**	**16,483,695**
Acquisitions	137,280	556,163	901,940	669,676	2,265,059	89,500	2,354,559
Transfers	150,000	-	96,000	-	246,000	(246,000)	-
Disposals and eliminations	-	-	(1,215,263)	(598,554)	(1,813,817)	-	(1,813,816)
Use of provisions	-	-	1,215,263	356,833	1,572,096	-	1,572,097
Depreciation	**-**	(491,490)	(1,178,471)	(396,419)	(2,066,380)	-	(2,066,380)
Final amount	**2,721,148**	**6,640,927**	**5,776,509**	**1,302,071**	**16,440,656**	**89,500**	**16,530,156**

During 2016, the Company made new investments totalling € 1 million in plant and machinery. These investments are part of the Supply Chain Contract, the first interim report on which is being drafted.

Changes in accumulated depreciation of tangible fixed assets:

TANGIBLE FIXED ASSETS	Buildings	Plant and machinery	Industrial, commercial and other equipment	Total
Initial amount	**10,209,224**	**26,030,210**	**7,455,464**	**43,694,898**
Use of provisions	-	(1,215,263)	(356,834)	(1,572,096)
Depreciation	491,490	1,178,471	396,419	2,066,380
Final amount	**10,700,714**	**25,993,419**	**7,495,049**	**44,189,182**

Tangible fixed assets include the net book value of vehicles under finance lease contracts for € 70,640.

During FY2016, the company embarked on the sale of the former production facility in Carmagnola. The residual values of the land and buildings, totalling € 445,710, have been entered among non-current assets held for sale.

Intangible fixed assets (3ne)

Changes in intangible fixed assets and the pertinent provisions are broken down in the tables below:

INTANGIBLE FIXED ASSETS	Trademarks	Goodwill	Software	Total
Historical cost	19,466,057	350,078	837,125	20,653,259
Accumulated amortisation	(13,625,074)	-	(775,122)	(14,400,196)
Initial amount	**5,840,983**	**350,078**	**62,003**	**6,253,063**
Acquisitions	**-**	-	**-**	-

Amortisation for the period	-	-	(62,003)	-
Final amount	**5,840,983**	**350,078**	**-**	**6,191,061**

In view of the market shares, the huge investments made and how well known the Group's and Company's brands are, they are therefore considered as having an indefinite useful life.

The brands with an indefinite useful life "Centro Latte Rapallo", "Latte Tigullio were subjected to an impairment test on 31 December 2016. The recoverable value of the brands is based on their fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (*premium price*). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.

The primary assumptions used in calculation of the recoverable value are indicated here below: The values assigned to the various assumptions reflect the company's assessment of the future performance of the main products dealt with, in terms of quantity and price, and are based both on internal (2017-2021 business plan) and external sources:

- Mean price differential per litre (brand products vs. non-brand products): 92%
- Discount rate: 13.78%

The *premium price* mean income has not varied significantly during the five years of the plan, and the terminal value has been prudently determined by assuming a growth rate of zero.

The recoverable value thus calculated exceeds the book value.

Financial fixed assets (4ne)

List of other financial equity investments

The equity investment in subsidiaries refers to Centrale del Latte della Toscana S.p.A. of Florence and to Centrale del Latte di Vicenza S.p.A. located in Vicenza. Equity investments in affiliates refer to Odilla Chocolat S.r.l. in Turin. The equity investment in GPP S.r.l. was disposed of in 2016.

Equity investments in other companies come to a collective total of € 9,290 and consist of interest held in credit guarantee and power supply consortia.

	Subsidiaries	**Affiliates**		
		Odilla Chocolat S.r.l.	**GPP S.r.l.**	**Other companies**
Initial amount	**27,198,328**	**32,376**	**45,000**	**16,779**
Increases	**24,830,000**	**250,000**	**-**	**-**
Decreases	-	(282,375)	(45,000)	(7,489)
Final amount	**52,028,328**	**1**	**-**	**9,290**

The recoverability of the value of the equity investment in the **subsidiary Centrale del Latte di Vicenza S.p.A.** was analysed at 31 December 2016 by comparing it with the Net Equity of the equity investment plus the capital gains implicit in the business of the subsidiary. Specifically, some studies were conducted by independent experts on some company assets (brand, land and buildings, systems and equipment) in order to obtain the fair value net of divestment costs. This fair value is classifiable under levels 2 and 3, based on the parameters used in the measurement techniques applied.

The net book value of land and buildings, owned by Centrale del Latte di Vicenza S.p.A., was calculated based on the fair value net of divestment costs, estimated using the method of comparable market data identifiable in the area (Level 2), by means of comparison with similar portions of property in terms of use and location or in some way comparable to the building under examination recently disposed of or for sale. The amounts identified by transactions carried out, or in the case of properties for sale, the amounts requested, reduced by the pertinent negotiation margin generally applied in the specific market area, were assessed in accordance with the various characteristics of *comparables* found compared to the buildings under examination.

The recoverable value thus calculated is superior to the book value by approx. € 2.5 million.

The fair value of the systems, machinery and equipment belonging to Centrale del Latte di Vicenza was determined according to the cost method. This method is based on the hypothetical replacement of the asset to be estimated with a comparable new asset. This method makes it possible to calculate the "maximum value", identified as how much it would cost to replace the asset, either with the cost of exactly the same asset, or alternatively, if less expensive, with an asset that has compatible characteristics and production capacity. Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.
The recoverable value thus calculated is superior to the book value by approx. € 760 thousand.
The recoverable value of "Centrale del Latte di Vicenza" brand was calculated based on the fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (*premium price*). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.
The primary assumptions used in calculation of the recoverable value are indicated here below: The values assigned to the various assumptions reflect the company's assessment of the future performance of the main products dealt with, in terms of quantity and price, and are based both on internal (2017-2021 business plan) and external sources:

- Mean price differential per litre (brand products vs. non-brand products): 50%
- Discount rate: 13.78%

The *premium price* mean income has not varied significantly during the five years of the plan, and the terminal value has been prudently determined by assuming a growth rate of zero.
The recoverable value thus calculated is superior to the book value by approx. € 5.6 million.

The value of the equity investment in the affiliate **Odilla Chocolat S.r.l.** has been reduced to € 1 by a write-down recognised in the income statement.

List of Equity Investments in Subsidiaries

The figures presented below have been drawn from the subsidiaries' most recent financial statements, those for the year that ended on 31 December 2016:

	Share capital	Shareholders' equity	Profit (loss) for the year	Share held	Amount of equity investment entered
Centrale del Latte della Toscana S.p.A. **Via dell'Olmatello, 20 - Florence**	24,830,000	25,160,366	210,037	**100%**	**24,830**,000
Centrale del Latte di Vicenza S.p.A. **Via Faedo 60 - Vicenza**	29,162,303	22,786,212	(978,923)	**100%**	**27,198,328**

Deferred tax assets (5ne)

The following table illustrates the changes in the temporary differences that gave rise to deferred tax assets:

	Initial amount	Increases	Decreases	Final amount
Amortisation and depreciation recovered further to tax audit	123,282	-	(10,550)	112,732
Tax recovery of depreciation of buildings	109,381	-	-	109,381
Remuneration of directors	66,560	120,500	(66,560)	120,500

	299,223	**120,500**	**(77,110)**	**342,613**

Deferred tax liabilities have been calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2016, by applying the IRES (corporate income tax) rate of 24% and the IRAP (regional production tax) rate of 3.9%. The following table illustrates the changes in deferred tax assets:

	Initial amount	Increases	Decreases	Final amount
Amortisation and depreciation recovered further to tax audit	34,759	-	(2,943)	31,816
Tax recovery of depreciation of buildings	30,529	-	-	30,529
Remuneration of directors	18,303	28,920	(15,974)	31,249
	83,591	**28,920**	**(18,917)**	**93,593**

Financial receivables from affiliates (6ne).

Receivables amount to € 1,000 vis-à-vis Consorzio di Filiera Genoa, Turin and Vicenza.

CURRENT ASSETS

Inventories (7ne)

Inventories at 31 December 2016 amounted to € 2,105,751. They were broken down as follows:

	Final amount	Initial amount	Change
Raw and ancillary materials and consumables	950,978	1,013,608	(62,630)
Finished products and goods	1,154,773	1,128,566	26,207
	2,105,751	**2,142,174**	**(36,423)**

Trade receivables (8ne)

Trade receivables, all of which were due within one year, came to € 9,689,950 at 31 December 2016, derive from normal commercial sales transactions and have been presented net of the associated provisions for impairment. In further detail, the provisions allocated to account for receivables claimed in bankruptcies have been fully and directly applied to decrease the amounts of the associated assets, reducing those amounts to zero.

The net book value of trade receivables at 31 December 2016 was close to fair value.

The following table provides a breakdown of provisions for impaired receivables and changes in those provisions during 2016:

	Initial amount	Increases	Decreases	Final amount
Taxed provision for bad debts	259,879	-	1,742	258,137
0.5% provision for bad debts	470,657	55,737	34,247	492,147
	730,536	**55,737**	**35,989**	**750,284**

Receivables from Subsidiaries (9ne).

Receivables from subsidiaries amount to € 1,605,694 and refers to ordinary sales transactions occurred during the FY between the Company and the subsidiaries Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. and to the transfer into Centrale del Latte della Toscana. For details, see the paragraph below, "Commercial dealings with other related parties".

Tax assets (11ne)

	Final amount	Initial amount	Change
VAT receivable	7,507,249	6,376,508	1,130,741

Income taxes	1,795,843	1,306,391	489,492
Employee severance indemnity withholdings	23,574	26,420	(2,846)
Withholding taxes on interest receivable	890	3,000	(2,110)
Total tax assets	**9,327,556**	**7,712,319**	**1,615,237**

Receivables from others (12ne)

Receivables from others include:

	Final amount	Initial amount	Change
Receivables for performance guarantees received (milk quotas)	578,283	578,283	-
Miscellaneous	439,008	84,067	354,941
Accrued income and prepaid expenses	414,690	200,042	214,648
Advances to suppliers	260,665	427,819	(167,154)
Receivables from distributors	79,368	99,964	(20,595)
Credits to be received	72,508	73,365	(858)
Deposits	57,636	57,636	-
Receivables from social security institutions	15,677	11,631	4,046
Loans to employees	8,967	13,396	(4,430)
Total other receivables	**1,926,802**	**1,546,203**	**380,599**

For the receivables for performance guarantees received to secure payment of the milk quotas, the Company posted a payable for surtaxes as per Law no. 486/92 (milk quotas) of substantially the same amount to "other payables".

Accrued income and prepaid expenses

The following table illustrates the breakdown of accrued income and prepaid expenses:

	Final amount	Initial amount	Change
ACCRUED INCOME			
Interest on bank accounts	-	875	(875)
Interest from others	-	485	(485)
TOTAL ACCRUED INCOME	**-**	**1,360**	**(1,360)**
PREPAID EXPENSES			
Loan fees	47,023	72,147	(25,124)
VAT guarantee policies	44,935	41,147	3,789
Maintenance fees	97,187	33,263	63,924
Consulting costs	35,800	30,000	5,800
Leases	16,877	13,988	2,889
Other costs	14,926	3,588	11,338
Insurance	157,941	3,210	154,732
Lieu tax	-	1,340	(1,340)
Total prepaid expenses	**414,690**	**198,683**	**216,008**
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	**414,690**	**200,043**	**214,647**

Cash and cash equivalents (13ne+14ne).

Cash and cash equivalents, all of which are freely available, came to € 6,098,533 and are presented in the schedule that illustrates financial position in the analysis of financial payables.

BREAKDOWN OF LIABILITIES

SHAREHOLDERS' EQUITY

Share capital (16ne)

Share capital, fully subscribed and paid-up, came to € 28,840,041, divided into 14,000,020 shares with a par value of € 2.06.

Changes in equity are illustrated in a specific schedule of the Financial Statements closed at 31 December 2016.

Availability and eligibility for distribution of equity reserves

	31/12/2016	Nature	Use	Available	Eligible for distribution
Share capital	28,840,041				
Share premium account	14,324,577	Profits/capital	-	YES	NO
Merger premium reserve	3,096,015	Merger	-	YES	NO
Revaluation reserve	196,523	Profits/capital	-	YES	YES
Legal reserve	1,207,334	Profits/capital	-	YES	YES
Other reserves	12,087,176	Profits/capital	YES	YES	YES
Non-distributable IFRS first-time adoption reserve	1,265,968	Profits/capital	-	NO	NO
Profits (losses) carried forward	41,478	Profits/capital	-	NO	NO
Reserve for employee severance indemnity discounting	(28,768)		-	NO	NO
Merger deficit	(6,148,733)	Merger	-	NO	NO
Profit (loss) for the period	12,783,720	Profits/capital	-	YES	NO
Total shareholders' equity	**67,665,331**				

NON-CURRENT LIABILITIES

Financial payables (19ne+20ne+21ne+22ne+23ne+24ne)

The following is an analysis of the items that comprise the Company's financial indebtedness, sub-divided by maturity.

Financial payables to banks and other lenders amounted to € 13,361,590, broken down as follows:

	Less than 12 months	Within 5 years	Over 5 years	Total payables over 1 year	Total payables
Payables to banks for loans	**7,210,029**	**6,112,217**	**-**	**6,112,217**	**13,322,246**
Payables to other lenders	**18,171**	**21,173**	**-**	**21,173**	**39,344**
Total	**7,228,200**	**6,133,390**	**-**	**6,133,390**	**13,361,590**

The item "payables to other lenders" refers to finance lease contracts.

Medium/long-term loans are broken down as follows:

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees
Deutsche Bank S.p.A.	**1,500,000**	**1,500,000**	**125,000**	**25/03/17**	---
Euribor rate 1 month + 2.25%					
BNL Gruppo BNP Paribas	**500,000**	**500,000**	**500,000**	**31/03/17**	---
Euribor rate 3 months + 0.70%					

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees
UBI Banca S.p.A.	**2,500,000**	**2,500,000**	**519,573**	**08/09/17**	---
Euribor rate 3 months + 0.80					
Credito Emiliano S.p.A.	**1,500,000**	**1,500,000**	**1,500,000**	**01 Dec 2017**	---
Euribor rate 3 months + 0.80%					
Unicredit S.p.A.	**1,500,000**	**1,500,000**	**757,020**	**31/05/18**	---
Euribor rate 3 months +1.25%					
Unicredit S.p.A.	**2,000,000**	**2,000,000**	**2,000,000**	**31/05/18**	----
Rate: 1%					
UBI Banca S.p.A.	**3,000,000**	**3,000,000**	**1,704,620**	**25/02/19**	---
Euribor rate 3 months + 1.10%					
Deutsche Bank S.p.A.	**1,200,000**	**1,200,000**	**675,000**	**29/01/19**	---
Euribor rate 3 months + 1.65%					
Intesa San Paolo S.p.A.	**5,000,000**	**5,000,000**	**4,000,000**	**01/10/20**	---
Euribor rate 3 months + 1.10%					
Unicredit S.p.A.	**10,242**	**10,242**	**8,193**	**31/12/20**	---
Unicredit S.p.A.	**40,968**	**40,968**	**32,840**	**31/12/20**	---
Rate: 3.05%					
Banca Popolare di Sondrio S.c.p.a.	**1,500,000**	**1,500,000**	**1,500,000**	**31/01/19**	---
Euribor rate 6 months + 0.60%					

The following table presents total residual debt, broken down by maturity:

	within 12 months	within 5 years	over 5 years	Total
Banca Popolare di Sondrio S.c.p.a.	-	1,500,000	-	1,500,000
Deutsche Bank S.p.A.	425,000	375,000	-	800,000
BNL Gruppo BNP Paribas	500,000	-	-	500,000
Intesa San Paolo S.p.A.	1,000,000	3,000,000	-	4,000,000
UBI Banca S.p.A.	1,271,683	952,510	-	2,224,193
Credito Emiliano S.p.A.	1,500,000	-	-	1,500,000
Unicredit S.p.A.	2,513,346	284,707	-	2,798,053
	7,210,029	**6,112,217**	**-**	**13,322,246**

Payables to other lenders can be broken down as follows:

	within 12 months	over one year, within 5 years	over 5 years	Total
Finance lease payables	18,171	21,173	**-**	**39,344**

Finance lease payables refer to leases of plant and equipment and cars.

Financial position.

The following table contains an illustration of the Company's net financial position at 31 December 2016 in accordance with the requirements of CONSOB Notice No. DEM/6264293 of 28 July 2006 and the CESR's recommendations of 10 February 2005, CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004:

	31/12/2016	31/12/2015	Change
Cash and cash equivalents (13ne+14ne)	6,098,533	9,516,522	(3,417,989)
Total current financial assets	**6,098,533**	**9,516,522**	**(3,417,989)**
Payables to banks	(500,000)	(1,002,473)	502,473
Current share of medium/long-term loans (23ne)	(7,210,029)	(3,757,541)	(3,452,488)
Current share of payables to other lenders (24ne)	(18,171)	(35,754)	17,583
Total current financial liabilities	**(7,728,200)**	**(4,795,768)**	**(2,932,432)**
Payables for medium/long-term loans (16ne)	(6,112,217)	(8,792,433)	2,680,216
Payables to other lenders for medium/long-term loans (17ne)	(21,173)	(106,287)	85,114
Total non-current financial liabilities	**(6,133,390)**	**(8,898,720)**	**2,765,330**
Total financial liabilities	**(13,861,590)**	**(13,694,488)**	**(167,102)**
Net financial position	**(7,763,056)**	**(4,177,966)**	**(3,585,090)**

Worth noting is the € 6.109 million VAT rebate still to be paid out.

Loan covenants

No covenants apply to the loans issued to the Company.

Deferred taxes (21ne)

The following table illustrates the changes in the provisional differences that gave rise to deferred taxes:

	Initial amount	Increases	Decreases	Final amount
Trademarks	5,603,482	-	-	5,603,482
Measurement of land	1,663,000	-	-	1,663,000
Tax items	101,658	-	(5,546)	96,112
	7,368,140	**-**	**(5,546)**	**7,362,594**

Deferred tax liabilities have been calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2016, by applying the IRES (corporate income tax) rate of 24% and the IRAP (regional production tax) rate of 3.9%. The following table illustrates the changes in deferred tax liabilities:

	Initial amount	Increases	Decreases	Final amount
Trademarks	1,563,371	-	-	1,563,371
Measurement of land	463,977	-	-	463,977
Tax items	22,242	-	(1,547)	20,695
	2,049,590	**-**	**(1,741)**	**2,048,043**

Long-term provisions

Employee severance indemnity (2ne)

At 31 December 2016 the severance indemnity amounted to € 2,409,588.

Initial amount - 2016	**2,608,723**
Interest cost	49,613
Decreases and uses	(329,509)
(Actuarial income) loss via OCI	80,762
Final amount - 2016	**2,409,588**

In the reference period, the actuarial reports drafted to determine the payable for employee severance indemnity have been revised compared to the previous FY, with reference to a number of input data, in order to adjust the liability shown to the current value at 31 December 2016.
Actuarial gains and losses are shown in the statement of comprehensive income – OCI, net of the fiscal effect and charged to net equity. The key actuarial assumptions pertain to the technical interest rate, inflation rate and the revaluation rate for salaries and employee severance indemnity. Technical assessments were conducted on the basis of the assumptions set forth below:

- technical annual discount rate 1.31%
- annual inflation rate 1,50%
- annual rate of severance indemnity increase 2.63%

The Iboxx Eurozone Corporates AA 10 + index was used as the discount rate.
Sensitivity analysis
Reasonably possible variations in the actuarial assumptions at the closing date of the FY would have had the following effects on the defined benefit obligation:

31/12/2016	**Annual discounting rate**		**Annual inflation rate**		**Annual turnover rate**	
€/000	**0.25%**	**-0.25%**	**0.25%**	**-0.25%**	**1.00%**	**-1.00%**
Defined benefit obligation	2,357	2,464	2,439	2,380	2,400	2,421

Provision for indemnities for Directors at the end of their term in office (23ne).
The provision for indemnities for Directors at the end of their term in office amounted to € 231,746. The methods of calculation used are set out in the Report on Corporate Governance.

	Initial amount	**Increases**	**Decreases**	**Final amount**
Provision for Directors' indemnity at the end of their terms in office	170,444	61,302	-	231,746

Provision for liabilities and charges (24ne)
The provision for liabilities and charges is broken down as follows:

	Initial amount	**Increases**	**Decreases**	**Final amount**
Provision for future capital losses	45,000	-	(45,000)	-
Provision for customer indemnities	137,385	9,527	-	146,912
TOTAL PROVISION FOR LIABILITIES AND CHARGES	**182,385**	**9,527**	**(45,000)**	**146,912**

The final amount of the provision for liabilities and charges is made up exclusively of the provision for customer indemnities, which rose by € 9527 during the year. The decrease in the provision for future capital losses is attributable to the sale during the year of the equity investment in GPP S.r.l.

CURRENT LIABILITIES
Payables to banks and current share of medium, long-term loans **(25ne+26nr)** amounted to a total of € 7,710,029

Current share of payables to other lenders (27ne) amounted to € 18,171.

Trade payables (28ne) amounted to € 13,858,958, all payable by year-end.

Payables to Subsidiaries (29ne) amount to € 2,824,794 and refers to ordinary sales transactions occurred during the FY between the Company and the subsidiaries Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. and to the transfer into Centrale del Latte della Toscana. Payables to subsidiaries also include payables due to tax consolidation owed to Centrale del Latte di Vicenza S.p.A.. For details, see the paragraph below, "Commercial dealings with other related parties".

Payables to Affiliates (30ne) associated with normal purchase transactions between the Company and its affiliate Odilla S.r.l. during the year came to € 13,412.

Tax liabilities (31ne) came to € 234,613 and comprise the following line items:

	Final amount	Initial amount	Change
Payables for income taxes	74,352	97,779	(23,427)
Payables for employees' withholding taxes	99,517	92,373	7,143
Withholdings payable on independent contractors' fees	60,744	27,823	32,922
	234,613	**217,975**	**16,638**

Payables to social security authorities (32ne) consist of social-security contributions payable on wages and salaries and the contributions associated with the separate management of coordinated ongoing independent contractors in the total amount of € 548,886.

The item "Other payables" (33ne) includes:

	Final amount	Initial amount	Change
Payables for wages and salaries	1,274,201	1,353,040	(78,839)
Surtaxes payable under Law 486/92 (milk quotas)	624,783	624,783	-
Accruals and Deferrals	168,112	234,006	(65,893)
Payables for remuneration of Directors and auditors	101,267	66,560	34,707
Withholdings from milk producers payable under Law 88/88	77,697	77,697	-
Security deposits received	60,000	-	60,000
Other payables	12,186	9,239	2,947
Employee union withholdings	1,304	1,440	(136)
	2,319,551	**2,366,765**	**(47,214)**

Accrued liabilities and deferred income are broken down as follows:

	Final amount	Initial amount	Change
DEFERRED INCOME			
Grants for current expenses	75,496	141,578	(66,082)
Other	69,361	66,430	2,931
Total deferred income	**144,857**	**208,008**	**(63,151)**
ACCRUED LIABILITIES			
Interest on bank loans	15,762	19,261	(3,499)
Interest on ordinary current accounts	5,341	4,418	923
Other expenses	2,151	2,319	(168)
Total accrued liabilities	**23,255**	**25,998**	**(2,743)**
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	**168,112**	**234,006**	**(65,894)**

COMMITMENTS AND OTHER CONTINGENT LIABILITIES

At 31 December 2016 there were no commitments and other contingent liabilities not shown in the financial statements, except for potential liabilities that could derive from the ENASARCO dispute, which are detailed under the heading "other risks".

Transactions with related parties

The Company has not undertaken transactions with related parties beyond those presented in the following tables:

Equity investments in the issuer held by directors, statutory auditors and their non-legally separated spouses and minor children, either directly or through Subsidiaries.

The Director Adele Artom exercises control over the Company, pursuant to article 2359, no. 2 of the Italian Civil Code (dominant influence) and article 93 of the Consolidated Law on Finance, and directly, or indirectly through subsidiaries, holds 40.93% of the Company's share capital.

Relevant persons	Office	Shares held at 01/01/2016	Purchased in 2016	Sold in 2016	Shares held at 31/12/2016
Luigi LUZZATI	**Chairman**	**166,395**	**-**	**-**	**166,395**
Riccardo POZZOLI	**Vice Chairman and Managing Director**	**55,125**	**-**	**-**	**55,125**
Adele ARTOM	**Member of BoD**	**(*) 5,730,208**	**(*) 29,416**	**-**	**5,759,624**
Antonella FORCHINO	**Member of BoD**	**137,306**	**(*) 1,324**	**-**	**138,630**
Maurizio MACCHIAVELLO	**Member of BoD**	**10,000**	**-**	**-**	**10,000**

(*) also through directly controlled Companies

Commercial dealings with other related parties.

In the past, the group leading company entered into a lease agreement for an area adjacent to the Turin production facility, used as a parking lot for the motor vehicles of its employees and distributors owned by the parent company Finanziaria Centrale del Latte di Torino S.p.A.. In Rapallo, there are also rental contracts outstanding for vehicle parking areas and for a warehouse with Mr. Maurizio Macchiavello, also in his capacity as Shareholder of l'Ulivo Srl.

The Parent Company has rented a number of areas connected to the facility in Via Filadelfia, Turin, to the affiliate Odilla Chocolat S.r.L. for use as a laboratory.

The following table presents the situation of dealings with related parties at 31 December 2016:

	Receivables	Payables	Costs	Revenue
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis:				
Centrale del Latte d'Italia S.p.A.	-	-	-	6,878
Centrale del Latte d'Italia S.p.A. vis-à-vis:				
Finanziaria Centrale del Latte di Torino S.p.A.	-	-	6,878	-
Centrale del Latte di Vicenza S.p.A. - subsidiary	475,176	927,126	2,616,628	1,727,098
Odilla Chocolat S.r.l. - affiliate	110,000	13,412	15,025	122,000
Centrale del Latte della Toscana S.p.A. - subsidiary	1,130,518	1,897,668	414,849	70,102
	1,715,694	**2,838,206**	**3,046,502**	**1,919,200**
Centrale del Latte di Vicenza S.p.A. vis-à-vis:				
Centrale del Latte d'Italia S.p.A. - parent company	927,126	475,176	1,727,098	2,616,628
Centrale del Latte della Toscana S.p.A.	52,153	20,558	19,672	42,749
	979,279	**495,734**	**1,746,770**	**2,659,377**
Centrale del Latte della Toscana S.p.A. vis-à-vis:				
Centrale del Latte d'Italia S.p.A. – parent company	1,897,668	1,130,518	70,102	414,849
Centrale del Latte di Vicenza S.p.A.	20,558	52,153	42,749	19,672
	1,918,226	**1,182,671**	**112,851**	**434,521**
Odilla Chocolat S.r.l. vis-à-vis:				

Centrale del Latte d'Italia S.p.A.	13,412	**110,000**	122,000	15,025
Total	**4,626,611**	**4,626,611**	**5,028,123**	**5,028,123**

Remuneration of Directors and Auditors.

For information regarding the remuneration paid to Directors and Auditors, see the report on the remuneration paid to members of the management and audit bodies, general managers and other key management personnel.

FINANCIAL AND OPERATIONAL RISKS

Risks associated with the business activity

The main risk related to the Company's specific industrial activity regards fluctuations in milk raw material prices. The Company contains this risk by drawing up annual agreements with milk producers, which set the purchase prices at the beginning of the dairy year and maintain those prices for the whole of the period that runs from 1 April to 31 March of the following year, save for particular circumstances in which agreements may be reached on a different basis.

For purchases made outside of the main supply channel, reference is made to the most advantageous market conditions available when the need arises.

Financial risks.

The financial instruments of the Company comprise bank loans, sight and short-term bank deposits. The aim of these instruments is to finance the Company's operating activities. Other financial instruments of the Company are trade payables and receivables deriving from operating activity.

The main risks generated by financial instruments are the interest rate, liquidity and credit risk.

Interest rate risk. The Company's exposure to interest rate risk is connected mainly to long-term loans and financing, to which are normally applied interest rates equivalent to 3 month and 6 month Euribor rates plus a fixed spread. With the application of the so-called "Basel 2" Accord, the Companies are subjected to an analysis on the part of lending credit institutes that attribute a rating to them; the fixed spread may vary depending on the rating assigned. At the date of closure of these consolidated Financial Statements, no variations had been applied.

Liquidity risk. The Company contains liquidity risk by planning the use of liquidity by considering financial investments, financial assets (trade receivables and other financial assets) and cash flows expected from transactions.

Credit risk. The Company mainly deals with familiar, reliable clients. Receivables are monitored during the financial year in order to limit exposure to losses. The maximum risk is equivalent to the book value of these assets in the event of insolvency on the part of the counterparty.

In addition, the company has used patronage letters and other similar instruments to guarantee the banks financing the subsidiary Centrale del Latte di Vicenza S.p.A. against the risk that may derive from its inability to repay the loans obtained. The risk underlying these guarantees and the pertinent fair value are not considered particularly significant, also given the existence of further real guarantees on the assets of the subsidiary.

Other risks.

With regard to the disputes initiated by the ENASARCO Foundation, for the first, the ENASARCO Foundation has an appeal pending with the Court of Cassation to overturn sentence no. 8634/2014 issued by the Court of Appeal of Rome on 18 November, ordering the Foundation to refund € 811 thousand to our company for social welfare contributions recognised as being owed to the Foundation by the Court of Rome with sentence no. 1260/2013 of 28 February 2013.

The second dispute, relating to injunction no. 9800/2012 granted to the ENASARCO Foundation for an amount of € 658 thousand, was settled at first instance with sentence no. 5185/2015 of 20 July 2015 of the Court of Rome, which revoked the injunction. The Enasarco Foundation has filed an appeal, and the hearing has been set for 18 January 2018. On 11 January 2017, following the rejection on the part of the Regional Committee for Employment Relations at the Interregional Office for Employment in Rome of the appeal against the assessment report of 11 November 2014 filed by the Enasarco Foundation, notification was received from the Foundation of a new demand for payment of the amount indicated in the assessment report, totalling € 423,829.69 Euro.

Guardia di Finanza (Italian Financial Police), following the inspection related to the ENASARCO dispute, gave notice of assessment for failure to pay withholding tax to the self-employed drivers used for distribution for the 2008 and 2009 tax years. The notices of assessment amount to € 427 thousand and € 572 thousand respectively. For the inspection regarding the tax year 2008, suspension of payment was requested and obtained from the Provincial Taxation Commission; the two appeals were then combined, and after a series of postponements, were discussed and accepted, and the requests from Agenzia delle Entrate were withdrawn. On 16 December, Agenzia delle Entrate filed an appeal against the first instance decision. For the tax year 2009, the appeal presented by the company against the inspection was accepted by the Provincial Taxation Commission with a sentence filed on 20 November 2015.
Furthermore the Guardia di Finanza (Italian financial police) regarding the possible failure to pay withholding tax to the self-employed drivers in relation with the ENASARCO dispute for the years 2010 to 2013, issued assessment reports inclusive of penalties and interest, amounting to € 945 thousand for 2010, € 996 thousand for 2011, € 1.040 million for 2012 and € 1.075 million for 2013.
For the tax years 2010 – 2013, the annulment of the acts was requested and a sentence issued by the Court of Appeal for tax year 2008. The Office pointed out that this request for annulment is not compatible with the tax settlement proposal procedure under way, and invited the company to file a settlement proposal. Although this request appears unmotivated, since in the meantime a judge has ruled in favour of the company with regard to the controversy, the decision has been taken – for the sole purpose of avoiding the dispute – to present a settlement proposal for payment of an amount equal to the unified contributions that ought to be paid by the company for the impugnation of the acts before the Provincial Taxation Commission.
Regarding the tax inspection concerning FY 2004, please note that, following the sentence of the Regional Taxation Commission, which partially admitted the appeal presented by the company regarding the most significant findings, and the rebate of € 97 thousand paid out by Agenzia delle Entrate, the latter presented an appeal to the Supreme Court of Appeal against the sentence of the Regional Taxation Commission.

FEES OWED TO THE AUDITING FIRMS
Article 149 duodecies of the Issuers' Regulations
DELOITTE & TOUCHE S.p.A. – Audit: (€ 51,000)
A number of services other than statutory audit were carried out during the period (for a total of € 48,000):
• Activities in preparation for the issue on the report of the reasonableness of the pro forma data at 31 December 2015 and 30 June 2016, included in the Information Document prepared by the Company in the month of September 2016
• Limited audit, on a voluntary basis, of the abridged quarterly financial statements at 31 March 2016.

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.
Following the closure of the financial year, there were no events that had an impact on the data or information in the financial statements.

BUSINESS OUTLOOK.
The first months of the new FY have been positive for the sales of all Group brands in a situation marked by the first signs of recovery in both consumption and domestic demand. The Companies have confirmed their strong positions on the market, and 2017 may be considered a year of consolidation for the Group after the extraordinary transactions of last year, with a particular focus on the implementation of new organisational structures. The focus on innovation on the part of the Companies in the Group has also been consolidated, and new products will be offered on the market during the coming year.
As regards milk raw material, there has been a rise in prices across the board, and this rise will be transferred to the price list for products from 1 April 2017.

Turin, 3 March 2017

2016 Consolidated Financial Statements
Centrale del Latte d'Italia Group

Consolidated accounting schedules

Introduction

Notes:

- The references in the first column are to the individual item or group of items in the reclassified accounting schedules;
- The references in the second column are to the breakdown and analysis of the individual items set out in the notes, if present.

CONSOLIDATED INCOME STATEMENT (amounts in Euros)

					2016		2015
1ec	**1ene**	**Revenue from sales**			**117,786,226**		**96,851,265**
2ec	**2ene**	Other revenue			2,100,521		1,207,445
		▪ *of which from affiliates*	*122,000*			*12,838*	
3ec	3ene	Change in inventories of semi-finished and finished goods			(124,764)		260,232
		Total revenue from sales and services			**119,761,983**		**98,318,942**
4ec	4ene	Raw and ancillary materials, consumables and goods			(60,926,635)		**(49,719,182)**
		Personnel costs			**(18,205,733)**		**(14,672,494)**
5ec	5ene	➢ Wages and salaries			(12,852,486)		(10,297,214)
6ec	6ene	➢ Social security contributions			(4,226,640)		(3,413,200)
7ec	7ene	➢ Employee severance indemnity			(850,752)		(724,288)
8ec	8ene	➢ Other costs			(275,855)		(237,792)
		Depreciation, amortisation and write-downs			**(4,513,792)**		**(3,151,558)**
9ec	9ene	➢ Amortisation of intangible fixed assets			(73,342)		(167,425)
10ec	**10ene**	➢ Depreciation of tangible fixed assets			(4,085,468)		(3,129,370)
11ec	11ene	➢ Write-downs of current receivables			(354,983)		(260,821)
12ec	12ene	➢ **Allowances (release) for risks**			-		406,058
		Other operating costs			**(37,724,918)**		**(29,076,910)**
13ec	**13ene**	➢ Services			(35,308,568)		(27,513,225)
		▪ *of which vis-à-vis parent company*	*-*			*(7,333)*	
		▪ *of which vis-à-vis affiliates*	*(15,115)*			*(17,492)*	
14ec	14ene	➢ Lease and rental costs			(1,084,799)		(519,163)
15ec	**15ene**	➢ Sundry operating expenses			**(1,331,552)**		**(1,044,522)**
		EBIT			**(1,609,095)**		**1,698,798**
16ec	**16ene**	Financial income			72,412		28,228
		▪ *of which vis-à-vis affiliates*	*-*			*485*	
17ec	17ene	Financial charges			(764,126)		(706,236)
18ec	18ene	**Adjustment to equity investments**			**(143,248)**		**(417,624)**
		Profit (Loss)			**(2,444,056)**		**603,167**
19ec	19ene	Result from business combination			13,902,917		-
		Pre-tax profit (loss)			**11,779,560**		**603,166**
20ec	20ene	Income taxes			(63,689)		(563,287)
21ec	21ene	(Deferred) prepaid taxes			619,661		476,709
		NET PROFIT (LOSS) (A)			**12,014,833**		**516,588**
		Parent Company's shareholders			**12,014,833**		**516,589**
		Number of shares with voting rights			**14,000,020**		**10,000,000**
		Basic and diluted net earnings (loss) per share			**0.858**		**0.052**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (amounts in Euros)

	2016	2015
NET PROFIT (LOSS) (A)	**12,014,833**	**516,588**
Items that will never be restated under profit/(loss) for the period		
Actuarial gains (losses) due to defined-benefit retirement plans	14,110	173,582
Tax effect due to other profits (losses)	-	-
TOTAL OTHER COMPREHENSIVE PROFITS (LOSSES) (B)	**14,110**	**173,582**
COMPREHENSIVE NET PROFIT (LOSS) (A+B)	**12,028,943**	**690,170**

STATEMENT OF CONSOLIDATED EQUITY AND FINANCIAL POSITION – ASSETS (amounts in Euros)

		ASSETS	31/12/2016	31/12/2015
		NON-CURRENT ASSETS		
	1ne	**Tangible fixed assets**	**107,334,764**	**52,009,605**
1		Land	21,078,543	11,465,263
1		Buildings	36,909,363	20,092,875
1		Plants and machinery	43,747,380	17,920,139
1		Industrial, commercial and other equipment	3,919,249	1,897,975
2		Fixed assets under development and advances	1,680,229	633,353
	2ne	**Intangible fixed assets**	**19,484,010**	**11,538,752**
3		Trademarks	19,081,671	11,126,671
3		Goodwill	350,078	350,078
3		Software	48,261	62,003
3		**Fixed assets under development and advances**	**4,000**	**-**
		Financial fixed assets	**2,508,245**	**545,955**
4	3ne	Equity investments in affiliates	1,124,898	77,376
4	4ne	Other financial assets	533,454	19,356
5	5ne	Deferred tax assets	848,893	308,588
6	6ne	Financial receivables from affiliates	1,000	140,635
		TOTAL NON-CURRENT ASSETS	**129,327,019**	**64,094,312**
		CURRENT ASSETS		
	7ne	**Inventories**	**7,697,634**	**3,540,643**
7		Raw and ancillary materials and consumables	4,804,895	1,902,439
7		Finished products and goods	2,892,738	1,638,204
		Trade and other receivables	**43,238,659**	**25,389,076**
8	8ne	Trade receivables	28,098,772	14,370,141
9	9ne	Receivables from affiliates	110,000	
10	10ne	Tax assets	11,741,394	8,478,374
11	11ne	Receivables from others	3,288,493	2,540,561
		Cash and cash equivalents	**9,520,961**	**12,192,413**
12	12ne	Bank and postal accounts	9,288,962	11,973,462
13	13ne	Cash and valuables on hand	231,999	218,951
		TOTAL CURRENT ASSETS	**60,457,254**	**41,122,132**
14	**14ne**	Non-current assets held for sale	445,710	445,710
		TOTAL ASSETS	**190,229,983**	**105,662,152**

STATEMENT OF CONSOLIDATED EQUITY AND FINANCIAL POSITION – LIABILITIES
(amounts shown in Euros)

		LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2016	31/12/2015
15	**15ne**	**Share Capital**	**28,840,041**	**20,600,000**
		Reserves	**34,466,345**	**20,210,341**
16		Share premium account	14,324,577	14,324,577
17		Merger premium reserve	3,096,015	
18		Revaluation reserve	196,523	196,523
19		Legal reserve	1,019,111	1,019,111
20		Other reserves	2,980,048	3,063,459
21		Consolidation reserve	1,845,380	1,845,380
22		Non-distributable IFRS first-time adoption reserve	134,886	134,886
23		Profits (losses) carried forward	(844,882)	(811,201)
24		Reserve for employee severance indemnity discounting	(64,874)	(78,983)
25		Profit (loss) for the period	12,014,833	516,589
	16ne	**GROUP SHAREHOLDERS' EQUITY**	**63,541,659**	**40,810,341**
		NON-CURRENT LIABILITIES		
26	17ne	Long-term loans	43,798,705	20,115,217
27	18ne	Long-term payables to other lenders	1,360,174	2,330,741
28	19ne	Deferred taxes	6,146,641	3,381,021
		Provisions	**7,183,835**	**4,020,479**
29	20ne	Employee severance indemnity	6,580,176	3,410,271
30	21ne	Provision for Directors' indemnity at the end of their term in office	231,746	170,444
31	22ne	Provision for liabilities and charges	371,913	439,764
		TOTAL NON-CURRENT LIABILITIES	**58,489,355**	**29,847,458**
		CURRENT LIABILITIES		
		Financial payables	**24,592,036**	**10,400,739**
32	23ne	Payables to banks	8,000,000	2,502,473
33	24ne	Current share of long-term loans	15,688,412	7,016,511
34	25ne	**Current share of payables to other lenders**	903,624	881,755
		Trade and other payables	**43,606,933**	**24,603,614**
35	26ne	Trade payables	37,443,065	20,034,852
36	27ne	Payables to affiliates	16,636	16,342
37	28ne	Tax liabilities	697,431	356,935
38	29ne	Payables to social security authorities	1,253,524	737,022
39	30ne	Other payables	4,196,277	3,458,463
		TOTAL CURRENT LIABILITIES	**68,198,969**	**35,004,353**
		TOTAL EQUITY AND LIABILITIES	**190,229,983**	**105,662,152**

CONSOLIDATED CASH FLOW STATEMENT
(amounts shown in Euros)

	31/12/2016	31/12/2015
Initial cash availability	9,689,939	8,290,795
A. Cash flow from operating activities		
Profit (loss) for the year	**12,014,833**	**516,589**
Depreciation of tangible fixed assets	4,085,468	3,129,370
Amortisation of intangible fixed assets	73,342	167,425
Total amortisation, depreciation and write-downs	**4,158,809**	**3,296,795**
Employee severance indemnity accrued in the FY, net of indemnities already paid and OCI effect	(266,718)	(6,402)
Provision for Directors' indemnity at the end of their term in office	61,302	46,167
Deferred taxes	(342,380)	(434,287)
Accrual to (Use of) provision for liabilities and charges	(67,851)	(595,098)
Total net allowances	**(615,647)**	**(989,620)**
Adjustment of equity investments in affiliates according to the equity method	(143,057)	
Capital gain from business combination	(13,902,917)	-
Total other non-cash flows	**(14,045,974)**	**-**
Change in net working capital		
Net trade receivables and other receivables	(1,786,925)	1,349,561
Inventories	(183,099)	(102,816)
Other receivables	(441,979)	(3,581,423)
Suppliers	2,096,902	742,519
Sundry payables	166,328	(239,370)
Tax liabilities	(18,182)	(110,717)
Other changes	102,359	-
Total change in net working capital	**(64,595)**	**(1,942,246)**
Total operating cash flow	**1,447,426**	**881,518**
B. Cash flow from (for) investing activities		
Net acquisitions of technical fixed assets	(4,094,626)	(3,913,835)
Financial write-downs (investments)	(84,864)	166,624
(Investments) Write-downs of intangible assets	**(63,601)**	**-**
Total cash flow from (for) investing activities	**(4,243,091)**	**(3,747,211)**
Free cash flow	**(2,693,192)**	**(2,865,694)**
Total free cash flow	**(2,693,192)**	**(2,865,694)**
C. Cash flow from change in shareholders' equity		
Dividends paid	(600,000)	(600,000)
Total cash flow from change in shareholders' equity	**(600,000)**	**(600,000)**
D. Cash flow from financing activities		
Change in medium/long-term financial payables	(212,101)	4,864,837
Derivative financial instruments	(667,646)	-
Total cash flow from financing activities	**(879,747)**	**4,864,837**
Cash flow for the period	**(4,275,412)**	**1,399,143**
Cash Centrale del latte della Toscana (brought with the merger)	**(3,893,567)**	**-**
CASH AND BANKS AT YEAR-END (net of payables to banks)	**1,520,961**	**9,689,939**
of which bank accounts and cash on hand	**9,520,962**	**12,192,412**
of which payables to banks	**(8,000,000)**	**(2,502,473)**
Financial charges paid	641,989	567,984
Taxes paid	304,669	1,157,107

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY (amounts in Euros/000)

	At 01/01/2015	Result allocation	Dividend payment	Comprehensive net profit (loss)	Changes for the period	At 31/12/2015
Share capital	20,600,000	-	-	-	-	20,600,000
Share premium account	14,324,577	-	-	-	-	14,324,577
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	1,019,111	-	-	-	-	1,019,111
Other reserves	2,872,377	191,082	-	-	-	3,063,459
Consolidation reserve	1,679,365	-	-	-	166,015	1,845,380
Non-distributable IFRS first-time adoption reserve	134,886	-	-	-	-	134,886
Profits (losses) carried forward	(1,320,215)	-	-	-	509,014	(811,201)
Merger surplus	166,015	-	-	-	(166,015)	-
Reserve for employee severance indemnity discounting	-	-	-	173,582	(252,565)	(78,983)
Profit (loss) for the period	791,082	(191,082)	(600,000)	516,589	-	516,589
Group Shareholders' equity	**40,463,722**	**-**	**(600,000)**	**690,171**	**256,449**	**40,810,341**

	At 01/01/2015	Result allocation	Dividend payment	Comprehensive net profit (loss)	Changes for the period	At 31/12/2015
Share capital	20,600,000	-	-	-	8,240,041 (*)	28,840,041
Share premium account	14,324,577	-	-	-	-	14,324,577
Merger premium reserve	-	-	-		3,096,015 (*)	3,096,015
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	1,019,111	-	-	-	-	1,019,111
Other reserves	3,063,459	-	(83,411)	-	-	2,980,048
Consolidation reserve	1,845,380	-	-	-	-	1,845,380
Non-distributable IFRS first-time adoption reserve	134,886	-	-	-	-	134,886
Profits (losses) carried forward	(811,201)	-	-	-	(33,681)	(844,882)
Reserve for employee severance indemnity discounting	(78,983)	-	-	14,110		(64,873)
Profit (loss) for the period	516,589	-	(516,589)	12,014,833	-	12,014,833
Group Shareholders' equity	**40,810,341**	**-**	**(600,000)**	**12,028,943**	**11,302,375**	**63,541,659**

(*) Change due to merger

2016 Consolidated Financial Statements
Centrale del Latte d'Italia Group

Notes to the Consolidated Financial Statements

Centrale del Latte d'Italia S.p.A. is in charge of managing, coordinating and providing general guidance for the industrial, commercial, managerial and financial policies of its subsidiaries, Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A..
The Group deals with the processing, transformation and sale of:

- milk and dairy products
- packaged products in the fresh and ultra-fresh segment
- fresh vegetables
- drinks of plant origin.

The publication of the consolidated financial statements as at 31 December 2016 was authorised by the Board of Directors on 3 March 2017.

The Merger

FY 2016 saw the Merger by Incorporation of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. and the subsequent separation and transfer of the company into Centrale del Latte della Toscana S.p.A., an original, one-of-a-kind transaction. Companies operating in different regions were able to overcome obstacles of various kinds and a measure of mutual distrust in order to combine markets, energy and professional skills. The similarities in the history of the companies, stretching back over sixty years, made it both reasonable and possible to complete such a merger in a country like Italy that is so often divided by an excessively individualist, regionalist approach. The whole process lasted well over 18 months, and was characterised by maximum transparency and a desire to overcome the difficulties encountered, thanks to the far-sighted approach of the public and private shareholders, directors and managers of the Companies, assisted by mutual knowledge and esteem.
This was an important corporate operation that gave rise to the third fresh milk hub in Italy, and effectively the only player really able to make the most of the specific features of the various areas in Italy in regions that are important in the milk and yogurt market. This is a leading Group in the areas it is present in, able to compete on all channels and all markets: a business development project with strong, close links with the areas of origin, yet ready to expand beyond those areas, following a tradition able to confirm its value and to innovate, able to aim for new horizons and to find the energy and resources for growth.
The new Group brings together brands with a strong presence at local level, which share essential values such as quality, safety and close links with the local areas. This is combined with an awareness of the need to strengthen, relaunch, diversify and extend the Group's business, while continuing to offer the excellent quality that distinguishes the individual companies within it, making the most of the production facilities by maintaining their value and substantially respecting the way the individual companies operate, without prejudice to any improved organisational solutions that may be adopted to optimise the production chain by maintaining and adding to supplies on the part of local farmers.
For the accounting effects of the transaction, see the information on business combinations.

Scope of consolidation.

The line-by-line method is applied to the consolidation of equity investments in operating companies in which the Group holds a direct or indirect interest and controls the majority of voting rights or has the power to determine their financial and management policies in order to obtain the benefits of their activities.
The scope of consolidation changed compared to FY2015 and includes – in additional to the financial statements of Centrale del Latte di Vicenza S.p.A. – the financial statements of Centrale del Latte della Toscana S.p.A.. Consequently, consolidated financial statements incorporate the 2016 financial statements of Centrale del Latte d'Italia S.p.A. and of its 100% subsidiary Centrale del Latte di Vicenza S.p.A. – Via Faedo 60 – Vicenza have been incorporated into the consolidated financial statements, in addition to the financial statements related to the period from 1 October to 31 December 2016 for the 100% subsidiary Centrale del Latte della Toscana S.p.A. – Via dell'Olmatello 20 – Florence. The financial statements were drawn up with the same accounting standards.

Consolidation techniques.

In preparing the consolidated financial statements, the assets, liabilities, costs and revenue of consolidated companies are added up line by line, attributing minority-interest shareholders their portion of net equity and the profit or loss for the period in specific items in the balance sheet and income statement. If control of a company is acquired during the year, the Group's share of that company's costs and revenue is recognised in the consolidated financial statements beginning on the date on which control is acquired.

The main adjustments applied in preparing the consolidated financial statements are as follows:

- the carrying amounts of consolidated equity investments are derecognised, along with the subsidiary's net equity;
- dealings among the consolidated entities in the form of payables and receivables and costs and revenue are derecognised;
- the difference between the price of the equity investment and the present value of the acquiree's assets and liabilities at the acquisition date is recognised among intangible assets.

Structure and content of the accounting schedules.

The financial statements at 31 December 2016 consist of the consolidated statement of financial and equity position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the statement of changes in consolidated net equity and the notes.

The statement of comprehensive income is presented separately from the income statement, with the latter drafted on the basis of classifying costs by nature. The consolidated cash flow statement is presented using the indirect method.

The consolidated financial statements at 31 December 2016, the accounting schedules and the pertinent notes are in Euros.

Audit

The financial statements at 31 December 2016 are subject to audit by Deloitte & Touche S.p.A..

Accounting and assessment standards

The financial statements of Centrale del Latte d'Italia S.p.A. at 31 December 2016 were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved by the European Union, and as required by the measures enforcing article 9 of Legislative Decree no. 38/2005. They were also drafted on a going concern basis. IFRS also include the *International Accounting Standards* (IAS), still in force, as well as all the interpreting documents issued by the *International Financial Reporting Interpretations Committee* (IFRIC), previously named *Standing Interpretations Committee* (SIC).

The accounting standards adopted are coherent with the recognition and assessment criteria used for the consolidated financial statements at 31 December 2016, which may be consulted for further details, with the exception of what is explained in the following paragraph.

For the purpose of an accurate comparison between the two financial years, the data of the previous FY, where appropriate, have been reclassified.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS EFFECTIVE FROM 01 JANUARY 2016

The following accounting standards, amendments and IFRS interpretations have been applied for the first time by the Group since 1 January 2016:

- On 21 November 2013, the IASB issued the amendments to IAS 19 "Defined Benefit Plans: Employee Contributions", which proposes to account for contributions (only relating to the service provided by the employee during the year) made by employees or third parties to defined benefit plans as a reduction in service cost for the year in which the contribution is paid. The need for such a proposal arose from the introduction of the new IAS 19 (2011), according to which these contributions are to be interpreted as part of a post-employment benefit, rather than a short term benefit and, accordingly, are to be spread over the years of service of the employee. The adoption of these amendments had no effect on the Group's consolidated financial statements.

- On 12 December 2013, the document "Annual Improvements to IFRSs: 2010-2012 Cycle" was issued, which implements the amendments to certain standards as part of the annual improvement process. The main changes include:
    - IFRS 2 Share Based Payments - Definition of vesting condition. Some amendments were introduced to the definitions of "vesting condition" and "market condition" and the definitions of "performance condition" and "service condition" were added (previously included in the definition of "vesting condition");
    - IFRS 3 Business Combinations - Accounting for contingent consideration. The amendment clarifies that a contingent consideration under a business combination, classified as a financial asset or a financial liability (unlike when classified as an equity instrument) must be remeasured at fair value at each closing of the accounting period and changes in fair value must be recognized in the income statement or in comprehensive income on the basis of the requirements set by IAS 39 (or IFRS 9);

- IFRS 8 Operating segments – Aggregation of operating segments. The amendments require entities to provide information regarding the assessments made by the management for the application of criteria for the aggregation of the operating segments, including a description of the aggregated operating segments and the economic indicators taken into consideration in determining whether said operating segments have similar economic characteristics capable of allowing for the aggregation;
- IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets. The amendments clarify that the reconciliation of the total of the operating segments' assets and the sum total of the entity's assets must be reported only if the total of the operating segments' assets is regularly reviewed at the highest operational decision-making level of the entity;
- IFRS 13 Fair Value Measurement – Short-term receivables and payables. The Basis for Conclusions of this standard were modified in order to clarify that following the issuance of IFRS 13, and the consequent amendments to IAS 39 and IFRS 9, trade receivables and payables may still be accounted for without recognizing the effects of discounting, where such effects are non-material;
- IAS 16 Property, plant and equipment and IAS 38 Intangible Assets - Revaluation method: proportionate restatement of accumulated depreciation/amortization. The amendments removed the inconsistencies in the recognition of accumulated depreciation and amortization when a tangible or intangible asset is revalued. The amendments clarify that the gross carrying amount is to be adjusted consistently with the revaluation of the carrying amount of the asset and that accumulated depreciation must be equal to the difference between the gross carrying amount and the carrying amount (also net of the recognized impairment);
- IAS 24 Related Party Disclosures - Key management personnel. It is clarified that in case the services of key management personnel are provided by an entity (rather than a natural person), that entity is to be considered a related party.

The amendments are applicable at the latest for annual periods beginning on or after 01 February 2015. The adoption of these amendments had no effect on the Group's consolidated financial statements.

- On 6 May 2014, the IASB issued the amendments to IFRS 11 Joint Arrangements – Accounting for acquisitions of interests in joint operations regarding the accounting of acquisitions of interests in joint operations whose activities constitute a business as per the definition contemplated in IFRS 3. In such cases, the amendments require the application of the standards reported in IFRS 3 regarding the recognition of the effects of a business combination.
  The amendments apply from 1 January 2016, though earlier application is permitted. The adoption of this amendment had no effect on the Group's consolidated financial statements.

- On 30 June 2014 the IASB issued some amendments to IAS 16 Property, plant and Equipment and to IAS 41 Agriculture – Bearer Plants. According to the amendments, bearer plants, i.e. fruit trees with an annual harvest (for example vines, hazel trees), must be accounted for in accordance with the requisites of IAS 16 (rather than IAS 41). This means that these activities must be carried at cost instead of at fair value less costs to sell (although the revaluation method proposed by IAS 16 may be used). The changes proposed are limited to trees used to produce fruit seasonally and not to be sold as living plants or subject to harvest as agricultural produce. These trees also come under the scope of IAS 16 during the biological maturation phase, i.e. until they are able to yield agricultural produce.
  The amendments apply from 1 January 2016, though earlier application is permitted. The adoption of this amendment had no effect on the Group's consolidated financial statements.

- On 12 May 2014 the IASB issued some amendments to IAS 16 Property, plant and Equipment and to IAS 38 Intangibles Assets – "Clarification of acceptable methods of depreciation and amortisation". The amendments to IAS 16 establish that revenue-based amortisation and depreciation criteria are not appropriate, because according to the amendment, the revenue generated by an initiative that includes the use of the asset for amortisation or depreciation generally reflects factors other than the mere consumption of the economic benefits of said activity, a requisite that is – vice versa – required for amortisation. The amendments to IAS 38 introduce a relative assumption that revenue-based amortisation and depreciation

criteria are inappropriate for the same reasons established by the modifications introduced to IAS 16. In the case of intangible assets, this assumption may not be valid any longer, but only in a limited number of specific circumstances.
The amendments apply from 1 January 2016, though earlier application is permitted. The adoption of this amendment had no effect on the Group's consolidated financial statements.

- On 25 September 2014, the IASB published the document "Annual Improvements to IFRSs: 2012-2014 Cycle". These amendments must be applied for years beginning on or after 1 January 2016.
  The document introduces amendments to the following standards:
  - IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The amendment to the standard introduces specific guidelines in the event an entity reclassifies an asset (or a disposal group) from the held-for-sale category to the held-for-distribution category (or vice versa), or when the requisites for classifying an asset as held-for-distribution no longer exist. The amendments establish that (i) for such reclassifications, the same classification and assessment criteria remain valid; (ii) the assets that no longer comply with the classification criteria established for held-for-distribution assets should be treated in the same way as an asset that ceases to be classified as held-for-sale;
  - IFRS 7 – Financial Instruments: Disclosure. The changes regulate the introduction of additional guidance to clarify whether a servicing contract constitutes a continuing involvement in a transferred asset for the purpose of the transfer disclosure requirements. In addition, it is clarified that disclosures on the offsetting of financial assets and liabilities is not normally explicitly required for interim financial statements, except in the presence of significant information;
  - IAS 19 - Employee Benefits. This document introduces amendments to IAS 19 to clarify that the high quality corporate bonds used to determine the discount rate of post-employment benefits should be issued in the same currency used for the payment of benefits. The amendments clarify that the market scope of high quality corporate bonds to consider should be defined at currency level – and not according to the Country being reported;
  - IAS 34 – Interim Financial Reporting. The document introduces amendments to clarify the requirements in the event the information required is presented in the interim financial report but not in the interim financial statements. The amendment clarifies that this information should be included through a cross-reference from the interim financial statements to other parts of the interim financial report and that said document should be made available to readers of the financial statements in the same way and according to the same timeframe as for the interim financial statements.

  The adoption of these amendments had no effect on the Group's consolidated financial statements.

- On 18 December 2014, the IASB issued the amendment to IAS 1 - Disclosure Initiative. the objective of the amendments is to provide clarification on disclosure elements that may be perceived as impediments to a clear and intelligible preparation of financial statements. The following amendments were introduced:
  - Materiality and aggregation: it is clarified that entities must not mask information by means of aggregation or disaggregation, and that considerations regarding materiality apply to the layout of financial statements, notes and specific information requisites established by IFRS. The disclosures specifically required by the IFRS must be provided only if the information is material;
  - Statement of financial position and statement of comprehensive income: it is clarified that the list of items specified in IAS 1 for these statements can be disaggregated or aggregated as appropriate. Guidance is also provided on the use of subtotals within the statements;
  - Presentation of items of Other Comprehensive Income ("OCI"): it is clarified that the share of OCI of affiliates and joint ventures carried at equity should be presented in aggregate in a single item, in turn grouped into those that will be subsequently reclassified to profit or loss and those that will not;
  - Notes: it is clarified that entities have flexibility in defining the structure of the notes and guidance is provided on how to set up a systematic order in presenting the notes; for example:
    1. By giving prominence to those that are most relevant to an understanding of its financial performance and financial position (e.g. by grouping information on specific activities);

ii. By grouping together items measured similarly (e.g. assets carried at fair value);

iii. By following the order of the line items in the statements.

These amendments must be applied for years beginning on or after 1 January 2016. The adoption of this amendment had no effect on the Group's consolidated financial statements.

- On 18 December 2014, the IASB published the document "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)", containing amendments regarding matters that emerged following the application of the consolidation granted to investment entities. These amendments must be applied for years beginning on or after 1 January 2016, although earlier adoption is permitted. The adoption of these amendments had no effect on the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT EARLY ADOPTED BY THE COMPANY AT 31 DECEMBER 2016.

- On 28 May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which – together with other clarifications issued on 12 April 2016 – is intended to replace IAS 18 – Revenue and IAS 11 – Construction Contracts, and IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, which will apply to all contracts with customers except those that fall within the scope of other IAS/IFRS such as finance leases, insurance contracts and financial instruments. The main steps for the recognition of revenue under the new model are:
    - identification of the contract with customer;
    - identification of the contract performance obligations;
    - determination of the price;
    - allocation of the price to the contract performance obligations;
    - revenue recognition criteria when the entity satisfies each performance obligation.

  The standard applies from 1 January 2018, though earlier application is permitted. The changes to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, published by IASB in April 2016, have not yet been endorsed by the European Union. The Group is currently assessing the effects of the adoption of this amendment.

- On 24 July 2014 the IASB published the final version of IFRS 9 – Financial Instruments. The document contains the results of the IASB project aimed at replacing IAS 39. The new standard must be applied to the financial statements beginning on or after 1 January 2018.

  The standard introduces new requirements for the classification and measurement of financial assets and liabilities. In particular, with regard to financial assets, the new standard uses a unified approach based on how an entity manages its financial instruments and the characteristics of contractual cash flows of the financial assets to determine the measurement criteria, replacing the different rules in IAS 39. For financial liabilities, the main change introduced concerns the accounting treatment of changes in fair value of a financial liability designated as a financial liability at fair value through profit or loss, if these changes are due to a variation in the issuer's creditworthiness of the liability itself. According to the new standard these changes should be recognised in "Other comprehensive income" and no longer through profit or loss.

  With reference to impairment, the new standard requires that loan losses estimates be based on the expected losses model (rather than the incurred losses model used by IAS 39) by using supportable information, available at no cost or without unreasonable efforts, which include historical, current and forecast data. The standard requires that the impairment model be applied to all financial instruments, i.e. to financial assets carried at amortized cost, to those measured at fair value through other comprehensive income, to receivables arising from leases and to trade receivables.

Finally, the standard introduces a new hedge accounting model for the purpose of adjusting the requisites provided for by the current IAS 39, which have sometimes been considered too strict and unsuitable to reflect the company's risk management policies. The main changes of the document concern:

- an increase in the number of transactions eligible for hedge accounting, also including the non-financial asset/liability risks eligible to be managed with a hedge accounting system;
- a change to the method used for recognising forward contracts and options when part of a hedge accounting relation, with a view to containing the volatility of the income statement;
- changes to the effectiveness test by replacing the current methods based on the 80-125% range with the principle of the "economic relationship" between the hedged item and the hedging instrument; in addition, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

The increased flexibility of the new accounting rules is offset by additional requests for disclosure regarding the company's risk management activities. The directors expect that the application of IFRS 9 may have no impact on the amounts and on the information provided in the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION

As at the reference date of these consolidated Financial Statements, the relevant European Union bodies have not yet completed the standardisation process necessary for the adoption of the following standards and amendments.

- On 13 January 2016 the IASB issued the standard IFRS 16 – Leases, intended to replace standard IAS 17 – Leases, as well as IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
  The new standard provides a new definition of lease and introduces a criterion based on the right of use of an asset to distinguish leasing contracts from services contracts, identifying the following as discriminating factors: the identification of the asset, the right to replace it, the right to obtain, in substance, all the economic benefits deriving from the use of the asset and the right to govern the use of the underlying asset.
  The standard establishes a single accounting model for recognising and measuring leasing contracts for the lessee, which requires the object under lease, including operating lease, to be posted to the assets, offset by a financial liability, and also offers the opportunity not to recognise leases of low-value assets or leases of 12 months or less. The Standard does not comprise significant amendments regarding lessors.
  The standard applies from 1 January 2019, though earlier application is permitted only for those Companies who opted for early adoption of IFRS 15 - Revenue from Contracts with Customers. The analysis of the effects deriving from the application of the new standard are under way. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of the relevant contracts.

- On 19 January 2016 the IASB issued the document "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)" containing some amendments to IAS 12. The aim of the document is to provide clarification regarding the recognition of deferred tax assets for unrealised losses in certain circumstances and on estimating taxable income for future FYs. The amendments apply from 1 January 2017, though earlier adoption is permitted. At the moment, the directors are assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- On 29 January 2016 the IASB issued the document "Disclosure Initiative (Amendments to IAS 7)" containing some amendments to IAS 7. The aim of the document is to provide clarification on how information on financial liabilities can be improved. Specifically, the amendments request that information be provided in order to allow users of the financial statements to understand variations in liabilities deriving from financing transactions, including both changes arising from cash flows and non-cash changes. The amendments do not establish a specific format to be used for the disclosure. However, the amendments introduced require entities to provide a reconciliation between the opening and closing balances deriving from financial transactions. The amendments apply from 1 January 2017, though earlier application is permitted. The presentation of comparative information relating to previous FYs is not requested. The directors do not expect the adoption of these changes to have a significant impact on the Group's financial statements.

- On 20 June 2016 the IASB issued the document "Classification and measurement of share-based payment transactions (Amendments to IFRS 2)" containing some amendments to IFRS 2. The amendments provide for some clarifications concerning the recording of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments characterised by net settlement and the recording of the amendments to the terms and conditions of a share-based payment, changing its classification from cash-settled to equity-settled. The amendments apply from 1 January 2018, though earlier application is permitted. The directors do not expect the adoption of these changes to have a significant impact on the Group's financial statements.

- On 12 September 2016 the IASB issued the document "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". For entities whose business is predominantly made up of insurance, the aim of the amendments is to clarify the concerns deriving from the application of the new IFRS 9 to financial assets, before the IASB replaces the current IFRS 4 with the new standard currently being drafted, based on which financial liabilities are carried.
  The amendments introduce two possible approaches:
    - overlay approach
    - deferral approach.

  These approaches will make it possible to:
  - recognise in comprehensive income (i.e. in the OCI statement), rather than in the income statement, the effects deriving from the application of IFRS 9 or IAS 39 to a number of designated financial assets before the application of the new standard regarding insurance contracts ("overlay approach").
  - obtain a temporary exemption from the application of IFRS 9 until the application of the new principle to insurance contracts or the FY beginning on 1 January 2021, whichever is earlier. Entities that defer the application of IFRS 9 shall continue to apply the current IAS 39 ("deferral approach").

  The directors do not expect the adoption of these changes to have a significant impact on the Group's financial statements. (oppure indicare gli effetti).

- On 08 December 2016, the IASB published the document "Annual Improvements to IFRSs: 2014-2016 Cycle" was issued, which implements the amendments to certain standards as part of the annual improvement process. The main changes include:
  - IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters. The amendment to this standard is applicable, at the latest, from the FYs beginning from 1 January 2018, and regards the deletion of a number of short-term exemptions contemplated in paragraphs E3-E7 of Appendix E of IFRS 1, since it is considered that said exemptions are no longer beneficial.
  - IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice. The amendment clarifies that the option for a venture capital organization or other such entity (for example a mutual fund or similar) to measure investments in associates and joint ventures at fair value through profit or loss (rather than the equity method) applies for each individual investment upon initial recognition. The amendment applies from 1 January 2018.
  - IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard. The amendment clarifies the scope of application of IFRS 12, specifying that the disclosure required by the standard, with the exception of that provided for in paragraphs B10-B16, applies to all those interests classified as held for sale, held for distribution to shareholders or as discontinued operations in accordance with IFRS 5. The amendment applies from 1 January 2017.

  The directors do not expect the adoption of these changes to have a significant impact on the Group's financial statements.

- On 8 December 2016, the IASB issued the document "Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)". The aim of the interpretation is to provide guidelines for transactions conducted in foreign currency where non-monetary advances or deposits have been recognised in the financial statements in advance of the recognition of the related asset, expense or income. This document provides indications on how an entity should determine the date of a transaction, and consequently the spot exchange rate to be used for reporting foreign currency transactions when payment is made or received in advance.

The interpretation clarifies that the transaction date is the earlier between:

a) the date on which the full or partial advance consideration paid is entered in the financial statements of the entity; and

b) the date on which the asset, cost or revenue (or part thereof) is entered in the financial statements (with consequent reversal of the full or partial advance consideration received).

If there are numerous payments or amounts collected in advance, a transaction date must be identified for each one. IFRIC 22 is applicable from 1 January 2018, though earlier application is permitted. The directors do not expect the adoption of these changes to have a significant impact on the Group's financial statements.

- On 08 December 2016 the IASB issued the document "Transfers of Investment Property (Amendments to IAS 40)" containing some amendments to IAS 40. These changes clarify transfers of property to or from investment property. Specifically, an entity must transfer property into, or out of, investment property when there has been an evident change in the use of the property. This change must be attributable to a specific event, and must not be limited to a change in the intentions of the Management of the entity. These amendments apply from 1 January 2018, though earlier application is permitted. The directors do not expect the adoption of these changes to have a significant impact on the Group's financial statements.

- On 11 September 2014 the IASB issued the amendment to IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10.

  According to the provisions of IAS 28, profits or losses resulting from the transfer or assignment of a non-monetary asset to a joint venture or affiliate in exchange for a share in the capital of the latter is limited to the share held in the joint venture or affiliate by the other investors extraneous to the transaction. On the contrary, IFRS 10 contemplates the recognition of the entire profit or loss in the event of a loss of control of a subsidiary, even if the entity continues to hold a non-controlling interest therein, also including in such cases the transfer or assignment of a subsidiary to a joint venture or affiliate. The amendments introduced establish that in the event of the transfer/assignment of an asset or of a subsidiary to a joint venture or an affiliate, the extent of the profit or loss to be recognised in the financial statements of the transferor/assignor depends on whether the assets or the subsidiary transferred/assigned may be considered a business or not, according to the definition thereof set out in IFRS 3. In the event the assets or the subsidiary transferred/assigned constitute a business, the entity must recognise the profit/loss on the entire share previously held; otherwise, the share of profit or loss relating to the share still held by the entity must be cancelled. For the moment the IASB has suspended the application of this amendment. The directors do not expect the adoption of these changes to have a significant impact on the Group's financial statements.

Business combinations

Business combinations are recognised according to the acquisition method. According to this method:

- The payment transferred in a business combination is carried at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities acquired by the Group at the date of acquisition and the capital instruments issued in exchange for control of the business acquired. Ancillary expenses related to the transaction are generally recognised in the income statement when they are incurred.
- At the date of acquisition, the identifiable assets acquired and the liabilities acquired are recognised at their fair value at the date of acquisition; an exception to this are deferred tax assets and liabilities and assets and liabilities for benefits to employees, which are measured according to their reference standards.
- Goodwill is determined as the surplus between the sum of the payments transferred in the business combination, the value of the shareholders' equity of minority interest and the fair value of any equity investment previously held in the company acquired compared to the fair value of the net assets acquired and liabilities acquired at the date of acquisition. If the value of the net

assets and net liabilities acquired at the date of acquisition is higher than the sum of the payments transferred, this surplus must be immediately recognised in the income statement as income deriving from the completed transaction.

- Shareholders' equity of minority interest at the date of acquisition can be carried at fair value, or at the pro-rata value of the net assets recognised for the company acquired. The valuation method is chosen transaction by transaction.
- Any payments subjected to conditions provided for by the business combination agreement are measured at the fair value at the date of acquisition and included in the value of the payments transferred in the business combination for the purposes of determining goodwill. Any subsequent changes to this fair value, which are calculated as adjustments arising during the measuring period, are included retrospectively in goodwill. The changes to fair value that can be calculated as adjustments arising during the measuring period are those deriving from more information on events and circumstances already in existence at the date of acquisition, obtained during the measuring period (which cannot be longer than one year from the date of the business combination).

For business combinations completed in stages, the equity investment previously held in the business acquired is revalued at the fair value at the date of acquisition of control, and any profits or losses deriving therefrom are recognised in the income statement. Any values deriving from the equity investment previously held and entered under "Other profits and losses" are reclassified in the income statement as if the equity investment had been disposed of.
If the initial values of a business combination are incomplete at the date of closure of the financial statements for the year in which the business combination occurred, the Group recognises the provisional values in its consolidated financial statements, so recognition cannot be concluded. These provisional values are adjusted during the measuring period, to take account of the new information obtained on the events and circumstances already in existence at the date of acquisition, which, if known, would have had an effect on the assets and liabilities recognised at that date.
Business combinations that took place before 1 January 2010 have been recognised in accordance with the previous version of IFRS 3.

Use of Estimates

In drafting the consolidated financial statements for FY 2009 at 31 December 2016, a number of assessments, estimates and hypotheses were formulated that have an impact on the application of the accounting standards and on the amounts of the assets, liabilities, costs and revenue indicated in the financial statements. The estimates and assumptions are based on previous experience and on other factors considered reasonable in the relevant cases, and were adopted in order to estimate the book value of assets and liabilities that could not readily be deduced from other sources. It should be noted, however, that these are estimates and therefore the final figures may differ from the estimated figures. The main estimates used by the Group concern the assessments to show provisions for bad debts, amortisation and depreciation, write-downs of assets, employee benefits, taxes, and provisions for liabilities and charges.
In addition, a number of assessment processes, in particular those more complex processes such as the determination of any impairment losses on non-current assets, are generally carried out exhaustively only for the drafting of the yearly financial statements, once all the necessary information is available, except for those cases in which there are impairment indicators requiring an immediate assessment of any impairment losses.

Business combinations

In accordance with IFRS 3, as described below in the paragraph – Acquisition of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A., in these financial statements, the group has recognised the identifiable assets and liabilities acquired (with the exception of a number of entries specified from the beginning) at the fair value of the date on which control was acquired. Considering that the value of the net assets and liabilities acquired at the date of acquisition is higher than the sum of the payments transferred (i.e. the fair value of the shares transferred), the surplus is recognised in the income statement as income deriving from the completed transaction. These values have been determined by a process of estimation of the identifiable assets and liabilities that was concluded on 30 September 2016 and which was based on assumptions considered reasonable and realistic based on the information that was available at the date on which control was acquired and which have had an effect on the value of the assets and liabilities acquired.

Merger by incorporation of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.

As provided for in the Merger by Incorporation Plan of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A. approved by the Ordinary and Extraordinary Shareholders' Meeting of 13 June 2016, on 16 September 2016 the Deed of Merger of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A. was signed, with subsequent recording in the Business Registry of Turin on 21 September 2016.

On 29 September 2016, by resolution no. 0086846/16, Consob granted the judgement of equivalence pursuant to article 57, paragraph 1, letter d) of Consob Regulation no. 11971/1999 on the information document related to the merger, authorising the publication of the Information Document, now available on the Company's website on.

http://centralelatteitalia.com/investor-relations/fusione/.

From 30 September 2016, 11:59 pm, the statutory, accounting and tax effects of the merger have become effective, pursuant to articles 2501-*ter* et seq. of the Italian Civil Code.

Now that the Merger has become effective, in line with the resolutions passed by the Extraordinary Shareholders' Meeting of *Centrale del Latte di Torino S.p.A* held on 13 June 2016, the following was implemented: (i) the share capital increase from € 20,600,000 to € 28,840,041.20, by issuing 4,000,020 new ordinary shares with a par value of € 2.06 each, with the same characteristics as those outstanding and listed on the STAR segment of *Mercato Telematico Azionario* ("**MTA**") organised and managed by Borsa Italiana S.p.A. and destined for the shareholders of *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A*; (ii) the change of its company name to "**Centrale del Latte d'Italia S.p.A.**"; (iii) the increase in the number of Directors, which went from 9 to 13, with the appointment of the following new Directors: Renato Giallombardo, Lorenzo Marchionni, Laura Materassi and Lorenzo Petretto.

The Merger Plan identified the rate of exchange between the ordinary shares of Centrale del Latte di Firenze, Pistoia e Livorno S.p.a. and the new shares of the Company created by the merger, issued for the purpose and assigned to the shareholders of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. as follows. 1 new share of the Incorporating Company (with a par value of € 2.06 each) for 6.1965 ordinary shares of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. (with a par value of € 0.52 each), rounded off to the closest unit and without cash adjustments.

Accounting effects of the transaction

Pursuant to IFRS 3 – Business Combinations, the Merger operation is considered a business combination. In detail, the merger transaction identified the rate of exchange between the ordinary shares of Centrale del Latte di Firenze, Pistoia e Livorno S.p.a. and the new shares of the Company created by the merger, thus effectively making the difference between the fair value of the net assets acquired higher than the fair value of the new shares. Based on the provisions of IFRS 3, if the value of the net assets and liabilities acquired at the data of acquisition is higher than the sum of the payments transferred, this surplus must immediately be recognised in the income statement as income deriving from the completed transaction.

The accounting effects of this transaction are detailed below:

- The identifiable assets and liabilities acquired of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A., listed below, have been measured at their fair value at the date of acquisition of control (coinciding with the merger), with the exception of deferred tax assets and liabilities and a number of liabilities associated with employee benefits, which have been recognised, in compliance with IFRS 3, according to their reference standards. This valuation process was completed in the month of September 2016, as follows:

(Amounts in Euros)	**At the acquisition date**
ASSETS	
Tangible fixed assets	55,316,000
Intangible fixed assets	7,955,000
Financial fixed assets	1,503,427
Deferred tax assets	474,371
Total non-current assets	**65,248,798**

Inventories	3,973,892
Trade receivables	12,051,707
Tax assets	3,033,793
Receivables from others	461,481
Cash and cash equivalents	1,706,433
Total current assets	**21,227,306**
TOTAL ACQUIRED ASSETS (a)	**86,476,104**
LIABILITIES	
Long-term loans	27,083,415
Deferred taxes	3,108,000
Employee severance indemnity	3,484,421
Total non-current liabilities	**33,675,836**
Payables to banks	5,600,000
Current share of long-term loans	4,535,377
Financial liabilities held for trading	667,646
Trade payables	15,311,605
Tax liabilities	358,678
Payables to social security institutions	452,759
Other payables	635,220
Total current liabilities	**27,561,285**
TOTAL LIABILITIES (b)	**61,237,121**
Net acquired assets (liabilities) (a) – (b)	**25,238,983**

- At the end of the measuring period, the surplus of the net assets (liabilities) acquired was determined as follows:

(Amounts in Euros)	**At the acquisition date**
Fair value no. 4020.000 shares issued	(11,336,056)
Acquired net assets / (net liabilities)	25,238,983
Result from business combination	**13,902,927**

The result from the business combination, recognised as income for the year, pursuant to IFRS 3 p. 34, is closely related to the share swap ratio previously described: having set the fair value of the shares issued for the merger share swap (€ 11,336, 000 in total) at € 2.834 per share (stock market share price of Centrale del Latte di Torino shares at 30 September 2016), the difference compared to the net assets acquired (amounting to € 25,239,000) is a profit, recognised in the income statement for the period.
This difference, in accordance with Legislative Decree no. 38/2005, cannot be distributed to the shareholders, and must be destined for the net equity reserve.
The costs related to the acquisition of control, amounting to about € 1,145,000, have been recognised in the income statement for the period in which they were sustained, under "Costs for services", and were financially incurred in said period.
At the date of acquisition, the identifiable assets acquired by Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. include trade receivables entered at a fair value of € 12,052,000. The gross value owed for these receivables is € 13,093,000, of which € 1,041,000 is considered unlikely to be collected.
No potential liabilities were recorded at the date of acquisition, since none were identified by the analyses carried out.
The business acquired contributed to the revenue of Centrale del Latte Group for € 20,383,000 in 2016 and to profit for the period for € 210,000.
If control of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. had been acquired on 1 January 2016, Centrale del Latte d'Italia Group would have obtained revenue of € 170 million in 2016 and a profit for the period of about € 12,591 thousand.

Effective from 1 October 2016, Centrale del Latte d'Italia transferred the company already controlled by *Centrale del Latte di Firenze, Pistoia e Livorno S.p.A.* into a new company, wholly owned by Centrale del Latte d'Italia, with registered and operating office in Florence, named "**Centrale del Latte della Toscana S.p.A.**". This transaction, since it is a transaction under common control, was carried out according to the continuity of values criterion and is entirely neutral from the point of view of how it is represented in the Group's consolidated financial statements. The purpose of this transaction is to maintain the legal, corporate and management autonomy of the company, specifically guaranteeing: (i) the safeguarding of the production facility as an important resource for the local economy, (ii) the continuity of the existing managerial group and (iii) the safeguarding of current employment levels.
The consolidated financial statements include, with regard to the income statement, the entries regarding the economic management of the subsidiary of Centrale del latte della Toscana S.p.A. for the period from 1 October to 31 December 2016, while the consolidated balance sheet shows in full the assets and liabilities of Centrale del Latte della Toscana S.p.A. at 31 December 2016.

The accounting standards and assessment criteria are illustrated below.

Intangible fixed assets

Intangible fixed assets can have a definite useful life, or an indefinite useful life if the length of the period during which said assets are able to generate positive cash flows cannot be readily predicted.
These fixed assets are entered as credit in the statement of financial position when it is likely that the use of the assets will determine future economic benefits and when the cost of the assets can be reliably determined. They are entered at contribution value, at acquisition price or production cost, inclusive of any ancillary expenses.
Further to initial booking:

- Intangible assets with definite useful lives are amortised systematically on the basis of their expected future use so that the net amount at period end corresponds to their residual use or recoverable amount according to company production plans. Amortisation begins when the asset becomes available for use;
- intangible assets with an indefinite useful life are not amortised, but are subject to impairment checks at least once a year, using specific recoverability analyses.

Intangible assets with an indefinite useful life mainly consist of brands that have no limitations in terms of useful life from a legal, contractual, economic and competitive point of view. Pursuant to the provisions of IAS 36, indications are provided regarding the changes to fair value on the basis of a hierarchy (IFRS 13) that reflects the significance of the input used in determining said fair value (Level 1: reference listed prices in active markets for the assets or liabilities being measured; Level 2: input data other than listed prices, which are observable either directly or indirectly; Level 3: input data not based on observable market data).
The line item "Goodwill" represents the fair value of the payment transferred, plus the amount recognised of any equity investments held by third parties in the company purchased, less the net amount recognised (usually the fair value), of the identifiable assets purchased.
The "software" category includes the group operating system, used to manage all company activities, amortised at a rate of 20% per year.

Tangible Fixed Assets

Tangible fixed assets are recognised at purchase cost, plus any directly attributable accessory expenses required to prepare the asset for use and less commercial allowances or discounts. The period-end amount is net of accumulated depreciation.
The depreciation charges recognised in the statement of comprehensive income have been calculated systematically and consistently according to rates deemed representative of the estimated economic and technical lives of the assets, as illustrated below:

• Buildings	2%- 4% -3%
• Light constructions	10% - 4%
• General plants	10%-5%
• Specific plants	5% - 16% - 10% - 4%
• Equipment	20%-10%
• Office furniture and ordinary equipment	12%-5% - 10%
• Electronic equipment	20%-15%

- Motor vehicles and internal means of transport 20%
- Cars 25%
- Isothermal vans 16%

The depreciation period begins from the financial year in which the asset is available for use.
Land is not depreciated, as it is presumed to have an indefinite useful life.
The value of the land on which the Group's facilities stand represents the current value, specifically determined by independent experts during the transition to international accounting standards.
Profits and losses deriving from the divestment or sale of fixed assets, calculated with reference to their book value, are entered among operating income and expenses on the income statement. Maintenance and repair costs are charged to the income statement for the financial year in which they were sustained, except for those of an incremental nature, which are charged to the fixed assets they refer to and are amortised on the basis of their residual use. Expenses of an incremental nature are those for which the pertinent future benefits are likely to be for the company.

Finance Lease.
Tangible assets on finance lease, under which the risks and rewards related to ownership are essentially transferred to the Group, are recognised as Group assets at their current value, or at the present value of minimum finance lease payments owed, should this be lower. The corresponding liability towards the lessor is shown among financial debts. Assets are depreciated by applying the standard and rates illustrated above.
Items under finance lease for which the lessor essentially retains all risks and benefits related to ownership of the goods are classified as operating leases. Costs related to operating *leases* are shown on a line-by-line basis on the income statement throughout the duration of the finance lease contract.

Impairment of fixed assets
Tangible fixed assets, intangible fixed assets and other non-current assets are checked in order to verify if there is any indication that they may have suffered impairment. Intangible fixed assets with an indefinite useful life and goodwill are subjected to impairment tests at least once a year, as provided for by IAS 36. The value of a fixed asset is reduced if its net carrying amount exceeds its recoverable amount, which is defined as the greater of its net market value (fair value less sales costs) and current value in use.

Equity investments carried at equity
These are equity investments in affiliates that are measured according to the equity method in the consolidated financial statements on the basis of the most recently approved financial statements available or of the updated accounting status, adjusted to ensure they are consistent with international accounting standards.
The equity investments in affiliates are recognised using the net equity method, starting from the date on which the significant influence commences until the moment on which said significant influence ceases.

Other financial assets
Equity investments in other companies are carried at fair value. Profits and losses deriving from changes in fair value are charged directly to net equity (fair value reserve) until they are transferred or become impaired; in which case overall profits and losses are charged to the income statement for the period. When fair value cannot be reliably determined, equity investments are carried at the cost adjusted for impairment, the effect of which is recognised in the income statement.

Financial liabilities
Financial liabilities are initially carried at fair value, plus any directly attributable transaction costs. They are subsequently measured using the amortised cost criterion, if significant.

Inventories
They are entered at whichever is lower between the purchase cost and the market value. For finished products, cost is determined on the basis of the average cost – acquisition cost included – of raw materials, plus direct production costs and overheads directly

attributable to the product. For marketed products, raw materials and consumables, the weighted average cost for the year is used. The market value is determined on the basis of sales prices net of sales costs.

Trade receivables

Trade receivables are entered at their nominal values, less appropriate write-down to reflect the estimated loss on receivables.

Discontinued operations

Discontinued operations are classified as such if their book value is to be recovered mainly through sale rather than continued use.
These conditions are considered to be met when sale is considered highly probable and the assets are immediately available for sale in their current conditions.

Employee benefits – *Employee severance indemnity*

Effective from 1 January 2007, the decrees implementing the budget act introduced considerable changes in the rules governing employee severance indemnity, including the worker's choice of how to allocate future accruals. In particular, workers may allocate new accruals to specific pension plans or keep them with their employers (in which case the Company pays employee severance indemnity accruals into a treasury account with the INPS). The amendment of the law has resulted in the transformation of the nature of the employee severance indemnity from a defined-benefit plan to a defined-contribution plan for accruals, whereas it continues to be regarded as defined-benefit plans for accruals prior to 31 December 2006.
Actuarial gains and losses are shown in the statement of comprehensive income – OCI, and charged to net equity.

Provision for liabilities and charges

These provisions are entered into the financial statements when the Group has a legal or implicit obligation to pay particular amounts, as a result of past events, and it is probable that a financial outflow will be required from the Group in order to settle the obligation. These amounts are recognised in the financial statements only when it is possible to carry out a reliable estimate of the pertinent amount.
Contingencies which represent only potential liabilities are described in the notes, in the section of the comments on provisions.
In the event of merely remote events, i.e. events that are highly unlikely to occur, no provision is recognised, nor is any relevant information provided.
Provisions are presented at the current amount of expected outlays where the discount effect is material.

Revenue

Revenue is recognised to the extent it is probable that the Group will receive economic benefits and that the amount thereof may be reliably determined. Revenue is carried net of any discounts, refunds, credits, and bonuses.
Revenue from the sale of an asset is recognised when the entity has substantially transferred all risks and rewards of ownership of that asset to the buyer.
Revenue from services rendered is recognised when the degree of completion of the transaction at the reporting date for the financial statements may be reliably determined according to the date of accrual of the service.

Public contributions

Contributions are entered into the financial statements only when it is reasonably certain that the company will comply with the conditions set for receiving the contribution and that those contributions will effectively be received. Public contributions for plants are entered as deferred revenue and are systematically charged as income to the income statement during the useful life of the asset they refer to.

Contributions for current expenses are carried to the income statement in the financial year in which the conditions exist for their recognition.

Costs

Costs comprise the production and purchase cost of products and goods sold. It includes all material and processing costs and overheads directly associated with production. These include depreciation of property, plant and machinery, as well as the amortisation of intangible assets and transport costs.

They are entered into the financial statements on an accrual accounting principle, net of returns, discounts, premiums and bonuses.

Financial charges

Interest expense is stated on an accrual basis deriving from the amount financed and the applicable actual interest rate.

Taxes

Taxes payable for the period are determined in accordance with the current fiscal regulations.

Deferred taxes are calculated on temporary differences between the recognised amounts of assets and liabilities and the amounts of those assets and liabilities for statutory purposes. Deferred tax assets are only recognised where it is likely that the entity will earn taxable income against which it may set off the temporary deductible difference. Deferred tax liabilities are recognised on all the temporary taxable differences. In addition, the tax consolidation program governed by Presidential Decree 971/86, amended by Legislative Decree 344/2003, was introduced in 2005. The program allows for optional group taxation, which consists of determining a single taxable group income for the ultimate parent company corresponding to the algebraic sum of the net total incomes of participants and thus a single income tax for Group companies.

The Companies that joined the tax consolidation regime are the Parent Company Centrale del Latte d' Italia S.p.A. and Centrale del Latte di Vicenza S.p.A. The option is valid for three financial years from the one that closed at 31 December 2014.

For the purpose of an accurate comparison between the two financial years, the data of the previous FY, where appropriate, have been reclassified.

Segment reporting

The organisation of the Group is based on a single business segment for the production and sale of food products. Consequently, the economic and equity components of the financial statements are substantially ascribable in full to this type of business.

EPS

Earnings per share are calculated by dividing earnings by the weighted average number of shares outstanding during the period. They are presented at the foot of the income statement. At the closure of the financial statements, there were no financial instruments with dilutive potential financial instruments.

Capital – Capital management policy and processes

With regard to share capital and the reserves of joint stock companies, Italian legislation establishes that the company's share capital's value cannot be lower than € 50,000.

Any changes to the amount of the share capital must be resolved upon by the Shareholders' Meeting, which may delegate the Board of Directors, for a maximum period of five years, to increase the share capital up to a set amount; the Shareholders' Meeting is also under the obligation to adopt the necessary measures when the share capital decreases by a third as a result of ascertained losses, and must reduce the share capital if by the end of the following FY such losses have not been reduced to less than a third. If, as a result of the loss of over a third of the share capital, this falls below the aforementioned legal minimum, the Shareholders' Meeting must resolve upon both the reduction in the share capital and the simultaneous increase of the same up to a figure not inferior to the aforementioned minimum, or, alternatively, the transformation of the company.

The share premium reserve is created if the company issues shares at a price superior to their face value, and it may not be distributed until the legal reserve has reached a fifth of the share capital.

As regards treasury shares, these may only be purchased by the company within the limits of the distributable profits and the reserves available as shown in the most recent approved financial statements. Purchase must be authorised by the Shareholders' Meeting, and on no account may the face value of the shares purchased exceed one fifth of the share capital.
The capital management objectives identified by the Group are the creation of value for shareholders in general, safeguarding business continuity and supporting the development of the Group. The Group intends to maintain an adequate level of capitalisation, allowing for satisfactory returns for equity investors and, at the same time, guaranteeing reasonable access to external sources of financing, also by achieving an adequate rating.
The group constantly monitors the evolution of debt in relation to net equity, and in particular the level of net debt and the cash generation from industrial activities.
In order to achieve the aforementioned objectives, the Group seeks to constantly improve the profitability of the business areas it operates in.

Transactions deriving from atypical and/or unusual operations

Pursuant to Consob Communication no. DEM/6064296 of 28 July 2006, please note the during 2015, the Group did not carry out any atypical and/or unusual operations, as defined in said Communication, which describes atypical and/or unusual operations those operations that in terms of significance/importance, the nature of the counterparties, the object of the transaction, the means of determining the transfer price and the timing of the event (near the close of the accounting period), may give rise to doubts regarding: the accuracy/completeness of the information in the financial statements, conflict of interests, safeguarding of corporate equity and the interests of minority shareholders.

BREAKDOWN OF INCOME STATEMENT ITEMS

REVENUE

Revenue from sales and services (1ene)

Breakdown of sales by turnover segment (1ene):

	2016		2015		Change		Change in the scope of consolidation
Fresh milk	49,083,615	41.7%	40,764,578	42.1%	8,319,037	20.4%	8,234,107
UHT milk	24,112,165	20.5%	18,467,189	19.1%	5,644,976	30.6%	6,032,610
Yogurt	7,042,133	6.0%	7,679,519	7.9%	(637,386)	-8.3%	471,323
Fresh vegetables	5,851,953	5.0%	5,504,422	5.7%	347,532	6.3%	101,823
Bulk milk and cream	3,173,948	2.7%	2,823,398	2.9%	350,550	12.4%	311,546
Other packaged products	26,013,534	22.1%	19,491,971	20.1%	6,521,563	33.5%	74,720
Drinks of plant origin	1,790,627	1.5%	1,310,489	1.4%	480,138	36.6%	5,157,391
Export	718,251	0.6%	809,699	0.8%	(91,449)	-11.3%	-
of which still en route (*)	*(93,188)*						
Total	**117,786,226**	**100%**	**96,851,265**	**100%**	**20,934,961**	**21.6%**	**20,383,520**

(*) Goods en route are still the property of the Group, so they are indicated for statistical purposes only and not in total turnover. In accounting terms, goods en route are booked to the warehouse value of finished products.

Other revenue (2ene)

	2016		2015		Change		Change in the scope of consolidation
Recoveries	761,446	36%	432,848	36%	328,598	76%	241,093
Other	270,145	13%	212,733	18%	57,413	27%	-
Extraordinary income	264,350	13%	357,192	30%	(92,841)	-26%	151,126
Contributions from suppliers	203,667	9,7%	24,113	2.0%	179,554	745%	62,760
Grants for current expenses	183,144	9%	75,178	6%	107,966	144%	-
Sales of salvaged materials	119,327	6%	44,640	4%	74,686	167%	77,583
Recoveries from affiliate	110,000	5%	838	-	109,162	100%	-
Capital gains on asset disposal	95,361	4%	16,900	1%	78,461	464%	12,615
Indemnities	62,744	3%	15,835	1%	46,909	296%	10,127
Rental income	30,338	1%	27,168	2%	3,170	12%	-
Total	**2,100,521**	**100%**	**1,207,445**	**100%**	**893,076**	**74%**	**555,303**

Use of raw materials and consumables (4ene)

The costs for raw materials and consumables amounted to € 60,926,635 and include:

	2016		2015		Change		Change in the scope of consolidation
Purchases of ingredients – sundry foodstuffs	37,442,085	61%	30,282,608	61%	7,159,477	24%	7,594,390
Goods for resale	12,319,569	20%	10,636,650	21%	1,682,919	16%	1,568,036
Packaging materials	9,275,023	15%	7,514,222	15%	1,760,801	23%	1,688,525
Consumables and ancillary material	1,889,958	3%	1,285,702	3%	604,256	47%	506,449
Total	**60,926,635**	**100%**	**49,719,182**	**100%**	**11,207,453**	**23%**	**11,354,139**

Personnel costs (5ene+6ene+7ene+8ene)

Personnel costs totalled € 18,205,733. A breakdown is provided below:

	2016		2015		Change		Change in the scope of consolidation
Wages and salaries	12,852,486	71%	10,297,214	70%	2,555,273	25%	1,926,944
Social security charges	4,226,640	23%	3,413,200	23%	813,440	24%	690,304
Employee severance indemnity	850,752	5%	724,288	5%	126,464	17%	136,542
Other costs	275,855	2%	237,791	2%	38,064	16%	30,473
Total	**18,205,733**	**100%**	**14,672,493**	**100%**	**3,533,240**	**24%**	**2,784,263**

The employee severance indemnity accrued in 2016 may be considered a defined-contribution plan in the amount of € 850,752, entirely paid to the INPS Treasury account or to other pension provisions.

	Hired	Resigned	Transferred	In service	Average workforce	In service - change in the scope of consolidation	Average change in the scope of consolidation
Managers	-	3	-	19	21	6	6
Middle management	-	-	1	19	19	8	8
White-collar personnel	15	7	-	193	197	87	87
Blue-collar personnel	14	8	3	206	207	67	67
TOTAL	**29**	**18**	**4**	**437**	**444**	**168**	**168**

Amortisation and depreciation (9ene + 10ene)

Amortisation of intangible assets was calculated and recognised in the total amount of € 73,342. Depreciation of tangible assets was calculated and recognised for a total amount of € 4,085,468 million.

The following tables provide a breakdown of intangible and tangible assets by category:

	2016		2015		Change		Change in the scope of consolidation
Software	73,342	100%	167,425	100.0%	(94,083)	-56%	419

	2016		2015		Change		Change in the scope of consolidation
Buildings	930,359	23%	802,968	26%	127,391	16%	119,053
Plants and machinery	2,554,092	63%	1,810,456	58%	743,636	41%	489,342
Industrial and commercial equipment	601,017	14%	515,946	16%	85,071	17%	126,877
Total	**4,085,468**	**100%**	**3,129,370**	**100%**	**956,098**	**31%**	**735,273**

Costs for services (13ene)

The costs for services amounted to € 35,308,568 and include:

	2016		2015		Change		Change in the scope of consolidation
Transport for product distribution	11,949,565	34%	9,500,793	34%	2,448,772	26%	1,600,389
Commercial and advertising services	4,297,009	13%	3,660,090	13%	636,919	17%	585,404
Administrative services	4,006,310	11%	2,539,400	9%	1,466,911	58%	456,126
Motive power and natural gas	3,279,470	9%	2,964,373	11%	315,097	11%	447,654
Industrial services	3,196,291	9%	2,405,198	9%	791,093	33%	380,503
Large-scale retailers' promotion contributions	2,767,653	8%	1,655,649	6%	1,112,004	67%	1,022,501
Maintenance services	2,170,160	6%	2,187,856	8%	(17,696)	-1%	351,246
Purchase services	1,931,457	5%	1,614,205	6%	317,252	20%	271,287
Free gifts with products	834,145	2%	717,000	3%	117,146	16%	-
Other	556,244	2%	-	-	556,244	100%	556,244
Insurance services	320,264	1%	268,662	1.0%	51,602	19%	67,401
Total	**35,308,568**	**100%**	**27,513,226**	**100%**	**7,795,343**	**28%**	**5,738,756**

Costs for administrative services comprise costs relating to the Merger for a total of € 1.145 million.

Lease and rental costs (14ene)

Lease and rental costs amounted to € 1,084,799. Rents currently regard industrial buildings, warehouses and vehicle parking areas.

	2016		2015		Change		Change in the scope of consolidation
Industrial leases	872,176	80%	437,185	84%	434,991	99%	410,908
Leases of premises and buildings	200,055	18%	81,949	16%	118,106	144%	69,754
Royalties	12,568	1%	29	-	12,539	n.a.	-
Total	**1,084,799**	**99%**	**519,163**	**100%**	**565,636**	**109%**	**480,662**

Sundry operating expenses (15ene)

Sundry operating expenses amounted to € 1,331,552 thousand and include:

	2016		2015		Change		Change in the scope of consolidation
Taxes other than income taxes	771,168	58%	620,356	59%	150,812	24%	133,605
Contingent liabilities	188,565	14%	198,062	19%	(9,497)	-5%	37,429
Membership fees	114,857	9%	97,718	9%	17,139	18%	14,876
Other	157,049	12%	4,435	0%	152,614	3441%	152,393
Entertainment expenses	21,741	2%	74,242	7%	(52,501)	-71%	-
Fines and penalties	40,388	3%	3,587	0%	36,801	1026%	1,504
Capital losses	28,132	2%	39,892	4%	(11,760)	-29%	-
Subscriptions to magazines and books	9,652	1%	6,229	1%	3,422	55%	3,306
Total	**1,331,552**	**100%**	**1,044,522**	**100%**	**287,030**	**27%**	**343,113**

Financial income and charges (16ene + 17ene)

A breakdown of financial income and charges is shown in the table below:

	2016		2015		Change		Change in the scope of consolidation
Financial income							
Other	49,078	68%	7,819	28%	41,259	528%	49,495
Interest on VAT refunds	10,306	14%	8,283	29%	2,023	24%	-
Dividends from equity investment	5,343	7%	-	-	5,343	100%	-
Capital gain on disposal of equity investment	4,500	6%	-	-	4,500	100%	-
Interest from banking institutions	3,185	4%	11,640	41%	(8,455)	-73%	66
Interest from affiliate	-	0%	486	2%	(486)	-100%	-
Total financial income	**72,412**	**100%**	**28,228**	**100%**	**44,184**	**157%**	**49,561**
Financial charges							
Interest on mortgages and loans	576,068	75%	529,533	80%	46,535	9%	**143,593**
Charges for employee severance indemnity discounting	75,885	10%	41,017	6%	34,868	85%	**10,229**
Finance lease interest	22,967	3%	38,451	6%	(15,484)	-40%	
Interest on current accounts	32,726	4%	59,582	9%	(26,856)	-45%	-
Performance bond expenses	32,250	4%	34,753	5%	(2,503)	-7%	-
Other	24,232	3%	2,900	0%	21,331	736%	**20,386**
Total financial expenses	**764,126**	**100%**	**706,236**	**100%**	**57,890**	**8%**	**174,207**

Adjustment to equity investments

Adjustments to equity investments were negative for € 143,248, and regard the € 282,375 reduction in the equity investment in Odilla Chocolat Srl and the 24.90% increase in the value of the interest in the affiliate Mercafir S.c.p.a. at Equity pertaining thereto for € 143,057.

Taxes (20ene + 21ene).

Income taxes for tax consolidation amounted to € 63,689 and a recovery of € 619,661 in deferred and prepaid taxes was recorded.

	2016		2015		Change	Change in the scope of consolidation
IRES for the period - 24%	-		429,298	76%	(429,298)	-
IRAP for the period - 3.90%	63,689	100%	133,989	24%	(70,300)	
TOTAL TAXES	**63,689**	**100%**	**563,287**	**100%**	**(499,598)**	9,804
Deferred/prepaid taxes	(619,661)		(476,709)			**(349,154)**
NET TOTAL TAXES	**(555,972)**		**86,578**			**(339,350)**

At 31 December 2016, Centrale del Latte Group has accrued tax losses that can be carried forward for a total of € 1,053,00, for which the related prepaid taxes have not been entered.

BREAKDOWN OF ASSETS

NON-CURRENT ASSETS

Tangible fixed assets (1ne)

Changes in tangible fixed assets and the pertinent provisions at 31 December 2016 are broken down in the tables below:

TANGIBLE FIXED ASSETS	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Total	Fixed assets under developme nt	Total
Historical cost	**11,465,263**	**32,680,499**	**50,161,899**	**10,271,053**	**104,578,714**	**633,353**	**105,212,067**
Accumulated depreciation		(12,587,624)	(32,241,758)	(8,373,079)	(53,202,461)		(53,202,461)
Initial amount	**11,465,263**	**20,092,875**	**17,920,139**	**1,897,975**	**51,376,252**	**633,353**	**52,009,605**
Historical cost due to the new scope of				1,856,000	55,316,000	-	55,316,000

consolidation	9,326,000	17,170,000	26,964,000				
Redetermined amount	**20,791,263**	**37,262,875**	**44,884,139**	**3,753,975**	**106,692,252**	**633,353**	**107,325,603**
Acquisitions	137,280	576,847	1,306,330	1,008,147	3,028,604	1,292,876	4,321,480
Transfers	150,000	-	111,000	-	261,000	(246,000)	15,000
Disposals and eliminations	-	-	(1,224,043)	(1,018,772)	(2,242,815)	-	(2,242,815)
Use of provisions	-	-	1,224,043	776,916	2,000,959	-	2,000,959
Depreciation	-	(930,359)	(2,554,092)	(601,017)	(4,085,468)	-	(4,085,468)
Final amount	**21,078,543**	**36,909,363**	**43,747,380**	**3,919,249**	**105,654,535**	**1,680,229**	**107,334,764**

TANGIBLE FIXED ASSETS	**Buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Total**
Initial amount	**12,587,624**	**32,241,758**	**8,373,079**	**53,202,461**
Provision due to the new scope of consolidation	**5,193,592**	**19,199,595**	**5,831,532**	**30,224,719**
Redetermined amount	**17,781,216**	**51,441,353**	**14,204,612**	**83,427,182**
Use of provisions	-	(1,224,043)	(776,916)	(2,000,959)
Depreciation	930,359	2,554,092	601,018	4,085,469
Final amount	**18,711,575**	**52,771,402**	**14,028,713**	**85,511,692**

Tangible fixed assets include the net book value of machinery under finance lease contracts for € 6.495 million.

Intangible fixed assets (2ne)

Variations in intangible fixed assets and the respective provisions are illustrated in the table below:

INTANGIBLE FIXED ASSETS	**Trademarks**	**Goodwill**	**Software**	**Fixed assets under development**
Historical cost	32,733,813	350,078	837,125	
Accumulated amortisation	(21,607,142)	-	(775,122)	
Initial amount	**11,126,661**	**350,078**	**62,003**	**-**
Historical cost due to the new scope of consolidation	7,955,000	-	-	
Redetermined amount	**19,081,671**	**-**	**62,003**	
Acquisitions	-	-	48,680	4,000
Amortisation for the period	-	-	(62,422)	-
Final amount	**19,081,671**	**350,078**	**48,261**	**4,000**

In view of the market shares, the huge investments made and how well known the Group's and Company's brands are, they are therefore considered as having an indefinite useful life.

The brands with an indefinite useful life "Centro Latte Rapallo", "Latte Tigullio" were subjected to a recoverability analysis on 31 December 2016. The recoverable value of the brands is based on their fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (*premium price*). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.

The primary assumptions used in calculation of the recoverable value are indicated here below: The values assigned to the various assumptions reflect the company's assessment of the future performance of the main products dealt with, in terms of quantity and price, and are based both on internal (2017-2021 business plan) and external sources:

- Mean price differential per litre (brand products vs. non-brand products): 92%

- Discount rate: 13.78%

The *premium price* mean income has not varied significantly during the five years of the plan, and the terminal value has been prudently determined by assuming a growth rate of zero.
The recoverable value thus calculated exceeds the book value.

The value of the "MUKKI" brand, owned by Centrale del Latte della Toscana S.p.A. is based on the fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (*premium price*). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.
The primary assumptions used in calculation of the recoverable value are indicated here below: The values assigned to the various assumptions reflect the company's assessment of the future performance of the main products dealt with, in terms of quantity and price, and are based both on internal (2017-2021 business plan) and external sources:

- Mean price differential per litre (brand products vs. non-brand products): 56%
- Discount rate: 14.17%

The *premium price* mean income has not varied significantly during the five years of the plan, and the terminal value has been prudently determined by assuming a growth rate of zero.
The recoverable value thus calculated exceeds the book value.

The value of "Centrale del Latte di Vicenza" brand was calculated based on the fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (*premium price*). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.
The primary assumptions used in calculation of the recoverable value are indicated here below: The values assigned to the various assumptions reflect the company's assessment of the future performance of the main products dealt with, in terms of quantity and price, and are based both on internal (2017-2021 business plan) and external sources:

- Mean price differential per litre (brand products vs. non-brand products): 50%
- Discount rate: 13.78%

The *premium price* mean income has not varied significantly during the five years of the plan, and the terminal value has been prudently determined by assuming a growth rate of zero.
The recoverable value thus calculated exceeds the book value.

Other financial assets (4ne)

Equity investments in affiliates – for € 1,124,898 – are broken down in the table below:

	Odilla Chocolat S.r.l.	GPP S.r.l.	Mercafir S.c.p.a.	Filat
Initial amount	**32,376**	**45,000**	**-**	**-**
Equity investment due to the new scope of consolidation			**977,729**	**4,111**
Increases	**250,000**	**-**	**143,057**	**-**
Decreases	(282,375)	(45,000)	-	-
Final amount	**1**	**-**	**1,120,786**	**4,111**

List of other financial equity investments

Equity investments in other companies totalled € 533,454 and mainly regard the 0.52% interest held by Centrale del Latte della Toscana S.p.A. in Società Finanziaria Futura Srl of Pistoia, amounting to € 520,000; the remaining amount refers to interests held in collateral security and energy supply consortia.

Deferred tax assets (5ne)

The following table illustrates the changes in the temporary differences that gave rise to deferred tax assets:

	Initial amount	Change in the scope of consolidation	Increases	Decreases	Final amount
Taxed risk provision	708,000	-	266,000	-	974,000
Amortisation recovered further to audit	123,282	-	-	10,550	112,732
Tax recovery of depreciation of buildings	109,382	-	-	-	109,382
Remuneration of directors	74,060	5,850	129,501	79,910	129,501
Membership fees	1,611	-	-	-	1,611
	Initial amount	**Change in the scope of consolidation**	**Increases**	**Decreases**	**Final amount**
Supplementary customer indemnity	375	-	-	375	-
Taxed provision for bad debts	-	1,013,676	-	12,940	1,000,736
Derivative	-	667,646	-	75,858	591,788
Listing	-	131,536	-	21,977	109,559
Trademarks	-	105,578	-	20,749	-
Equity Investments	-	(402,436)	402,436	-	-
2016 tax loss	-		180,799	-	180,799
Inventories	-	14,838	-	14,838	-
Unpaid taxes	-	10,510	633	10,510	633
Total	**1,016,710**	**1,547,199**	**979,369**	**247,707**	**3,295,570**

Deferred tax assets were calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2016, by applying the IRES (corporate income tax) rate of 24% and the IRAP (regional production tax) rate of 3.90%. The following table illustrates the changes in deferred tax assets:

	Initial amount	Change in the scope of consolidation	Increases	Decreases	Final amount
Taxed risk provision	222,312	-	74,214	24,780	271,746
Amortisation recovered further to audit	34,759	-	-	2,943	31,816
Tax recovery of depreciation of buildings	30,529	-	-	-	30,529
Remuneration of directors	20,367	1,404	31,080	19,441	33,410
Membership fees	506	-	-	57	449
Supplementary customer indemnity	112	-	-	112	-
Taxed provision for bad debts	-	278,761	-	38,584	240,177
Derivative	-	160,235	-	18,206	142,029
Adjustment of employee severance indemnity to present value	-	70,924	-	70,924	-
Listing	-	36,699	-	6,132	30,567
Trademarks	-	29,988	-	6,320	23,668
Inventories	-	4,140	-	4,140	-
Unpaid taxes	-	2,890	152	2,890	152
2016 tax loss	-	-	44,352	-	44,352

Equity Investments	-	110,670	-	110,670	-
Total	**308,588**	**695,711**	**149,798**	**(305,199)**	**848,894**

Financial receivables from affiliates (6ne).

Financial receivables from affiliates refer to the receivables owed by Consorzio di Filiera Genova, Torino e Vicenza, amounting to € 1,000 thousand.

CURRENT ASSETS

Inventories (7ne)

Inventories are broken down as follows:

	Initial amount	Change in the scope of consolidation	Final amount	Change
Raw and ancillary materials and consumables	1,902,439	2,892,080	4,804,896	2,902,457
Finished products and goods	1,638,204	1,362,958	2,892,738	1,254,534
Total	**3,540,643**	**4,255,038**	**7,697,634**	**4,116,991**

Trade receivables (8ne)

Trade receivables, all of which were due within one year, came to € 28,098,772 at 31 December 2016, derive from normal commercial sales transactions and have been presented net of the associated provisions for impairment. In further detail, the provisions allocated to account for receivables claimed in bankruptcies have been fully and directly applied to decrease the amounts of the associated assets, reducing those amounts to zero.

The following table provides a breakdown of provisions for impaired receivables and changes in those provisions at 31 December 2016:

	Initial amount	Change in the scope of consolidation	Increases	Decreases	Final amount
Provision for bad debts	587,659	-	70,485	48,677	609,467
Taxed provision for bad debts	854,069	1,041,060	51,750	42,066	1,904,813
Total	**1,441,728**	**1,041,060**	**122,235**	**90,743**	**2,514,281**

Tax assets (10ne)

	Initial amount	Change in the scope of consolidation	Final amount	Change
VAT receivable	7,049,523	1,173,618	9,381,203	2,331,680
Income taxes	1,399,431	513,985	2,317,167	936,278
Employee severance indemnity withholdings	26,420	-	23,574	(2,846)
Withholding taxes on interest receivable	3,000	17	1,056	(1,944)
Litigation	**-**	**18,394**	**18,394**	**18,394**
Total tax assets	**8,478,374**	**1,706,015**	**11,741,394**	**3,263,019**

Other receivables (11ne). Receivables from others include

	Initial amount	Change in the scope of	Final amount	Change

		consolidation		
Receivables for performance guarantees received (milk quotas)	1,351,614	-	1,351,614	-
Accrued income and prepaid expenses	253,172	219,583	686,563	433,390
Miscellaneous	109,698	78,456	517,464	407,766
Advances to suppliers	424,202	-	257,048	(167,154)
Credits to be received	156,256	4,350	157,774	1,518
Receivables from distributors	124,196	-	111,202	(12,994)
Deposits	78,011	-	101,983	23,972
Loans to employees	13,396	73,308	82,274	68,878
Receivables from social security institutions	16,731	-	20,692	3,960
Advances on salaries	13,284	-	1,875	(11,409)
Total receivables from others	**2,540,561**	**375,697**	**3,288,493**	**747,928**

Accrued income and prepaid expenses

The following table illustrates the breakdown of accrued income and prepaid expenses:

	Initial amount	Change in the scope of consolidation	Final amount	Change
Loan fees	89,450	-	62,291	(27,159)
Maintenance fees	60,523	17,058	129,193	68,670
VAT guarantee policies	42,321	-	49,687	7,366
Advertising costs	24,307	9,966	12,825	(11,482)
Leases	17,289	-	19,710	2,421
Other costs	10,439	97,559	119,907	109,468
Insurance	3,210	95,000	257,150	253,940
Personnel Costs	2,933	-	-	(2,933)
Consulting costs	-	-	35,800	35,800
Lieu tax	1,340	-	-	(1,340)
Total prepaid expenses	**251,812**	**219,583**	**686,563**	**434,751**
Interest on bank accounts	876	-	-	(876)
Interest on arrears for delayed payments	484	-	-	(484)
Total accrued income	**1,360**	**-**	**-**	**(1,360)**
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	**253,172**	**219,583**	**686,563**	**433,391**

Cash and cash equivalents (12ne+13ne).

Cash and cash equivalents, all of which are freely available, came to € 9,520,961, € 9,288,962 of which in bank accounts and € 231,999 in cash in hand. They are presented in the schedule that illustrates financial position in the analysis of financial payables.

BREAKDOWN OF LIABILITIES

GROUP SHAREHOLDERS' EQUITY

Share capital (14ne)

Share capital, fully subscribed and paid-up, amounts to € 28,840,041.20, made up of 14,000,020 shares with a par value of € 2.06 each.

Changes in equity are illustrated in a specific schedule of the financial statements at 31 December 2016.

	31/12/2016	Nature	Use	Available	Eligible for distribution
Share capital	28,840,041				
Share premium account	14,324,577	Profits/capital	-	YES	NO
Merger premium reserve	3,096,015	Merger	-	YES	NO
Revaluation reserve	196,523	Profits/capital	-	YES	YES
Legal reserve	1,019,111	Profits/capital	-	YES	YES
Other reserves	2,980,048	Profits/capital	YES	YES	YES
Consolidation reserve	1,845,380		-	NO	NO
Non-distributable IFRS first-time adoption reserve	134,886	Profits/capital	-	NO	NO
Profits (losses) carried forward	(844,882)	Profits/capital	-	NO	NO
Reserve for employee severance indemnity discounting	(64,874)		-	NO	NO
Profit (loss) for the period	12,014,833	Profits/capital	-	YES	NO
	63,541,659				

	Result for the period	Shareholders' equity
Balances from accounting schedules at 31 December 2016 of Centrale del Latte d'Italia S.p.A.	**12,783,720**	**67,665,331**
Result for the year and Shareholders' Equity of Centrale del Latte della Toscana S.p.A.	210,037	25,160,366
Result for the year and Shareholders' Equity of Centrale del Latte di Vicenza S.p.A.	(978,923)	22,786,212
Derecognition of equity investments in companies within the scope of consolidation		(52,028,328)
Other consolidation adjustments		(41,923)
Balances as consolidated accounting schedules at 31 December 2016	**12,014,833**	**63,541,658**

NON-CURRENT AND CURRENT LIABILITIES

Financial payables (17ne+18ne+23ne+24ne+25ne)

The following is an analysis of the items that comprise the Group's financial indebtedness, sub-divided by maturity.

	Payables within year-end	Over one year, within 5 years	Over 5 years	Total payables over 1 year	Total payables
Payables to banks for loans	11,226,816	15,634,880.00	2,700,000	18,334,880	29,561,696
Payables to banks for loans due to change in the scope of consolidation	4,461,596	11,676,398	13,787,427	**25,463,825**	**29,925,421**
Payables to banks for loans	**15,688,412**	**27,311,278**	**16,487,427**	**43,798,705**	**59,487,117**
Payables to other lenders	903,624	1,360,174	-	1,360,174	2,263,798
Total	**16,592,036**	**28,671,454**	**16,487,427**	**43,958,879**	**61,750,915**

Medium/long-term loans are broken down as follows:

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees in favour of subsidiaries
Deutsche Bank S.p.A. Euribor rate 1 month + 2.25 %	**1,500,000**	**1,500,000**	**125,000**	**25/03/17**	---

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees in favour of subsidiaries
BNL Gruppo BNP Paribas **Euribor rate 3 months + 0.70%**	**500,000**	**500,000**	**500,000**	**31/03/17**	---
UBI Banca S.p.A. **Euribor rate 3 months + 0.80%**	**2,500,000**	**2,500,000**	**519,573**	**08/09/17**	---
UBI Banca S.p.A. **Euribor rate 3 months + 2.5 %**	**1,000,000**	**1,000,000**	**257,608**	**12/09/17**	Parent company's guarantee
Credito Emiliano S.p.A. **Rate: 1%**	**1,000,000**	**1,000,000**	**1,000,000**	**28/11/17**	Parent company's guarantee
Credito Emiliano S.p.A. **Euribor rate 3 months + 0.80%**	**1,500,000**	**1,500,000**	**1,500,000**	**1/12/17**	---
Banca di Credito Cooperativo di Cambiano S.c.p.a. Euribor rate 6 months + 1.35%	**4,000,000**	**4,000,000**	**720,013**	**1/04/18**	---
Unicredit S.p.A. **Euribor rate 3 months +1.25%**	**1,500,000**	**1,500,000**	**757,020**	**31/05/18**	---
Unicredit S.p.A. **Rate: 1%**	**2,000,000**	**2,000,000**	**2,000,000**	**31/05/18**	----
Banca del Centroveneto Cred. Coop s.c. Euribor rate 6 months + 1.10%	**1,600,000**	**1,600,000**	**1,072,514**	**17/12/18**	Patronage from parent company
Monte dei Paschi di Siena S.p.A. Euribor rate 3 months + 1.25%	**1,000,000**	**1,000,000**	**700,000**	**30/09/18**	Patronage from parent company
Deutsche Bank S.p.A. **Euribor rate 3 months + 1.65%**	**1,200,000**	**1,200,000**	**675,000**	**29/01/19**	---
UBI Banca S.p.A. **Euribor rate 3 months + 1.10%**	**3,000,000**	**3,000,000**	**1,704,620**	**25/02/19**	---
BNL Gruppo BNP Paribas Euribor rate 6 months + 3.3%	**6,000,000**	**6,000,000**	**3,000,000**	**30/06/19**	---
Cassa di Risparmio di Bra S.p.A. Actual rate: 0.90%	**800,000**	**800,000**	**800,000**	**21/03/20**	Patronage from parent company
ChiantiBanca Credito Cooperativo s.c. Euribor rate 6 months + 1.35%	**4,000,000**	**4,000,000**	**3,511,264**	**30/06/20**	---
Intesa San Paolo S.p.A. **Euribor rate 3 months + 1.10%**	**5,000,000**	**5,000,000**	**4,000,000**	**01/10/20**	---
BNL Gruppo BNP Paribas Euribor rate 6 months + 2.20%	**6,000,000**	**6,000,000**	**2,275,531**	**30/11/20**	---
Unicredit S.p.A.	**10,242**	**10,242**	**8,193**	**31/12/20**	---
Unicredit S.p.A.	**40,968**	**40,968**	**32,840**	**31/12/20**	---
Banca Popolare di Sondrio S.c.p.a. Euribor rate 6 months + 0.60%	**1,500,000**	**1,500,000**	**1,500,000**	**31/01/19**	---
Intesa San Paolo S.p.A. Euribor rate 3 months + 1%	**3,000,000**	**3,000,000**	**3,000,000**	**30/06/21**	Patronage from parent company
Banco BPM S.p.A. Euribor rate 3 months + 1.2%	**1,500,000**	**1,500,000**	**1,500,000**	**30/06/21**	Patronage from parent company
Unicredit S.p.A.	**3,000,000**	**3,000,000**	**1,700,000**	**30/06/25**	Mortgage on an

Euribor rate 6 months + 2.75%					owned property in Vicenza for € 20 million
Unicredit S.p.A. **Euribor rate 6 months + 1.80%**	**10,000,000**	**10,000,000**	**4,857,143**	**30/06/25**	Mortgage on an owned property in Vicenza for € 20 million
MPS Capital Services Banca per le Imprese S.p.A. Euribor rate 6 months + 1.75%	**28,300,000**	**28,300,000**	**20,418,612**	**3/07/28**	Mortgage on a property owned in Florence for € 60 million and special lien on plants for € 28.3 million
Unicredit S.p.A. Rate: 1%	**1,500,000**	**1,500,000**	**1,500,000**	**31/8/18**	

The following table presents total residual debt, broken down by maturity:

	within 12 months	**within 5 years**	**over 5 years**	**Total**
Unicredit S.p.A.	3,284,775	4,870,421	2,700,000	10,855,196
Credito Emiliano S.p.A.	2,500,000	-	-	2,500,000
BNL Gruppo BNP Paribas	2,268,882	3,506,649	-	5,775,53
MPS Capital Services Banca per le Imprese S.p.A.	1,627,063	5,704,124	13,787,427	21,118,614
Intesa San Paolo S.p.A.	1,529,412	5,470,588	-	7,000,000
UBI Banca S.p.A.	1,529,291	952,510	-	2,481,801
Chianti Banca Credito Cooperativo s.c.	987,031	2,524,233	-	3,511,264
Credito Cooperativo Centroveneto	533,312	539,202	-	1,072,514
Banca di Credito Cooperativo di Cambiano S.c.p.a.	478,620	241,392	-	720,012
Deutsche Bank S.p.A.	425,000	375,000	-	800,000
Banco BPM S.p.A.	326,381	1,173,619	-	1,500,000
Cassa di Risparmio di Bra	198,645	453,540	-	652,185
Banca Popolare di Sondrio S.c.p.a.	-	1,500,000	-	1,500,000
	15,688,412	**27,311,278**	**16,487,427**	**59,487,117**

Payables to other lenders can be broken down as follows:

	within 12 months	**over one year, within 5 years**	**over 5 years**	**Total**
Finance lease payables	903,624	1,360,174	-	2,263,798
	903,624	**1,360,174**	**-**	**2,2263,798**

Finance *lease* payables refer to leases of plant and equipment.

Financial position.

At 31 December 2016, the Group's financial indebtedness stood at € 60,229,955, of which € 35,282,042 was due to the change in the scope of consolidation.

	31/12/2016	31/12/2015	Change
Cash and cash equivalents (12ne+13ne)	**9,520,961**	**12,192,412**	**(2,671,451)**
Total current financial assets	**9,520,961**	**12,192,412**	**(2,671,451)**
Payables to banks (21ne)	(8,000,000)	(2,502,473)	5,597,527
Current share of medium/long-term loans (22ne)	(15,688,412)	(7,016,511)	8,671,901
Current share of payables to other lenders (23ne)	(903,624)	(881,755)	21,869
Total current financial liabilities	**(24,592,036)**	**(10,400,739)**	**14,191,297**
Payables for medium/long-term loans (15ne)	(43,798,705)	(20,115,217)	23,683,488
Payables to other lenders for medium/long-term loans (16ne)	(1,360,174)	(2,330,741)	(970,567)
Total non-current financial liabilities	**(45,158,879)**	**(22,445,958)**	**22,712,921**
Total financial liabilities	**(69,750,915)**	**(32,846,697)**	**36,904,218**
Net financial debt	**(60,229,955)**	**(20,654,285)**	**39,575,670**

Loan covenants

- Loan issued by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte di Vicenza S.p.A., set to mature on 30 June 2025, currently in the prepayment period, with an outstanding balance of € 4,857 million at 31 December 2016: ratio of the borrower's net financial indebtedness to its net equity is not to exceed 1.5 at 31 December of each year.
- Loan issued by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte di Vicenza S.p.A., set to mature on 30 June 2025, with an outstanding balance of € 1.7 million at 31 December 2016: ratio of the borrower's net financial indebtedness to its net equity is not to exceed 1.3 at 31 December 2011 and 1.25 up to maturity.
- Unsecured loan issued granted by **BNL Gruppo BNP Paribas** to Centrale del Latte della Toscana S.p.A., set to mature on 30 November 2020, with an outstanding balance of € 2.275 million at 31 December 2016: ratio between net financial indebtedness and net equity lower than 6.00 – Ratio between net financial charges and revenue lower than 2%:
- Unsecured loan issued granted by **BNL Gruppo BNP Paribas** to Centrale del Latte della Toscana S.p.A., set to mature on 30 June 2019, with an outstanding balance of € 3 million at 31 December 2016: ratio between net financial indebtedness and net equity lower than 2.75 – Ratio between net financial charges and revenue lower than 2.5%.

At 31 December 2016, the parameters indicated above were complied with.

Deferred taxes (19ne)

The following table illustrates the changes in the provisional differences that gave rise to deferred taxes:

	Initial amount	Change in the scope of consolidation	Increases	Decreases	Final amount
Trademarks	10,375,631	7,918,226	-	-	18,293,852
Elimination of tax interference – accelerated amortisation	129,500	1,978,719	-	(5,546)	2,074,831
Measurement of land	1,663,000	-	-	-	1,663,000
Equity Investments	-	402,436	-	-	402,436
	12,168,131	**10,299,381**	**-**	**(5,546)**	**22,434,119**

The following table illustrates the changes in deferred tax liabilities:

	Initial amount	Change in the scope of consolidation	Increases	Decreases	Final amount

Trademarks	2,894,801	2,486,682	-	(277,136)	5,104,347
Elimination of tax interference – accelerated amortisation	22,242	621,318	-	(70,803)	**572,757**
Measurement of land	463,977	-	-	-	463,977
Equity Investments	-	110,670	-	(105,108)	5,562
	3,381,021	**3,108,000**	**-**	**(453,046)**	**6,146,641**

Long-term provisions

Employee severance indemnity (20ne)

At 31 December 2016 the severance indemnity amounted to € 6,580,176.

Initial amount	**3,410,271**
Change in the scope of consolidation	3,484,421
Interest cost	72,604
Decreases and uses	**(373,011)**
Actuarial (income) loss via OCI	(14,109)
Final amount	**6,580,176**

In the reference period, the actuarial reports drafted to determine the payable for employee severance indemnity have been revised compared to the previous FY, with reference to a number of input data, in order to adjust the liability shown to the current value at 31 December 2016.

Actuarial gains and losses are shown in the statement of comprehensive income – OCI, net of the fiscal effect and charged to net equity. The key actuarial assumptions pertain to the technical interest rate, inflation rate and the revaluation rate for salaries and employee severance indemnity. Technical assessments were conducted on the basis of the assumptions set forth below:

- technical annual discount rate 1.31%
- annual inflation rate 1.50%
- annual rate of severance indemnity increase 2.63%

The Iboxx Eurozone Corporates AA 10 + index was used as the discount rate.

Sensitivity analysis

Reasonably possible variations in the actuarial assumptions at the closing date of the FY would have had the following effects on the defined benefit obligation:

31/12/2016	**Annual discounting rate**		**Annual inflation rate**		**Annual turnover rate**	
	0.25%	**-0.25%**	**0.25%**	**-0.25%**	**1.0%**	**-1.0%**
Defined benefit obligation	**6,455**	**6,710**	**6,653**	**6,509**	**6,558**	**6,605**

Provision for indemnities for Directors at the end of their term in office (21ne).

The provision for indemnities for Directors at the end of their term in office amounted to € 170,444. The methods of calculation used are set out in the Report on Corporate Governance.

	Initial amount	**Increases**	**Decreases**	**Final amount**
Provision for Directors' indemnity at the end of their terms in office	170,444	61,302	--	231,746

Provision for liabilities and charges (22ne)

	Initial amount	**Increases**	**Decreases**	**Final amount**
Provision for future capital losses	295,631	-	(70,631)	225,000

Provision for customer indemnities	144,133	9,527	(6,749)	146,911
	439,764	**9,527**	**(77,380)**	**371,913**

CURRENT LIABILITIES

Short-term payables to banks (23ne) totalled € 24,592,036 and related to uses of credit lines and current shares for loans and mortgages. This is broken down under financial payables.

Current share of payables to other lenders (25ne) amounted € 903,624. This is broken down under financial payables.

Trade payables (26ne) at 31 December 2016 amounted to € 37,443,065, all payable by year-end.

Payables to affiliates (27ne) amounted to € 16,636.

Tax liabilities (28ne) include the following line items:

	Initial amount	**Change in the scope of consolidation**	**Final amount**	**Change**
Payables for employees' withholding taxes	224,761	271,707	485,378	260,617
Withholdings payable on independent contractors' fees	34,395	49,768	127,881	93,486
Payables for income taxes	97,779	9,804	84,172	(13,607)
Total tax liabilities	**356,935**	**331,295**	**697,431**	**(110,717)**

Payables to social security authorities (27ne) - € 1,253,524 – consist of social-security contributions payable on wages and salaries and the contribution associated with the separate management of coordinated ongoing independent contractors.

The item "other payables" (28ne) includes:

	Initial amount	**Change in the scope of consolidation**	**Final amount**	**Change**
Payables for wages and salaries	1,587,770	651,920	2,149,058	561,288
Surtaxes payable under Law 486/92 (milk quotas)	1,398,392	-	1,398,392	-
Accrued liabilities and deferred income	276,903	169,709	340,259	63,356
Payables for remuneration of directors and auditors	70,160	-	102,988	32,828
Withholdings from milk producers payable under Law 88/88	77,697	-	77,697	-
Other payables	45,605	10,313	62,283	16,679
Deposits received	-	-	60,000	60,000
Employee union withholdings	2,213	3,400	5,599	3,385
Total other payables	**3,458,462**	**835,341**	**4,196,276**	**737,814**

Accrued liabilities and deferred income are broken down as follows:

	Initial amount	**Change in the scope of consolidation**	**Final amount**	**Change**
DEFERRED INCOME				
Grants for current expenses	141,578	-	75,496	(66,082)

Other	66,430	-	69,361	2,931
Total deferred income	**208,008**	**-**	**144,857**	**(63,151)**
ACCRUED LIABILITIES				
Interest on bank loans	62,158	169,709	187,907	125,749
Interest on bank current accounts	4,417	-	5,343	926
Other	2,319	-	2,152	(167)
Total accrued liabilities	**68,894**	**169,709**	**195,402**	**126,506**
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	**276,902**	**169,709**	**340,259**	**63,356**

Transactions with related parties

Equity investments in the issuer held by directors, statutory auditors and their non-legally separated spouses and minor children, either directly or through Subsidiaries.

Relevant persons	Office	Shares held at 01/01/2016	Purchased in 2016	Sold in 2016	Shares held at 31/12/2016
Luigi LUZZATI	**Chairman**	**166,395**	**-**	**-**	**166,395**
Riccardo POZZOLI	**Vice Chairman and Managing Director**	**55,125**	**-**	**-**	**55,125**
Adele ARTOM	**Director**	**(*) 5,730,208**	**(*) 29,416**	**-**	**5,759,624**
Antonella FORCHINO	**Director**	**137,306**	**(*) 1,324**	**-**	**138,630**
Maurizio MACCHIAVELLO	**Director**	**10,000**	**-**	**-**	**10,000**

(*) also through directly controlled Companies

Commercial dealings with other related parties.

In the past, the group leading company entered into a lease agreement for an area adjacent to the Turin production facility, used as a parking lot for the motor vehicles of its employees and distributors owned by the parent company Finanziaria Centrale del Latte di Torino S.p.A.. In Rapallo, there are also rental contracts outstanding for vehicle parking areas and for a warehouse with Mr. Maurizio Macchiavello, also in his capacity as Shareholder of l'Ulivo Srl.

The Parent Company has rented a number of areas connected to the facility in Via Filadelfia, Turin, to the affiliate Odilla Chocolat S.r.L. for use as a laboratory.

The table below illustrates the situation regarding dealings with related parties at 31 December 2016, which is of no particular significance for the financial and equity position, net result and financial income or cash flows of the Group:

	Receivables	Payables	Costs	Revenue
Finanziaria Centrale del Latte di Torino S.p.A. vis-à-vis:				
Centrale del Latte d'Italia S.p.A. – subsidiary	**-**	**-**	**-**	6,878
Centrale del Latte d'Italia Group vis-à-vis:				
Finanziaria Centrale del Latte di Torino S.p.A. – ultimate parent company	**-**	-	6,878	**-**
Odilla Chocolat S.r.l. - affiliate	110,000	13,412	15,025	122,000
	110,00	**13,412**	**21,903**	**122,000**
Odilla Chocolat S.r.l. vis-à-vis:				
Centrale del Latte d'Italia Group	**13,412**	**110,000**	**122,000**	**15,025**
Total	**123,412**	**123,412**	**143,903**	**143,903**

FINANCIAL AND OPERATIONAL RISKS

Risks associated with the business activity

The main risk related to the Group's specific industrial activity regards fluctuations in milk raw material prices. The company contains this risk by drawing up annual agreements with milk producers, which set the purchase prices at the beginning of the dairy year and maintain those prices for the whole of the period that runs from 1 April to 31 March of the following year, save for particular circumstances in which agreements may be reached on a different basis.
For purchases made outside of the main supply channel, reference is made to the most advantageous market conditions available when the need arises.

Financial risks.

The financial instruments of the Group comprise bank loans and sight and short-term bank deposits. The aim of these instruments is to finance the Group's operating activities. Other financial instruments of the Group are trade payables and receivables deriving from operating activity.
The main risks generated by financial instruments are the interest rate, liquidity and credit risk.

Interest rate risk. The Group's exposure to interest rate risk is connected mainly to long-term loans and financing, to which are normally applied interest rates equivalent to 3 month and 6 month Euribor rates plus a fixed spread. With the application of the so-called "Basel 2" Accord, the companies are subjected to an analysis on the part of lending credit institutes that attribute a rating to them; the fixed *spread* may vary depending on the rating assigned. At the date of closure of these consolidated financial statements, no variations had been applied.

Liquidity risk. The Company contains liquidity risk by planning the use of liquidity by considering financial investments, financial assets (trade receivables and other financial assets) and cash flows expected from transactions.

Credit risk. The Company mainly deals with familiar, reliable clients. Receivables are monitored during the financial year in order to limit exposure to losses. The maximum risk is equivalent to the book value of these assets in the event of insolvency on the part of the counterparty.

Turnover concentration risk. The Group's turnover is not concentrated on a small number of subjects. The Group has a variety of customers, belonging both to large-scale and traditional small-scale retail channels.

Other risks.

With regard to the dispute initiated by the ENASARCO Foundation, for the first, the ENASARCO Foundation has an appeal pending with the Court of Cassation to overturn sentence no. 8634/2014 issued by the Court of Appeal of Rome on 18 November, ordering the Foundation to refund € 811 thousand to our company for social welfare contributions recognised as being owed to the Foundation by the Court of Rome with sentence no. 1260/2013 of 28 February 2013.
The second dispute, relating to injunction no. 9800/2012 granted to the ENASARCO Foundation for an amount of € 658 thousand, was settled at first instance with sentence no. 5185/2015 of 20 July 2015 of the Court of Rome, which revoked the injunction. The Enasarco Foundation has filed an appeal, and the hearing has been set for 18 January 2018. On 11 January 2017, following the rejection on the part of the Regional Committee for Employment Relations at the Interregional Office for Employment in Rome of the appeal against the assessment report of 11 November 2014 filed by the Enasarco Foundation, notification was received from the Foundation of a new demand for payment of the amount indicated in the assessment report, totalling € 423,829.69 Euro.
Guardia di Finanza (Italian Financial Police), following the inspection related to the ENASARCO dispute, gave notice of assessment for failure to pay withholding tax to the self-employed drivers used for distribution for the 2008 and 2009 tax years. The notices of assessment amount to € 427 thousand and € 572 thousand respectively. For the inspection regarding the tax year 2008, suspension of payment was requested and obtained from the Provincial Taxation Commission; the two appeals were then combined, and after a series of postponements, were discussed and accepted, and the requests from Agenzia delle Entrate were withdrawn. On 16 December, Agenzia delle Entrate filed an appeal against the first instance decision. For the tax year 2009, the appeal presented by the company against the inspection was accepted by the Provincial Taxation Commission with a sentence filed on 20 November 2015.
Furthermore the Guardia di Finanza (Italian financial police) regarding the possible failure to pay withholding tax to the self-employed drivers in relation with the ENASARCO dispute for the years 2010 to 2013, issued assessment reports inclusive of penalties and interest, amounting to € 945 thousand for 2010, € 996 thousand for 2011, € 1.040 million for 2012 and € 1.075 million for 2013.
For the tax years 2010 – 2013, the annulment of the acts was requested and a sentence issued by the Court of Appeal for tax year 2008. The Office pointed out that this request for annulment is not compatible with the tax settlement proposal procedure under way, and invited the company to file a settlement proposal. Although this request appears unmotivated, since in the meantime a judge has ruled in favour of the company with regard to the controversy, the decision has been taken – for the sole purpose of avoiding the

dispute – to present a settlement proposal for payment of an amount equal to the unified contributions that ought to be paid by the company for the impugnation of the acts before the Provincial Taxation Commission.
Regarding the tax inspection concerning FY 2004, please note that, following the sentence of the Regional Taxation Commission, which partially admitted the appeal presented by the company regarding the most significant findings, and the rebate of € 97 thousand paid out by Agenzia delle Entrate, the latter presented an appeal to the Supreme Court of Appeal against the sentence of the Regional Taxation Commission.

FEES OWED TO THE AUDITING FIRMS
Article 149 duodecies of the Issuers' Regulations
DELOITTE & TOUCHE S.p.A. – Audit of the Group: € 95,000 (including the audit of Centrale del Latte della Toscana S.p.A.)
A number of services other than statutory audit were carried out during the period (for a total of € 48,000):

- • Activities in preparation for the issue on the report of the reasonableness of the pro forma data at 31 December 2015 and 30 June 2016, included in the Information Document prepared by the Company in the month of September 2016
- • Limited audit, on a voluntary basis, of the abridged quarterly financial statements at 31 March 2016.

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR.
Following the close of the financial year, there were no events that had an impact on the data or the information in the financial statements.

BUSINESS OUTLOOK.
The first months of the new FY have been positive for the sales of all Group brands in a situation marked by the first signs of recovery in both consumption and domestic demand. The Companies have confirmed their strong positions on the market, and 2017 may be considered a year of consolidation for the Group after the extraordinary transactions of last year, with a particular focus on the implementation of new organisational structures. The focus on innovation on the part of the Companies in the Group has also been consolidated, and new products will be offered on the market during the coming year.
As regards milk raw material, there has been a rise in prices across the board, and this rise will be transferred to the price list for products from 1 April 2017.

Turin, 3 March 2017

2016 Financial Statements
Centrale del Latte d'Italia S.p.A.

Certification of the Financial Statements in accordance with Article 81-ter of the CONSOB Regulation

Certification of the financial statements at 31 December 2016 pursuant to Article 81-*ter* of CONSOB Regulation No 11971 of 14 May 1999, as amended.

1. The undersigned

- Mr Luigi Luzzati, Chairman of the Board of Directors
- Mr Vittorio Vaudagnotti, Executive in charge of drafting corporate accounts

of CENTRALE DEL LATTE D'ITALIA S.p.A.

do hereby certify, having regard to the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No 58 of 24 February 1998

- that the procedures defined in a manner consistent with the Company's and Group's administrative and accounting system and structure are adequate; and
- that the administrative and accounting procedures for the preparation of the financial statements at 31 December 2016 were actually applied during the period from 01 January 2016 to 31 December 2016.

2. That during FY 2016:

2.1 On 30 September 2016 the merger by incorporation of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A. has become effective. The name of the new company is Centrale del Latte d'Italia S.p.A.. Further to the merger, no. 4,000,020 new shares were issued and the share capital was increased from € 20,600,000.00 to € 28,840,041.20 – divided into 14,000,020 shares with a par value of € 2.06 each.

The information document – drafted in compliance with article 57, para. 1, letter d), of the Regulations approved by Consob through resolution no. 11971 of 14 May 1999, was filed with Consob on 30 September 2016, further to the notice of the approval measure with note of 29 September 2016, protocol no. 86846/16;

2.2 On 1 October 2016, following the deed of transfer, with record no. 7378 of 16 September 2016, the business unit composed of the entire company controlled by the former Centrale del Latte di Firenze, Pistoia e Livorno was transferred into Centrale del Latte della Toscana S.p.A., headquartered in Florence and wholly owned by Centrale del Latte d'Italia S.p.A..

3. They also certify that the financial statements at 31 December 2016:

3.1 tally with the accounting entries and records;

a) were drafted in accordance with the provisions of section IX of the Italian Civil Code and in compliance with the *International Financial Reporting Standards (IFRS)* issued by the *International Accounting Standard Board (IASB)* and ratified in accordance with the procedure as per article 6 of EC Regulation No. 1606/2002. IFRS also include the *International Accounting Standards (IAS)*, still in force, as well as all the interpreting documents issued by the *International Financial Reporting Interpretations Committee (IFRIC)*, previously named *Standing Interpretations Committee (SIC).* In further detail, the separate financial statements, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes, have been prepared in accordance with International Accounting Standard 1 applicable to the separate financial statements;

b) tally with the accounting entries and records;

c) are appropriate to provide a truthful and correct view of the income statement, balance sheet, and cash flow of the Company.

3.2 The directors' report includes a reliable analysis of references to the important events that occurred during FY2016 and their effect on the financial statements, together with a description of the main risks and uncertainties pertaining to the Company.

The Chairman of the Board of Directors — The Executive in charge of drafting corporate accounts.

Luigi Luzzati — Vittorio Vaudagnotti

Turin, 3 March 2017

2016 Consolidated Financial Statements
Centrale del Latte d'Italia S.p.A.

Certification of the Consolidated Financial Statements in accordance with Article 81-ter of the CONSOB Regulation

Certification of the consolidated financial statements at 31 December 2016 pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

1. The undersigned
   - Mr Luigi Luzzati, Chairman of the Board of Directors
   - Mr Vittorio Vaudagnotti, Executive in charge of drafting corporate accounts

of CENTRALE DEL LATTE D'ITALIA S.p.A.

do hereby certify, having regard to the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No 58 of 24 February 1998

- that the procedures defined in a manner consistent with the Company's and Group's administrative and accounting system and structure are adequate; and
- that the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2016 were actually applied during the period from 01 January 2016 to 31 December 2016.

2. That during FY 2016:

2.1 On 30 September 2016 the merger by incorporation of Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. into Centrale del Latte di Torino & C. S.p.A. became effective. The name of the new company is Centrale del Latte d'Italia S.p.A.. Further to the merger, no. 4,000,020 new shares were issued and the share capital was increased from € 20,600,000.00 to € 28,840,041.20 – divided into 14,000,020 shares with a par value of € 2.06 each.

The information document – drafted in compliance with article 57, para. 1, letter d), of the Regulations approved by Consob through resolution no. 11971 of 14 May 1999, was filed with Consob on 30 September 2016, further to the notice of the approval measure with note of 29 September 2016, protocol no. 86846/16;

2.2 On 1 October 2016, following the deed of transfer, with record no. 7378 of 16 September 2016, CLI transferred the business unit composed of the entire company controlled by the former Centrale del Latte di Firenze, Pistoia e Livorno into Centrale del Latte della Toscana S.p.A., headquartered in Florence and wholly owned by Centrale del Latte d'Italia S.p.A..

3. They also certify that the consolidated financial statements at 31 December 2016:

3.1 tally with the accounting entries and records;

a) were drafted in accordance with the provisions of section IX of the Italian Civil Code and in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and ratified in accordance with the procedure as per article 6 of EC Regulation No. 1606/2002. IFRS also include the International Accounting Standards (IAS), still in force, as well as all the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC), previously named Standing Interpretations Committee (SIC). In further detail, the consolidated financial statements, which comprise the Group's balance sheet, income statement, cash flow statement, statement of changes in equity and explanatory notes, have been prepared assuming that the subsidiaries' financial statements were prepared in compliance with the same accounting standards of the Parent Company – approved by the pertinent Board of Directors – and in accordance with International Accounting Standard 1 applicable to the consolidated financial statements;

b) tally with the accounting entries and records;

c) are appropriate to provide a truthful and correct view of the income statement, balance sheet, and cash flow of the Group.

3.2 The directors' report includes a reliable analysis of references to the important events that occurred during FY2016 and their effect on the consolidated financial statements, together with a description of the main risks and uncertainties pertaining to the Company.

The Chairman of the Board of Directors
Luigi Luzzati

The Executive in charge of drafting corporate accounts.
Vittorio Vaudagnotti

Turin, 3 March 2017