



Centrale del Latte d'Italia S.p.A. Interim report at 31 March 2017

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1. INTRODUCTION

The interim report at 31 March 2017 was drawn up in line with those of the past, pursuant to Borsa Italiana's notice no. 7587 of 21 April 2016, according to which the interim reports of the first and third quarter of each FY must be published in order to keep the STAR qualification.

The Company – which is listed on the STAR segment of Borsa Italiana – in Q1 presented analysts with the results for 2016, during the STAR CONFERENCE organised in Milan by Borsa Italiana on 21 March 2017. The pertinent presentation to analysts is available on the Company website:

<http://centralelatteitalia.com/investor-relations/presentazioni-agli-analisti/>

2. CONSOLIDATED INTERIM ACCOUNTS

2.1 Scope of consolidation and accounting standards adopted

The scope of consolidation has been modified compared to the same period of the previous year and includes, in addition to Centrale del Latte d'Italia S.p.A., Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. – both with a sole shareholder and subject to the management and coordination of the Parent Company.

International accounting standards (IASs/IFRSs) are applied in drawing up the interim report at 31 March 2017 prepared by the Parent Company and its subsidiaries and thus in drawing up this consolidated interim accounts.

Following the change in the scope of consolidation, the reclassified schedule of the consolidated income statement for Q1 2017 is different from the one for the period that closed at 31 March 2016.

The statement of consolidated equity and financial position at 31 March is compared with the one at 31 December 2016, with the same scope of consolidation.

2.2 Reclassified consolidated statement of financial and equity position

	31/03/2017		31/12/2016	
Technical fixed assets	104,756		105,655	
Current technical fixed assets	2,428		1,680	
Intangible fixed assets	19,485		19,480	
Intangible fixed assets under development	-		4	
Equity investments and securities	1,657		1,657	
Financial receivables from affiliates	251		1	
Total fixed assets	128,577	91.6%	128,477	93.7%
Trade receivables	28,198		28,209	
Inventories	7,776		7,698	
Other short-term assets	19,430		15,879	
Trade payables	(36,590)		(37,460)	
Other payables	(5,363)		(5,450)	
Tax liabilities	(2,084)		(696)	
Net working capital	11,367	8.1%	8,180	6.0%
Non-current assets held for sale	446	0.3%	446	0.3%
LIABILITIES AND EQUITY	140,390	100.0%	137,103	100.0%
Employee severance indemnity	6,535		6,580	
Provision for Directors' indemnity at the end of their terms in office	247		232	
Other provisions	374		372	
Provision for deferred taxes	6,147		6,147	
Total long-term liabilities and provisions	13,303	9.5%	13,331	9.7%
Cash, banks and securities	(6,899)		(9,521)	
Payables to banks	7,700		8,000	
Current share of medium/long-term loans	13,200		15,688	
Current share of payables to other lenders	919		904	
Medium/long-term loans	48,605		43,799	
Medium/long-term payables to other lenders	1,183		1,360	
Net financial position	64,708	46.1%	60,230	43.9%
Share capital	28,840		28,840	
Reserves	34,723		22,687	
Profit (loss) for the period	(**) (1,184)		(*) 12,015	
Total Shareholders' Equity	62,379	44.4%	63,542	46.4%
LIABILITIES AND EQUITY	140,390	100.0%	137,103	100.0%

(*) Result after income taxes

(**) Pre-tax result

2.3 Reclassified statement of consolidated income statement

	Q1 2017		Q1 2016	
Revenue from sales and services	44,652	97.8%	24,423	98.8%
Change in inventories	219	0.5%	(116)	-0.5%
Other revenue and income	771	1.7%	398	1.6%
Value of production	45,642	100.0%	24,706	100.0%
Services	(13,442)	-29.5%	(7,346)	-29.7%
Raw materials	(24,417)	-53.5%	(12,151)	-49.2%
Other operating costs	(494)	-1.1%	(213)	-0.9%
Added value	7,289	16.0%	4,996	20.2%
Personnel costs	(6,586)	-14.4%	(3,938)	-15.9%
EBITDA	703	1.5%	1,058	4.3%
Allowance to provision for bad debts	(62)	-0.1%	(83)	-0.3%
Depreciation of tangible fixed assets	(1,556)	-3.4%	(833)	-3.4%
Amortisation of intangible fixed assets	(4)	0.0%	(16)	-0.1%
EBIT	(919)	-2.0%	126	0.5%
Financial income	30	0.1%	8	0.0%
Financial charges	(295)	-0.6%	(169)	-0.7%
Pre-tax result	(**) (1,184)	-2.6%	(**) (35)	-0.1%

(*) Result after income taxes

(**) Pre-tax result

Statement of comprehensive income

(€/000)	Q1 2017	Q1 2016
Total net profit (loss)	(1,184)	(35)
Actuarial gains (losses) due to defined-benefit retirement plans	(37)	(163)
Tax effect due to other profits (losses)	-	45
Total other comprehensive profits (losses)	(37)	(119)
Comprehensive net profit (loss)	(**) (1,221)	(**) (154)

2.4 Comments on comprehensive income.

Some positive figures were recorded in Q1 2017, in a situation in which recovery appears week and unable to turn around the sensation of uncertainty and lack of confidence among businesses and consumers. There were also some critical points, however. All segments of production increased in terms of volume and value, also because of the expansion of the sales areas resulting from the merger, which expanded the scope of consolidation with the entry of Centrale del Latte della Toscana S.p.A..

Concerning the individual segments, there was growth in the Fresh + ESL milk segment and 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 scenario, and with a negative difference in terms of working days compared to the same period of 2016, the Group closed the first quarter of 2017 with consolidated turnover that went from € 24.423 million at 31 March 2016 to € 44.652 million (+82.8%).

The Group closed the first three months of 2017 with a pre-tax net result negative for € 1.184 million (a loss of € 35 thousand at 31 March 2016); EBITDA of € 703 thousand compared to € 1.058 million in the same period of 2016 and a negative EBIT for € 919 thousand Euro compared to the profit of € 126 thousand at 31 March 2016. The economic results at 31 March were strongly impacted by the costs sustained for the purchase of milk raw material, both because of the larger quantities purchased and because of the sharp increase in the purchase price. This negative situation was tackled by the companies in the Group by proposing new price lists to customers, applying increases in line with those sustained for the purchase of the raw material. The new price lists, partially applied since April, will apply in full starting from June.

Particular attention is currently being paid to containing the main cost items in the various corporate sectors, also by undertaking new negotiations with producers of raw milk, prices of which are falling both in Italy and the rest of Europe.

(€/000)	Q1 17	Q1 16	Change for the period	
Value of production	45,642	24,706	20,936	84.7%
EBITDA	703	1,058	(354)	-33.5%
EBIT	(919)	126	(1,045)	n.a.
Pre-tax result	(1,184)	(35)	(1,148)	n.a.

The **Group's consolidated turnover** came to € 44.652 million in Q1 2017 compared to the € 24.423 million in the same period of 2016, marking an increase of 82.8%.

(€/000)	Q1 17		Q1 16		Change for the period	
Fresh milk	19,630	44.0%	10,338	42.3%	9,292	89.9%
UHT milk	11,705	26.2%	4,542	18.6%	7,163	157.7%
Yogurt	2,032	4.6%	1,699	7.0%	332	19.5%
Fresh vegetables	1,391	3.1%	1,387	5.7%	4	0.3%
Drinks of plant origin	1,241	2.8%	680	2.8%	561	82.5%
Other packaged products	7,847	17.6%	4,954	20.3%	2,893	58.4%
Bulk milk and cream	448	1.0%	393	1.6%	56	14.2%
Export	358	0.8%	431	1.8%	(73)	-17.0%
Total	44,652	100.0%	24,423	100.0%	20,228	82.8%

Geographical Breakdown

The turnover at 31 March 2017 was geographically broken down as follows: 99.2% in Italy and 0.8% abroad.

2.5 Consolidated financial position

The consolidated financial position at 31 March 2017, shown in the table below and compared with the position at 31 December 2016, takes account of the commitments to the investment programme being implemented in the Group's factories and the delays accumulated in the reimbursement of VAT credit.

(€/000)	31/03/2017	31/12/2016
Cash and cash equivalents	6,899	9,521
Total current financial assets	6,899	9,521
Payables to banks	(7,700)	(8,000)
Current share of medium/long-term loans	(13,200)	(15,688)
Current share of payables to other lenders	(919)	(904)
Total current financial liabilities	(21,819)	(24,592)
Payables for medium/long-term loans	(48,605)	(43,799)
Medium/long term payables to other lenders	(1,183)	(1,360)
Total non-current financial liabilities	(49,788)	(45,159)
Total financial liabilities	(71,607)	(69,751)
Net financial position	(64,708)	(60,230)

3. REMARKS CONCERNING THE PERFORMANCE OF THE COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

Centrale del Latte della Toscana S.p.A.

The 100% subsidiary Centrale del Latte della Toscana S.p.A. closed Q1 2017 with a pre-tax loss of € 546 thousand. The value of production gross of intra-group sales amounted to € 20.285 million, with negative EBITDA for € 318 thousand and negative EBIT for € 419 thousand.

Centrale del Latte di Vicenza S.p.A.

Centrale del Latte di Vicenza S.p.A. closed Q1 2017 with a pre-tax loss of € 470 thousand, against a loss of € 391 thousand at 31 March 2016. The value of production, gross of intercompany sales, amounted to € 6.900 million, compared to € 6.700 million at 31 March 2016.

4. EVENTS AFTER THE CLOSE OF THE PERIOD

The Ordinary Shareholders' Meeting held on 27 April 2017 approved the 2016 Financial Statements, allocated the result for the year and appointed the new Board of Directors, which will remain in office until the approval of 2019 financial statements. On the same day, after the Meeting, the new Board of Directors met and resolved upon the appointment of the Chairman, the Vice Chairmen, the Managing Directors and the Committees for *Corporate Governance*.

5. BUSINESS OUTLOOK

During the first months of the year, the Group companies confirmed their strong positions on the market, so in the light of the regular progress of sales, the rise in selling prices and greater control of company costs, the economic result is expected to reach the targets set in the current quarter and in the months to follow, considering the general situation of the market, which remains weak.

6. ACCOUNTING SCHEDULES OF THE PARENT COMPANY

6.1 Reclassified statement of financial and equity position

(€/000)	31/03/2017		31/12/2016	
Technical fixed assets	16,208		16,441	
Current technical fixed assets	649		90	
Intangible fixed assets	6,191		6,191	
Equity investments and securities	52,038		52,038	
Financial receivables from affiliates	251		1	
Total fixed assets	75,337	91.3%	74,760	93.1%
Trade receivables	10,930		11,406	
Inventories	2,350		2,106	
Other short-term assets	13,653		11,348	
Trade payables	(15,987)		(16,697)	
Other payables	(2,449)		(2,868)	
Tax liabilities	(1,729)		(235)	
Net working capital	6,768	8.2%	5,061	6.3%
Non-current assets held for sale	446	0.5%	446	0.6%
LIABILITIES AND EQUITY	82,551	100.0%	80,267	100.0%
Employee severance indemnity	2,364		2,410	
Provision for Directors' indemnity at the end of their terms in office	247		232	
Other provisions	149		147	
Provision for deferred taxes	2,048		2,048	
Total long-term liabilities and provisions	4,808	5.8%	4,837	6.0%
Cash, banks and securities	(3,307)		(6,099)	
Payables to banks	-		500	
Current share of medium/long-term loans	4,364		7,210	
Current share of payables to other lenders	36		18	
Medium/long-term loans	9,084		6,112	
Medium/long-term payables to other lenders	58		21	
Net financial position	10,235	12.4%	7,762	9.7%
Share capital	28,840		28,840	
Reserves	38,836		26,042	
Profit (loss) for the period after taxes	(**) (168)		(*) 12,784	
Total Shareholders' Equity	67,508	81.8%	67,665	84.3%
LIABILITIES AND EQUITY	82,551	100.0%	80,266	100.0%

(*) Result after income taxes

(**) Pre-tax result

Net financial position

(€/000)	31/03/2017	31/12/2016
Cash and cash equivalents	3,307	6,099
Total current financial assets	3,307	6,099
Payables to banks	-	(500)
Current share of medium/long-term loans	(4,364)	(7,210)
Current share of payables to other lenders	(36)	(18)
Total current financial liabilities	(4,400)	(7,728)
Payables for medium/long-term loans	(9,084)	(6,112)
Medium/long term payables to other lenders	(58)	(21)
Total non-current financial liabilities	(9,142)	(6,133)
Total financial liabilities	(13,542)	(13,861)
Net financial position	(10,235)	(7,763)

6.2 Reclassified statement of income statement

(€/000)	Q1 2017		Q1 2016	
Revenue from sales and services	19,400	97.1%	18,883	98.8%
Change in inventories	241	1.2%	(11)	-0.1%
Other revenue and income	342	1.7%	244	1.3%
Value of production	19,983	100.0%	19,116	100.0%
Services	(5,977)	-29.9%	(5,712)	-29.9%
Raw materials	(10,376)	-51.9%	(9,243)	-48.4%
Other operating costs	(211)	-1.1%	(145)	-0.8%
Added value	3,419	17.1%	4,016	21.0%
Personnel costs	(2,958)	-14.8%	(2,998)	-15.7%
EBITDA	461	2.3%	1,018	5.3%
Allowance to provision for bad debts	(55)	-0.3%	(51)	-0.3%
Depreciation of tangible fixed assets	(497)	-2.5%	(514)	-2.7%
Amortisation of intangible fixed assets	-	-	(16)	-0.1%
EBIT	(91)	-0.5%	439	2.3%
Financial income	1	0.0%	5	0.0%
Financial charges	(78)	-0.4%	(88)	-0.5%
Pre-tax result	(*) (168)	-0.8%	(*) 356	1.9%

(*) Pre-tax result

Statement of comprehensive income

(€/000)	Q1 2017	Q1 2016
Total net profit (loss)	(168)	356
Actuarial gains (losses) due to defined-benefit retirement plans	11	(128)
Tax effect due to other profits (losses)	-	35
Total other comprehensive profits (losses)	11	(93)
Comprehensive net profit (loss)	(157)	(*) 263

Turin, 12 May 2017

The Chairman of the Board of Directors

Luigi LUZZATI

Pursuant to paragraph 2 of article 154 bis of the Consolidated Finance Law, the Executive in charge of drafting corporate accounts, Mr. Vittorio Vaudagnotti, stated that the accounting information herein contained tallies with the company's documentary evidence, ledgers and accounts.

Turin, 12 May 2017

The Executive in charge of drafting financial statements

Vittorio VAUDAGNOTTI