



## **Centrale del Latte d'Italia S.p.A. Interim report at 31 March 2018**

**Table of Contents**

Page 2	Corporate Offices and Audit Bodies
Page 3	1. Introduction
Page 3	2.1 Scope of consolidation and accounting standards adopted
Page 4	2.2 Reclassified consolidated statement of financial and equity position
Page 5	2.3 Reclassified statement of consolidated income statement
Page 6	2.4 Comments on income statement
Page 7	2.5 Consolidated financial position
Page 8	3. Remarks concerning the performance of the Companies included in the scope of consolidation
Page 8	3.1 Centrale del Latte della Toscana S.p.A.
Page 8	3.2 Centrale del Latte di Vicenza S.p.A.
Page 8	4. Events after the close of the period
Page 8	5. Business outlook
Page 9	6. Accounting schedules of the Parent Company
Page 9	6.1 Reclassified statement of financial and equity position
Page 10	6.2 Financial position
Page 11	6.3 Reclassified statement of income statement

**BOARD OF DIRECTORS**

E. D.	N. E. D.	I.D. .
●		
●		
●		
●		
	●	
	●	●
	●	
	●	●
	●	●
	●	●
	●	
	●	●
	●	●

Luigi LUZZATI - Chairman

Riccardo POZZOLI - Vice Chairman and Managing Director

Lorenzo MARCHIONNI - Vice Chairman

Maurizio MACCHIAVELLO - Managing Director at Rapallo operating unit

Adele ARTOM - Director

Piera BRAJA - Director

Antonella FORCHINO - Director

Elsa FORNERO - Director

Renato GIALLOMBARDO - Director

Laura MATERASSI - Director

Lorenzo PETRETTO - Director

Luciano ROASIO - Director

Alberto TAZZETTI - Director

A. R. C.	R. C.	C. R. C.	I.D. .C.
	●	●	
	●	●	●
●			
			●
●			
●			●
	●	●	●

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  
 I.D.C. = Independent Directors' Committee

**BOARD OF STATUTORY AUDITORS**

Deborah SASSOROSSI Chairperson

Francesco FINO Standing Auditor

Giovanni RAYNERI Standing Auditor

**AUDITING AND CERTIFYING FIRM**

DELOITTE &amp; TOUCHE S.p.A. - Turin

## 1. INTRODUCTION

The interim report at 31 March 2018 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 met financial analysts by taking part in the STAR CONFERENCE organised in Milan by Borsa Italiana on 27 March 2018. The pertinent presentation is available on the Company's website at the address:

<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 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 2018 prepared by the Parent Company and its subsidiaries and thus in drawing up this consolidated interim accounts.

The amendment to IFRS 15, *Clarifications to IFRS 15 – Revenue from Contracts with Customers* has been applied since 1 January 2018. The Group has reclassified the promotional expenses entered under costs for services to a reduction in revenue for the period, since the analysis of the case and the supporting contracts have shown a direct correlation of the cost sustained with sales transactions and sales contracts with large-scale retail customers. In order to facilitate comparison with the results of Q1 2017, they were restated by applying the same accounting standard.

**2.2 Reclassified consolidated statement of financial and equity position**

	<b>31/03/2018</b>		<b>31/12/2017</b>	
Technical fixed assets	106,325		106,790	
Current technical fixed assets	5,583		4,027	
Intangible fixed assets	19,517		19,521	
Intangible fixed assets under development	1		-	
Equity investments and securities	1,760		1,760	
<b>Financial receivables from affiliates</b>	-		2	
<b>Total fixed assets</b>	<b>133,186</b>	<b>92.2%</b>	<b>132,100</b>	<b>95.2%</b>
Trade receivables	33,117		31,449	
Inventories	9,196		9,114	
Other short-term assets	14,617		13,205	
Trade payables	(39,004)		(41,230)	
Other payables	(5,845)		(4,993)	
Tax liabilities	(747)		(914)	
<b>Net working capital</b>	<b>11,334</b>	<b>7.08%</b>	<b>6,631</b>	<b>4.8%</b>
<b>Non-current assets held for sale</b>			-	0.0%
<b>LIABILITIES AND EQUITY</b>	<b>144,520</b>	<b>100.0%</b>	<b>138,731</b>	<b>100.0%</b>
Employee severance indemnity	6,174		6,458	
Provision for Directors' indemnity at the end of their terms in office	306		306	
Other provisions	156		379	
Provision for deferred taxes	6,108		6,108	
<b>Total long-term liabilities and provisions</b>	<b>12,744</b>	<b>8.8%</b>	<b>13,251</b>	<b>9.6%</b>
Cash, banks and securities	(18,251)		(25,475)	
Payables to banks	7,900		4,963	
Current share of medium/long-term loans	24,294		24,520	
Current share of payables to other lenders	595		751	
Medium/long-term loans	39,342		42,308	
Medium/long-term payables to other lenders	588		656	
Placement of bonds 2017 - 2024	14,660		14,660	
<b>Net financial position</b>	<b>69,128</b>	<b>47.8%</b>	<b>62,383</b>	<b>45.0%</b>
Share capital	28,840		28,840	
Reserves	34,248		34,518	
Profit (loss) for the period	(**) (440)		(*) (261)	
<b>Total Shareholders' Equity</b>	<b>62,648</b>	<b>43.4%</b>	<b>63,097</b>	<b>45.5%</b>
<b>LIABILITIES AND EQUITY</b>	<b>144,520</b>	<b>100.0%</b>	<b>138,731</b>	<b>100.0%</b>

(\*) Result after income taxes

(\*\*) Pre-tax result

### 2.3 Reclassified statement of consolidated income statement

	Q1 2018			Q1 2017	
Revenue from sales and services	45,587	99.0%		43,373	97.8%
Change in inventories	(90)	-0.2%		219	0.5%
Other revenue and income	569	1.2%		771	1.7%
<b>Value of production</b>	<b>46,066</b>	<b>100.0%</b>		<b>44,363</b>	<b>100.0%</b>
Services	(12,453)	-27.0%		(12,164)	-27.4%
Raw materials	(24,607)	-53.4%		(24,417)	-55.0%
Other operating costs	(550)	-1.2%		(493)	-1.1%
<b>Added value</b>	<b>8,456</b>	<b>18.3%</b>		<b>7,289</b>	<b>16.4%</b>
Personnel costs	(6,724)	-14.65		(6,586)	-14.8%
<b>EBITDA</b>	<b>1,732</b>	<b>3.8%</b>		<b>703</b>	<b>1.6%</b>
Allowance to provision for bad debts	(75)	-0.2%		(62)	-0.1%
Depreciation of tangible fixed assets	(1,648)	-3.6%		(1,556)	-3.5%
Amortisation of intangible fixed assets	(4)	0.0%		(4)	0.0%
<b>Provision for risks</b>	<b>(13)</b>	<b>0.0%</b>		<b>-</b>	<b>-</b>
<b>EBIT</b>	<b>(8)</b>	<b>0.0%</b>		<b>(919)</b>	<b>-2.1%</b>
Financial income	45	0.15		30	0.1%
Financial charges	(477)	-1.0%		(295)	-0.6%
<b>Pre-tax result</b>	<b>(**) (440)</b>	<b>-1.0%</b>		<b>(**) (1,184)</b>	<b>-2.6%</b>

(\*\*) Pre-tax result

### Statement of comprehensive income

(€/000)	Q1 18	Q1 17
<b>Total net profit (loss)</b>	<b>(440)</b>	<b>(1,184)</b>
Actuarial gains (losses) due to defined-benefit retirement plans	(9)	(37)
Tax effect due to other profits (losses)	-	-
<b>Total other comprehensive profits (losses)</b>	<b>(9)</b>	<b>(37)</b>
<b>Comprehensive net profit (loss)</b>	<b>(**) (449)</b>	<b>(**) (1,221)</b>

## 2.4 Comments on income statement

Partly as a result of political and economic uncertainty, a slowdown in growth was recorded in Q1 2018, also in Europe, compared to forecasts, expectations and the positive situation recorded during the latter period of last year: this led to a slowdown in consumption and investments.

In a situation that proved more problematic than expected, at 31 March 2018, the Group recorded a rise in revenue and profit margins, confirming growth and increasing market shares at national level and in the regions it operates in, confirming the validity of the strategic decisions and choices made regarding products, markets and channels.

Consolidated turnover reached € 45.587 million (up 5.1% compared to € 43.373 million). The performance in Q1 2018 resulted in an EBITDA of € 1.732 million (3.8% of the value of production) and a negative EBIT of € 8 thousand (3.8% of the value of production). During Q1 2017, EBITDA amounted to € 703 thousand, while EBIT was negative for € 919 thousand.

The consolidated net result before income tax was negative for € 440 thousand, compared to a negative pre-tax result of € 1.184 thousand at 31 March 2017.

(€/000)	Q1 18		Q1 17		Change for the period	
Value of production	46,066		44,363		1,703	+3.8%
EBITDA	1,732	3.8%	703	1.5%	1,030	+146.5%
EBIT	(8)	0.0%	(919)	-2.0%	911	+99.1%
Pre-tax result	(440)	-1%	(1,184)	-2.6%	744	+62.8%

The **Group's consolidated turnover** came to € 45.587 million in Q1 2018 compared to the € 43.373 million in the same period of 2017, marking an increase of 5.1%.

(€/000)	Q1 18		Q1 17		Change for the period	
Fresh milk/ESL	19,185	42.1%	19,139	44.1%	46	0.2%
UHT milk	9,424	20.7%	9,674	22.3%	(250)	-2.6%
Yogurt	1,833	4.0%	1,981	4.6%	(148)	-7.5%
Fresh vegetables	1,313	2.9%	1,499	3.5%	(186)	-12.4%
Drinks of plant origin	786	1.7%	523	1.2%	263	50.3%
Bulk milk and cream	1,175	2.6%	1,256	2.9%	(81)	-6.5%
Other packaged products	10,880	23.9%	8,943	20.6%	1,937	21.7%
<b>Export</b>	991	2.2%	358	0.8%	633	176.9%
<b>Total</b>	<b>45,587</b>	<b>100.0%</b>	<b>43,373</b>	<b>100.0%</b>	<b>2,214</b>	<b>5.1%</b>

### Geographical Breakdown

The turnover at 31 March 2018 was geographically broken down as follows: 97.8% in Italy and 2.2% abroad.

## 2.5 Consolidated financial position

As a result of the increased need for working capital and the continuing investments to renew systems and warehouses in the Group's factories, the net financial position went from € 62.384 million to € 69.128 million.

(€/000)	31/03/2018	31/12/2017	Change
Cash and cash equivalents	18,251	25,475	(7,224)
<b>Total current financial assets</b>	<b>18,251</b>	<b>25,475</b>	<b>(7,224)</b>
Payables to banks	(7,900)	(4,963)	2,937
Current share of medium/long-term loans	(24,294)	(24,520)	(226)
Current share of payables to other lenders	(595)	(751)	(156)
<b>Total current financial liabilities</b>	<b>(32,789)</b>	<b>(30,234)</b>	<b>2,555</b>
Payables for medium/long-term loans	(39,342)	(42,307)	2,094
Medium/long term payables to other lenders	(588)	(656)	(6)
Payables for bonds: 2017 – 2024 (*)	(14,660)	(14,660)	(0)
<b>Total non-current financial liabilities</b>	<b>(54,590)</b>	<b>(57,624)</b>	<b>2,100</b>
<b>Total financial liabilities</b>	<b>(87,379)</b>	<b>(87,857)</b>	<b>(479)</b>
<b>Net financial debt</b>	<b>(69,128)</b>	<b>(62,384)</b>	<b>6,745</b>

(\*) the value is carried at amortized cost.

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

#### **3.1 Centrale del Latte della Toscana S.p.A.**

Centrale del Latte della Toscana S.p.A. closed Q1 of the year with a pre-tax profit of € 153 thousand compared to a pre-tax loss of € 546 thousand recorded in Q1 2017. The value of production, gross of intra-group sales, amounted to € 20.193 million, compared to € 19.349 million in Q1 2017.

#### **3.2 Centrale del Latte di Vicenza S.p.A.**

Centrale del Latte di Vicenza S.p.A. closed Q1 2018 with a pre-tax loss of € 232 thousand compared to a loss of € 470 thousand at 31 March 2017. The value of production, gross of intra-group sales, amounted to € 7.945 million, compared to € 7.156 million at 31 March 2017 (+11.2%).

### **4. EVENTS AFTER THE CLOSE OF THE PERIOD**

On 26 April, the Shareholders' Meeting approved the financial statements at 31.12.2017, allocating the result for the year (€ 203,578 Euro) as follows:

- € 10,179 to the legal reserve
- € 193,999 to the extraordinary reserve.

The Shareholders' Meeting also appointed the new Board of Statutory Auditors, which will remain in office until the financial statements are approved, i.e. 21 December 2020. It is made up as follows:

- Ms Deborah Sassorossi – Chairperson
- Mr Francesco Fino – Standing Auditor
- Mr Giovanni Rayneri – Standing Auditor

Alternate Auditors: Ms Vittoria Rossotto, Ms Michela Rayneri and Mr Franco Richetti.

### **5. BUSINESS OUTLOOK**

The profit margins achieved so far are expected to be maintained over the coming months, with special attention to the implementation of the new organisational structures and the streamlining of costs, including raw material costs.

## 6. ACCOUNTING SCHEDULES OF THE PARENT COMPANY

The Parent Company ended Q1 2018 with a 3.7 % rise in the value of production compared to the same period of the previous year. **EBITDA** equalled € 474 thousand (2.3% on the value of production), versus € 461 thousand in Q1 2017 - 2.3% on the value of production. EBIT stood was negative for € 101 thousand (in Q1 2017: negative result for € 91 thousand). Negative pre-tax result of € 361 thousand (in Q1 2017: negative pre-tax result for € 168 thousand).

### 6.1 Reclassified statement of financial and equity position

(€/000)	31/03/2018		31/12/2017	
Technical fixed assets	15,657		15,498	
Current technical fixed assets	4,612		3,426	
Intangible fixed assets	6,241		6,240	
Equity investments and securities	52,031		52,031	
Financial receivables from subsidiary	3,000		-	
<b>Financial receivables from affiliates</b>	-		1	
<b>Total fixed assets</b>	<b>81,541</b>	<b>91.2%</b>	<b>77,196</b>	<b>97.2%</b>
Trade receivables	12,871		12,208	
Inventories	2,719		2,811	
Other short-term assets	9,673		7,933	
Trade payables	(17,108)		(17,830)	
Other payables	(3,195)		(2,602)	
Tax liabilities	(416)		(298)	
<b>Net working capital</b>	<b>4,544</b>	<b>8.8%</b>	<b>2,222</b>	<b>2.8%</b>
<b>LIABILITIES AND EQUITY</b>	<b>86,085</b>	<b>100.0%</b>	<b>79,418</b>	<b>100.0%</b>
Employee severance indemnity	2,192		2,252	
Provision for Directors' indemnity at the end of their terms in office	306		305	
Other provisions	155		154	
Provision for deferred taxes	2,048		2,048	
<b>Total long-term liabilities and provisions</b>	<b>4,701</b>	<b>5.5%</b>	<b>4,759</b>	<b>6.0%</b>
Cash, banks and securities	(14,748)		(23,115)	
Current share of medium/long-term loans	7,870		7,576	
Current share of payables to other lenders	26		68	
Medium/long-term loans	6,080		7,678	
Medium/long-term payables to other lenders	32		-	
Payables for Bond 2017 - 2024	14,660		14,660	
<b>Net financial position</b>	<b>13,920</b>	<b>16.1%</b>	<b>6,867</b>	<b>8.6%</b>
Share capital	28,840		28,840	
Reserves	38,985		38,748	
Profit (loss) for the period after taxes	(*) (361)		(**) 204	
<b>Total Shareholders' Equity</b>	<b>67,464</b>	<b>78.4%</b>	<b>67,792</b>	<b>85.4%</b>
<b>LIABILITIES AND EQUITY</b>	<b>86,065</b>	<b>100.0%</b>	<b>79,418</b>	<b>100.0%</b>

(\*) Pre-tax result

(\*\*) Result after income taxes

**Net financial position**

(€/000)	31/03/2018	31/12/2017	Change
Cash and cash equivalents	14,748	23,115	(8,367)
<b>Total current financial assets</b>	<b>14,748</b>	<b>23,115</b>	<b>(8,367)</b>
Current share of medium/long-term loans	(7,869)	(7,576)	(293)
Current share of payables to other lenders	(27)	(68)	41
<b>Total current financial liabilities</b>	<b>(7,896)</b>	<b>(7,644)</b>	<b>252</b>
Payables for medium/long-term loans	(6,080)	(7,678)	1,598
Medium/long term payables to other lenders	(32)	-	(32)
Payables for bonds: 2017 – 2024 (*)	(14,660)	(14,660)	-
<b>Total non-current financial liabilities</b>	<b>(20,772)</b>	<b>(22,338)</b>	<b>(1,566)</b>
<b>Total financial liabilities</b>	<b>(28,668)</b>	<b>(29,982)</b>	<b>(1,314)</b>
<b>Net financial position</b>	<b>(13,920)</b>	<b>(6,867)</b>	<b>7,053</b>

(\*) the value is carried at amortized cost.

**6.2 Reclassified statement of income statement**

(€/000)	Q1 2018		Q1 2017	
Revenue from sales and services	20,377	99.9%	19,115	97.1%
Change in inventories	(142)	-0.7%	241	1.2%
Other revenue and income	190	0.9%	342	1.7%
<b>Value of production</b>	<b>20,425</b>	<b>100.0%</b>	<b>19,698</b>	<b>100.0%</b>
Services	(5,705)	-28.0%	(5,693)	-28.9%
Raw materials	(11,035)	-54.1%	(10,376)	-52.7%
Other operating costs	(198)	-1.0%	(210)	-1.1%
<b>Added value</b>	<b>3,487</b>	<b>17.1%</b>	<b>3,419</b>	<b>17.4%</b>
Personnel costs	(3,013)	-14.8%	(2,958)	-15.0%
<b>EBITDA</b>	<b>474</b>	<b>2.3%</b>	<b>461</b>	<b>2.3%</b>
Allowance to provision for bad debts	(67)	-0.3%	(55)	-0.3%
Depreciation of tangible fixed assets	(508)	-2.5%	(497)	-2.5%
Amortisation of intangible fixed assets	-	-	-	-
<b>EBIT</b>	<b>(101)</b>	<b>-0.5%</b>	<b>(91)</b>	<b>-0.5%</b>
Financial income	13	0.1%	1	0.0%
Financial charges	(273)	-1.3%	(78)	-0.4%
<b>Pre-tax result</b>	<b>(*) (361)</b>	<b>-1.8%</b>	<b>(*) (168)</b>	<b>-0.8%</b>

(\*) Pre-tax result

**Statement of comprehensive income**

(€/000)	Q1 18	Q1 17
<b>Total net profit (loss)</b>	<b>(361)</b>	<b>(168)</b>
Actuarial gains (losses) due to defined-benefit retirement plans	32	11
Tax effect due to other profits (losses)		
<b>Total other comprehensive profits (losses)</b>	<b>(329)</b>	<b>(157)</b>
<b>Comprehensive net profit (loss)</b>		

Turin, 10 May 2018

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, 10 May 2018

The Executive in charge of drafting financial statements

Vittorio VAUDAGNOTTI