



Centrale del Latte d'Italia S.p.A. Interim report at 30 September 2017

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BOARD OF DIRECTORS

E. D.	N. E. D.	I.D. .		A. R. C.	R. C.	C. R. C.	I.D. .C.
●			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		●	●	●

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

Francesco FINO

Chairman

Giovanni RAYNERI

Standing Auditor

Vittoria ROSSOTTO

Standing Auditor

AUDITING AND CERTIFYING FIRM

DELOITTE & TOUCHE S.p.A. - Turin

1. INTRODUCTION

The interim report at 30 September 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 Q3 met financial analysts by taking part in the ISMO *Italian Stock Market Opportunities* organised in Milan by Banca IMI on 21 September 2017 and in the STAR CONFERENCE organised in London by Borsa Italiana on 09 October 2017. 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 30 September 2016 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 Q3 2017 is different from the one for the period that closed at 30 September 2016.

The statement of consolidated equity and financial position at 30 September is compared with the one at 31 December 2016, and at 30 June 2017 with the same scope of consolidation.

2.2 Reclassified consolidated statement of financial and equity position

	30-sept-17		30-jun-17		31-dec-16	
Technical fixed assets	103,804		104,507		105,655	
Current technical fixed assets	4,053		3,525		1,680	
Intangible fixed assets	19,525		19,478		19,480	
Intangible fixed assets under development	-		-		4	
Equity investments and securities	1,766		1,766		1,657	
Financial receivables from affiliates	-		250		1	
Total fixed assets	129,148	92.9%	129,526	92.5%	128,477	93.7%
Trade receivables	29,596		28,720		28,209	
Inventories	8,259		8,614		7,698	
Other short-term assets	13,628		16,454		15,879	
Trade payables	(36,348)		(37,270)		(37,460)	
Other payables	(4,665)		(5,640)		(5,450)	
Tax liabilities	(412)		(806)		(696)	
Net working capital	10,058	7.2%	10,072	7.2%	8,180	6.0%
Non-current assets held for sale	-		446	0.3	446	0.3%
LIABILITIES AND EQUITY	139,206	100.0%	14,044	100.0%	137,103	100.0%
Employee severance indemnity	6,607		6,270		6,580	
Provision for Directors' indemnity at the end of their terms in office	286		266		232	
Other provisions	377		375		372	
Provision for deferred taxes	6,146		6,147		6,147	
Total long-term liabilities and provisions	13,416	9.6%	13,058	9.3%	13,331	9.7%
Cash, banks and securities	(11,356)		(10,655)		(9,521)	
Payables to banks	4,100		7,000		8,000	
Current share of payables to other lenders	831		17,733		15,688	
Current share of medium/long-term loans	21,041		894		904	
Medium/long-term payables to other lenders	811		48,426		43,799	
Medium/long-term loans payables to other lenders	47,423		979		1,360	
Net financial position	62,849	45.1%	64,377	46.0%	60,230	43.9%
Share capital	28,840		28,840		28,840	
Reserves	34,517		34,864		22,687	
Profit (loss) for the period	(*) (417)		(*) (1,095)		(*) 12,015	
Total Shareholders' Equity	62,940	45.2%	62,609	44.7%	63,542	46.4%
LIABILITIES AND EQUITY	139,206	100.0%	140,044	100.0%	137,103	100.0%

(*) Result after income taxes

2.3 Reclassified statement of consolidated income statement

	30-sept-17		30-sept-16		Q3 2017		Q3 2016	
Revenue from sales and services	136,004	98.0%	71,797	98.9%	45,470	98.9%	23,013	99.1%
Change in inventories	303	0.2%	(189)	-0.3%	(348)	-0.8%	9	0.0%
Other revenue and income	2,479	1.8%	972	1.3%	855	1.9%	212	0.9%
Value of production	138,787	100.0%	72,580	100.0%	45,977	100.0%	23,234	100.0%
Services	(39,956)	-28.8%	(22,033)	-30.4%	(12,976)	-28.2%	(7,127)	-30.1%
Raw materials	(72,961)	-52.6%	(36,432)	-50.2%	(23,984)	-52.2%	(11,917)	-51.3%
Other operating costs	(1,485)	-1.1%	(713)	-1.0%	(552)	-1.2%	(214)	-0.9%
Added value	24,384	17.6%	13,402	18.5%	8,465	18.4%	3,976	15.7%
Personnel costs	(19,405)	-14.0%	(11,447)	-15.4%	(5,992)	-13.0%	(3,573)	-15.4%
EBITDA	4,979	3.6%	1,955	2.7%	2,473	5.4%	403	2.0%
Allowance to provision for bad debts	(86)	-0.1%	(161)	-0.2%	(10)	0.0%	(44)	-0.2%
Depreciation of tangible fixed assets	(4,737)	-3.4%	(2,487)	-3.4%	(1,591)	-3.5%	(812)	-3.2%
Amortisation of intangible fixed assets	(10)	0.0%	(53)	-0.1%	(3)	0.0%	(19)	-0.1%
EBIT	146	0.1%	(747)	-1.0%	869	1.9%	(473)	-2.0%
Financial income	137	0.1%	19	0.0%	50	0.1%	8	0.0%
Financial charges	(897)	-0.6%	(429)	-0.6%	(308)	-0.7%	(115)	-0.5%
Adjustments of equity investments	107	0.1%	(4)	0.0%	-	-	(3)	0.0%
Result from business combination	-	-	13,446	18.0%	-	-	13,446	57.9%
Pre-tax result	(507)	-0.4%	12,286	16.9%	611	1.3%	12,863	55.4%
Income taxes for the year	(113)	-0.1%	(150)	-0.2%	(65)	-0.1%	(177)	0.1%
(Deferred) prepaid taxes	203	0.1%	218	0.3%	246	0.5%	221	0.9%
Total net profit (loss)	(*) (417)	-0.4%	(*) 12,354	17.0%	(*) 679	1.5%	(*) 12,907	55.6%

(*) Result after income taxes

Statement of comprehensive income

(thousand Euro)	30-sept-17	30-sept-16	Q3 2017	Q3 2016
Total net profit (loss)	(417)	12,354	679	12,907
Actuarial gains (losses) due to defined-benefit retirement plans	(220)	(253)	(382)	(70)
Tax effect due to other profits (losses)	-	-	-	-
Total other comprehensive profits (losses)	(220)	(253)	(382)	(70)
Comprehensive net profit (loss)	(637)	12,101	297	12,837

2.4 Comments on comprehensive income,

During Q3 2017, the Group showed significant signs of growth and improvement in terms of turnover and margins compared to the results recorded in the first half of the year, thanks to a positive welcome demonstrated by customers for the new products, the recovery of exports and the adjustments made to price lists for sales, the full positive effect of which was felt in the quarter, and thanks to the efforts to contain costs.

Cross-selling within the Group yielded extremely positive effects, with a more effective use of production plants and mutual reinforcement of the product offer in the areas where the local brands play a commanding role on the market. Turnover at 30 September 2017 reached € 136.004 million, with an increase of 89% compared to 30 September 2016 (+6% on a like-for-like basis compared to the previous year). During Q3 2017, turnover amounted to € 45.470 million, up 98% compared to Q3 2016; on a like-for-like basis, turnover increased by 14%.

The positive performance in Q3 2017 is shown by an EBITDA of € 2.473 million (5.4% of the value of production) and a positive EBIT of € 869 thousand (1.9% of the value of production). This result made it possible to recover margins for the entire period that ended on 30 September 2017.

For the first nine months of the year, EBITDA reached € 4.979 million, amounting to 3.6% of the value of production, compared to € 1.955 million at 30 September 2016 (2.7% of the value of production); EBIT stood at € 149 thousand, while at 30 September 2016 it was negative for € 747 thousand.

The consolidated net result after income tax was negative for € 417 thousand. The result is not comparable with the result recorded at 30 September 2016, because the result deriving from the business combination with Centrale del Latte di Firenze, Pistoia e Livorno S.p.A. was recognised in the income statement.

(thousand Euro)	30-sept-17		30-sept-16		Change of period	
Value of production	138,787		72,580		66,207	91.2%
EBITDA	4,979	3.6%	1,955	2.7%	3,025	154.7%
EBIT	146	0.1%	(747)	1.0%	893	119.6%
Result after taxes	(417)	0.4%	12,354	17.0%	(12,771)	-

(thousand Euro)	30-sept-17		30-sept-16		Change of period	
Value of production	45,977		23,234		22,743	97.9%
EBITDA	2,473	5.4%	403	2.0%	2,069	512.6%
EBIT	869	1.9%	(473)	-2.0%	1,341	284.2%
Result after taxes	679	1.2%	12,907	55.6%	(12,230)	-

The Group's consolidated turnover came to 136.004 million in Q3 2017, compared to the 71.797 million in the same period of 2016 marking an increase of 89.4%.

(thousand Euro)	30-sept-17		30-sept-16		Change of period	
Fresh milk/ESL	52,436	38.6%	30,107	41.9%	22,329	74.2%
UHT milk	33,286	24.5%	13,335	18.6%	19,952	149.6%
Yogurt	7,118	5.2%	5,107	7.1%	2,011	39.4%
Fresh vegetables	4,966	3.7%	4,494	6.3%	472	10.5%
Drinks of plant origin	1,885	1.4%	1,305	1.8%	580	44.5%
Bulk milk and cream	2,989	2.2%	1,828	2.5%	1,161	63.5%
Other packaged products	32,380	23.8%	14,980	20.9%	17,400	116.2%
Export	944	0.7%	642	0.9%	302	47.0%
Total	136,004	100.0%	71,797	100.0%	64,207	89.4%

During Q3, turnover reached € 45.570 million, up 97.6% compared to the same period of FY 2016.

(thousand Euro)	30-sept-17		30-sept-16		Change of period	
Fresh milk/ESL	15,798	34.7%	9,415	40.9%	6,383	67.8%
UHT milk	14,206	31.2%	4,029	17.5%	10,177	252.6%
Yogurt	2,707	6.0%	1,223	5.3%	1,484	121.3%
Fresh vegetables	1,665	3.7%	1,703	7.4%	(38)	-2.3%
Drinks of plant origin	860	1.9%	232	1.0%	628	270.9%
Bulk milk and cream	9,490	20.9%	5,296	23.0%	4,194	79.2%
Other packaged products	537	1.2%	810	3.5%	(273)	-33.7%
Export	207	0.5%	305	1.3%	(98)	-32.1%
Total	45,470	100.0%	23,013	100.0%	22,457	97.6%

Geographical Breakdown

Turnover at 30 September 2017 broken down as follows: 99.3% in Italy and 0.7% abroad.

2.5 Consolidated financial position

(thousand of Euro)	30-sept-17	30-jun-17	31-dec-16
Cash and cash equivalents	11,356	10,655	9,521
Total current financial assets	11,356	10,655	9,521
Payables to banks	(4,100)	(7,000)	(8,000)
Current share of medium/long-term loans	(21,041)	(17,733)	(15,688)
Current share of payables to other lenders	(831)	(894)	(904)
Total current financial liabilities	(25,971)	(25,627)	(24,592)
Payables for medium/long-term loans	(47,423)	(48,426)	(43,799)
Medium/long term payables to other lenders	(811)	(979)	(1,360)
Total non-current financial liabilities	(48,234)	(49,405)	(45,159)
Total financial liabilities	(74,205)	(75,032)	(69,751)
Net financial position	(62,849)	(64,377)	(60,230)

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 the first nine months of the year with a loss after taxes of € 42 thousand. The value of production, gross of intercompany sales, amounted to € 62.962 million. Q3 2017 closed with a profit after taxes of € 438 thousand. The value of production during the period, gross of intercompany sales, amounted to € 21.104 million.

These figures cannot be compared with 2016, because the company began operating on 1 October 2016.

3.2 Centrale del Latte di Vicenza S.p.A,

Centrale del Latte di Vicenza S.p.A. closed the first nine months of 2017 with a loss after taxes of € 410 thousand, against a loss of € 758 thousand at 30 September 2016. The value of production, gross of intercompany sales, amounted to € 22.348 million, compared to € 20.023 million at 30 September 2016 (+12%). Q3 2017 closed with a loss after taxes of € 38 thousand, against a loss of € 282 thousand at 30 September 2016. The value of production, gross of intercompany sales, amounted to € 7.374 million, compared to € 6.312 million of Q3 2016 (+17%).

4. EVENTS AFTER THE CLOSE OF THE PERIOD

A new, completely automated warehouse for the storage and shipping of finished products was inaugurated at the Centrale del Latte di Vicenza S.p.A. plant on 25 October. This 700-square-metre will improve the efficiency of the distribution and packaging of finished products. The investment falls within the scope of the Supply Chain Contract signed by Centrale del Latte d'Italia S.p.A. and Centrale del Latte di Vicenza S.p.A., which formed a Consortium with the Ministry for Agricultural, Food and Forestry Policies, financed by Cassa Depositi e Prestiti, Unicredit S.p.A. and the Veneto Region Rural Development Plan.

5. BUSINESS OUTLOOK

The further commercial activities undertaken to safeguard the premium positioning of the Group's brands on the market, the on-going control of costs and the improvement under way in the Italian economy, with an upturn in food consumption, offer sufficient indications to confirm that the economic results achieved during Q3 2017 are likely to continue in Q4.

6. ACCOUNTING SCHEDULES OF THE PARENT COMPANY

The Parent Company ended Q3 2017 with a 6% rise in the value of production compared to the same period of the previous year. EBITDA reached € 1.904 million, i.e. 3.4% of the value of production), whereas EBIT reached € 353 thousand compared to € 22 thousand at 30 September 2016 and the result after taxes equalled € 43 thousand.

6.1 Reclassified statement of financial and equity position.

(migliaia di Euro)	30-sept-17		30-jun-17		31-dec-16	
Technical fixed assets	15,714		16,152		16,441	
Current technical fixed assets	1,025		590		90	
Intangible fixed assets	6,241		6,191		6,191	
Equity investments and securities	52,036		52,038		52,038	
Financial receivables from affiliates	1		1		1	
Total fixed assets	75,017	94.0%	74,972	91.4%	74,760	93.1%
Trade receivables	11,196		11,273		11,406	
Inventories	2,284		2,329		2,106	
Other short-term assets	8,122		10,832		11,348	
Trade payables	(14,076)		(14,325)		(16,697)	
Other payables	(2,604)		(3,081)		(2,868)	
Tax liabilities	(100)		(456)		(235)	
Net working capital	4,820	6.0%	6,573	8.0%	5,061	6.3%
Non-current assets held for sale	-	-	446	0.5%	446	0.6%
LIABILITIES AND EQUITY	79,838	100.0%	81,990	100.0%	80,267	100.0%
Employee severance indemnity	2,339		2,218		2,410	
Provision for Directors' indemnity at the end of their terms in office	286		266		232	
Other provisions	152		150		147	
Provision for deferred taxes	2,048		2,048		2,048	
Total long-term liabilities and provisions	4,825	6.0%	4,682	5.7%	4,837	6.0%
Cash, banks and securities	(9,033)		(6,812)		(6,099)	
Payables to banks	-		-		500	
Current share of payables to other lenders	7,326		5,722		7,210	
Current share of medium/long-term loans	36		36		18	
Medium/long-term payables to other lenders	9,010		10,921		6,112	
Medium/long-term loans payables to other lenders	41		50		21	
Net financial position	7,380	9.3%	9,918	12.1%	7,762	9.7%
Share capital	28,840		28,840		28,840	
Reserves	38,750		38,893		26,042	
Profit (loss) for the period	(*) 43		(*) (344)		(*) 12,784	
Total Shareholders' Equity	67,633	84.7%	67,390	82.2%	67,665	84.3%
LIABILITIES AND EQUITY	79,838	100.0%	81,990	100.0%	80,266	100.0%

(*) Results after income taxes

Net Financial Position

(migliaia di Euro)	30-sept-17	30-jun-17	31-dec-16
Cash and cash equivalents	9,033	6,812	6,099
Total current financial assets	9,033	6,812	6,099
Payables to banks	-	-	(500)
Current share of medium/long-term loans	(7,326)	(5,722)	(7,210)
Current share of payables to other lenders	(36)	(36)	(18)
Total current financial liabilities	(7,362)	(5,758)	(7,728)
Payables for medium/long-term loans	(9,010)	(10,921)	(6,112)
Medium/long term payables to other lenders	(41)	(50)	(21)
Total non-current financial liabilities	(9,051)	(10,972)	(6,133)
Total financial liabilities	(16,413)	(16,729)	(13,861)
Net financial position	(7,380)	(9,918)	(7,763)

6.2 Reclassified statement of income statement.

(migliaia di Euro)	30-sept-17		30-sept-16		Q3 2017		Q3 2016	
Revenue from sales and services	58,561	98.5%	55,292	99.0%	18,972	98.5%	17,755	98.8%
Change in inventories	45	0.1%	(61)	-0.1%	(153)	-0.8%	83	0.5%
Other revenue and income	876	1.5%	603	1.1%	450	2.3%	136	0.8%
Value of production	59,482	100.0%	55,834	100.0%	19,269	100.0%	17,974	100.0%
Services	(17,491)	-29.4%	(17,467)	-31.3%	(5,458)	28.3%	(5,714)	-31.8%
Raw materials	(31,010)	-52.1%	(27,638)	-49.5%	(5,4458)	-52.0%	(9,156)	-50.9%
Other operating costs	(678)	-1.1%	(523)	-0.9%	(312)	-1.6%	(157)	-0.9%
Added value	10,303	17.3%	10,206	18.3%	3,486	18.1%	2,947	16.4%
Personnel costs	(8,399)	-14.1%	(8,545)	-15.3%	(2,501)	-13.0%	(2,575)	-14.3%
EBITDA	1,904	3.2%	1,661	3.0%	985	5.1%	372	2.1%
Allowance to provision for bad debts	(60)	-0.1%	(54)	-0.1%	-	0.0%	(4)	0.0%
Depreciation of tangible fixed assets	(1,491)	-2.5%	(1,538)	-2.8%	(486)	-2.5%	(495)	-2.8%
Amortisation of intangible fixed assets	-	-	(47)	-0.1%	-	-	(16)	-0.1%
EBIT	353	0.6%	22	0.0%	499	2.6%	(143)	-0.8%
Financial income	27	0.0%	16	0.0%	17	0.1%	8	0.0%
Financial charges	(225)	-0.4%	(199)	-0.4%	(87)	-0.5%	(44)	-0.2%
Adjustments of equity investments	(1)	0.0%	(4)	0.0%	(1)	-	(3)	0.0%
Result from business combination	-	-	13,446	24.1%	-	-	13,446	74.8%
Pre-tax result	154	0.3%	13,281	23.8%	428	2.2%	13,264	73.8%
Income taxes for the year	(78)	-0.1%	(149)	-0.3%	(42)	-0.2%	(52)	-0.3%
(Deferred) prepaid taxes	(32)	-0.1%	(19)	0.0%	-	-	-	0.0%
Total net profit (loss)	(*) 44	0.1%	(*) 13,113	23.5%	(*) 386	2.0%	(*) 13,101	72.9%

(*) Risultato dopo le imposte sul reddito

Statement of comprehensive income

(migliaia di Euro)	30-sept-17	30-sept-16	Q3 2017	Q3 2016
Total net profit (loss)	44	13,113	386	13,101
Actuarial gains (losses) due to defined-benefit retirement plans	(76)	(194)	(87)	(53)
Tax effect due to other profits (losses)	-	-	-	-
Total other comprehensive profits (losses)	(76)	(194)	(87)	(53)
Comprehensive net profit (loss)	(32)	12,919	299	13,048

Torino, 10 November 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, 10 November 2017

The Executive in charge of drafting financial statements

Vittorio VAUDAGNOTTI