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

Interim Financial Report at 30 June 2018

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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

A.R.C. = 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 & TOUCHE S.p.A. - Turin

Centrale del Latte d’Italia

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Interim Report

INTERIM REPORT AT 30 June 2018

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 June 2018 prepared by the Parent Company and its subsidiaries and thus in drawing up this consolidated interim accounts.
The statement of consolidated equity and financial position at 31 June 2018 is compared with the one at 31 December 2017, with the same scope of consolidation.

The new IFRS 15, *Clarifications to IFRS 15 – Revenue from Contracts with Customers* and the pertinent *Clarifications to IFRS 15* **–** *Revenue from Contracts with Customers* have been applied since 1 January 2018. Due to the application, 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 the first six months of 2017, they were restated by applying the same accounting standard.

As of 1 January 2018, the Group has also applied the new IFRS 9 – *Financial Instruments:* considering that the financial management of the group is relatively uncomplicated (in terms of the financial transactions and instruments in place), the impact of the application of the standard is of marginal importance.

Economic Management of the Group

Performance in 1H 2018

1H 2018 remained marked by the political and economic uncertainty already evident in the first three months of the year, with a slowdown in growth also in Europe compared to forecasts, expectations and the positive situation recorded during the latter period of the previous year, leading to a slowdown in consumption and investments.
In this weak structural framework, volumes and turnover held substantially steady, with a positive trend as regards exports, which rose significantly compared to 1H 2017. Consolidated turnover reached € 90.523 million, compared to € 87.959 million, up 2.9%. The first six months of 2018 closed with EBITDA of € 3.379 thousand (3.7% on the value of production), versus € 2.506 million in the same period of 2017 (2.8% on the value of production). EBIT was negative for € 47 thousand, considerably up compared to the net loss of 1H 2017, i.e. € 723 thousand. The third half of 2018 with was closed with a net loss after tax of € 821 thousand, compared to a loss of € 1.095 million at 30 June 2017.

Illustrated below are the main indicators and the turnover compared with the figures recorded at 30 June 2017.

(€/000)	1H 2018		1H 2017		Change	
Revenue from sales and services	90,523		87,959		2,564	+2.9%
Value of production	**91,820**		**90,232**		**1,588**	**+1.8%**
EBITDA	**3,379**	**3.7%**	**2,506**	**2.8%**	**873**	**+34.8%**
EBIT	**(47)**	**-0.1%**	**(723)**	**-0.8%**	**(675)**	**-93.5%**
Pre-tax result	**(686)**	**-0.8%**	**(1,117)**	**-1.3%**	**(429)**	**-38.5%**
Net result after taxes	**(821)**	**-0.9%**	**(1,095)**	**-1.2%**	**(274)**	**-25.0%**

(€/000)	1H 2018		1H 2017		Change	
Fresh milk + ESL	38,710	42.8%	35,598	40.5%	3,112	8.7%
UHT milk	17,275	19.1%	20,065	22.8%	(2,790)	-13.9%
Yogurt	4,022	4.4%	4,293	4.9%	(271)	-6.3%
Fresh vegetables	3,021	3.3%	3,241	3.7%	(220)	-6.8%
Vegetable-based products	1,504	1.7%	1,352	1.5%	152	11.2%
Other packaged products	22,266	24.6%	20,543	23.4%	1,723	8.4%
Bulk milk and cream	2,100	2.3%	2,129	2.4%	(29)	-1.4%
Export	1,625	1.8%	737	0.8%	888	120.5%
Total	**90,523**	**100.%**	**87,959**	**100%**	**2,564**	**2.9%**

In the first half of the year, the Companies of the Group regularly developed the actions and projects provided for, and also continued to invest in the factories in Turin, Florence and Vicenza.

Financial Position.

As a result of the rise in the need for working capital and the continuing investments to renew machinery and warehouses in the various Group factories, the net financial position went from € 62,383 million at 31 December 2017 to € 70.913 million at the end of 1H 2018.

(€/000)	30/06/2018	31/12/2017	Change
Cash and cash equivalents (12ne+13ne)	13,002	**25,475**	(12,473)
Total current financial assets	**13,002**	**25,475**	**(12,473)**
Payables to banks (23ne)	(5,500)	(4,963)	537
Current share of medium/long-term loans (24ne)	(18,387)	(24,520)	(6,133)
Current share of payables to other lenders (25ne)	(573)	(751)	(178)
Total current financial liabilities	**(24,460)**	**(30,234)**	**(5,774)**
Payables for medium/long-term loans (17ne)	(42,321)	(42,307)	2,014
Payables to other lenders for medium/long-term loans (18ne)	(445)	(656)	(211)
Payables for Bond 2017 - 2024	(14,688)	(14,660)	28
Total non-current financial liabilities	**(59,454)**	**(57,624)**	**1,830**
Total financial liabilities	**(83,914)**	**(87,857)**	**(3,943)**
Net financial debt	**(70,913)**	**(62,383)**	**8,529**

For each of the paragraphs considered hitherto, and for the other ones regarding revenue and costs for the period closed at 30 June 2018, statements illustrating the figures and comparing them with the previous financial year have been drawn up and published in the notes to the condensed consolidated interim financial statements.

DRAFT AGREEMENT FOR THE FRESH SOUPS AND FRESH SALADS SECTOR.

Centrale del Latte d'Italia S.p.A. and Zerbinati Srl - *an Italian market leader in the production of conventional and organic ready-to-eat vegetables and salads, and of fresh ready meals* – have signed an industrial and commercial partnership agreement in the sector of fresh salads and other vegetable products. Under the terms of the agreement, CLI will sell the *"Salads & Fruits"* business unit, located in Casteggio (Pavia) and which produces fresh salads. The operation will guarantee continuity of production and employment for the 26 workers currently present in the Casteggio factory.

At the same time, the agreement will allow CLI, through its sales channels, to sell the salads and the other products in the large Zerbinati range (soups, cream soups, side servings, gluten-free burgers and vegetable flans, etc.) in the areas where the Group is present.

The transaction was approved by the Board of Directors 18 June 2018 and will be effective as of 1 September 2018.

FINANCIAL AND OPERATIONAL RISKS OF THE COMPANY AND 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 Company contains this risk by drawing up quarterly agreements with milk producers and periodically determining the purchase price, 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 and bond 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 condensed consolidated interim 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 – previously set for 9 January 2018 – was adjourned to 25 September 2018.

During the FY a third dispute arose, since 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. On 30 May 2017, notification was received of an enforcement order and writ of execution issued by the ENASARCO Foundation for the payment of the sum of € 432,764.64 Euro relating to the assessment report of 11 November pertaining to the years 2011 – 2013. The company, within in terms established, filed a request with the Court of Rome for the suspension of the provisional enforceability of the injunction. On 6 July 2017, the Court of Rome suspended the provisional enforceability of the injunction and set the hearing for the discussion of the case for 20 December 2017. At the end of the hearing, the presiding Judge set another hearing for 17 May 2018. During said hearing, the presiding Judge, having listened to the witnesses of the parties, ordered that a deposition be taken from two witnesses who did not take part in the hearing, and adjourned the hearing again to 22 November 2018 to continue the discussion and to consider whether to admit further witnesses or grant an adjournment for a decision with a deadline for brief. On 19 July, having regard to the order for a deposition to be taken, the hearing was held at the Court of Turin, Employment Section, with the examination of the witnesses.

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, whereby it required a payment totalling €1.648 million as withholding taxes, sanctions and interest. The Company filed an appeal, and the Provincial Taxation Commission, with sentence no. 1786/8/15, upheld the combined appeals. Agenzia delle Entrate appealed against this sentence for both tax periods. The Regional Taxation Commission rejected the appeal for 2008, with sentence 284/1/17 filed on 22 February 2017. For the tax year 2009, the appeal was rejected by the Regional Taxation Commission with sentence no. 1839/17 filed on 18 December 2017. On 23 February 2018, Agenzia delle Entrate brought an appeal before the Supreme Court of Cassation against the sentence of the R.T.C. The Company brought a cross appeal on 26 March 2018. The case is currently pending a hearing being set.

In 2015, Agenzia delle Entrate – Direzione Provinciale I Turin issued the Company with notices of assessment for the tax periods 2010, 2011, 2012 and 2013, with which it requested the payment of a total of € 3.571 million for withholding taxes, sanctions and interest. The Company contested all the notices of assessment, and with sentence no. 880/5/16 filed on 27 May 2016, the Provincial Taxation Commission of Turin upheld all the combined appeals. Agenzia delle Entrate appealed against the sentence. The Regional Taxation Commission of Turin, with sentence no. 715/4/17 filed on 4 May 2017, rejected the appeal, sentencing Agenzia delle Entrate to pay the related costs. Agenzia delle Entrate brought an appeal against the judgement before the Supreme Court of Cassation. On 3 January 2018, the Company brought a cross-appeal before the Supreme Court of Cassation. The case is currently pending a hearing being set.

On 18 June 2018, Agenzia delle Entrate brought an appeal before the Court of Cassation against sentence no. 1839/17 relating to the tax period 2018. The Company intends to bring a cross appeal against this appeal within the deadline established (31 July 2018).

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. The case is currently pending a hearing being set.

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

During 1H 2018, 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 € 3.61 per share, as compared to a minimum of € 2.86. The last trading day of the first six months, the company stock closed at € 2.96 per share. According to the information available, 3,111 shareholders are registered in the shareholders' register of Centrale del Latte d'Italia S.p.A..

Information on the Subsidiaries included in the scope of consolidation.

Centrale del Latte della Toscana S.p.A.

The 100% subsidiary Centrale del Latte della Toscana S.p.A. closed 1H 2018 with revenue from sales, gross of inter-company sales, of € 39.598 million, +2.1% compared to 30 June 2017. **EBITDA** equalled € 1.879 million (4.7% on the value of production), versus € 1.266 million (3.2% on the value of production) recorded at the end of 1H 2017.. EBIT was positive for € 299 thousand, compared to a net operating loss of € 225 thousand recorded in the same period of last year. Finally, the net result after tax was positive for € 113 thousand, compared to a net loss after tax of € 371 thousand at the end of 1H 2017.

The net financial position at 30 June 2018 was negative for € 36.979 million, basically stable compared to € 36.975 million at 31 December 2017.

Centrale del Latte di Vicenza S.p.A.

The 100% subsidiary Centrale del Latte di Vicenza S.p.A. closed 1H 2018 with revenue from sales, gross of inter-company sales, of € 15.768 million, +10% compared to 30 June 2017. **EBITDA** equalled € 744 thousand (4.6% on the value of production), versus € 325 thousand (2.2% on the value of production) recorded at the end of 1H 2017. EBIT broke even in Euros, compared to the net operating loss of € 348 thousand recorded in the same period of last year. Finally, the net result after tax was negative for € 201 thousand, compared to a net loss after tax of € 380 thousand at the end of 1H 2017.

The net financial position at 30 June 2018 was negative for € 21.198 million, up compared to € 18.541 million at 31 December 2017.

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 d'Italia S.p.A.* is able to adopt preventive measures or to intervene swiftly in order to stop offences being committed. The updated model was approve by the Board of Directors on 1 March 2018 and is available on the Company's website:
http://centralelatteitalia.com/investor-relations/modello-d-leg-231-2001-e-codice-etico/

Intercompany 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 and Via San Pietro 47.
Production plant: Casteggio (Pv) Via Rossini 10

Tax consolidation.

The parent company joined the tax consolidation regime together with its subsidiaries Centrale del Latte della Toscana 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 2017.

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 30 June 2018.

BUSINESS OUTLOOK.

During the coming quarter, no particular changes are expected in the economic situation and the market, and with the sale of the Salads & Fruits business unit, the implementation of the new organisational structures and the rationalisation of costs, a further improvement in margins can be expected during the second half of the year.

Turin, 2 August 2018

The Chairman of the Board of Directors
Luigi Luzzati

Centrale del Latte d'Italia Group

Interim Financial Report at 30 June 2018

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 (€/000)

			1H 18	1H 17
1ec	**1ene**	**Revenue from sales**	**90,523**	**87,959**
2ec	**2ene**	Other revenue	1,158	1,622
		▪ *of which from affiliates*	-	6
3ec	3ene	Change in inventories of semi-finished and finished goods	139	651
		Total revenue from sales and services	**91,820**	**90,232**
4ec	4ene	Raw and ancillary materials, consumables and goods	(48,762)	(48,934)
		Personnel costs	**(13,707)**	**(13,413)**
5ec	5ene	➢ Wages and salaries	(9,587)	(9,348)
6ec	6ene	➢ Social security contributions	(3,297)	(3,240)
7ec	7ene	➢ Employee severance indemnity	(635)	(636)
8ec	8ene	➢ Other costs	(188)	(189)
		Depreciation, amortisation and write-downs	**(3,427)**	**(3,229)**
9ec	9ene	➢ Amortisation of intangible fixed assets	(8)	(7)
10ec	**10ene**	➢ Depreciation of tangible fixed assets	(3,342)	(3,146)
11ec	11ene	➢ Write-downs of current receivables	(77)	(76)
		Other operating costs	**(25,972)**	**(25,379)**
12ec	**12ene**	➢ Services	(23,265)	(22,962)
13ec	13ene	➢ Lease and rental costs	(1,770)	(1,483)
		▪ *of which vis-à-vis parent company*	*5*	*3*
14ec	**14ene**	Sundry operating expenses	(937)	(934)
		EBIT	**(47)**	**(723)**
15ec	**15ene**	Financial income	101	86
16ec	16ene	Financial charges	(815)	(589)
17ec	17ene	**Adjustments to equity investments**	**74**	**108**
		Pre-tax profit (loss)	**(687)**	**(1,117)**
18ec	18ene	Income taxes	(29)	65
19ec	19ene	(Deferred) prepaid taxes	(106)	(43)
		NET PROFIT (LOSS) (A)	**(821)**	**(1,095)**
		Parent Company's shareholders	**(821)**	**(1,095)**
		Number of shares with voting rights	**14,000,020**	**14,000,020**
		Basic and diluted net earnings (loss) per share	**(0.058)**	**(0.078)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (€/000)

	1H 18	1H 17
NET PROFIT (LOSS) (A)	**821**	**(1,095)**
Items that will never be restated under profit/(loss) for the period		
Actuarial gains (losses) due to defined-benefit retirement plans	32	162
Tax effect due to other profits (losses)	-	-
TOTAL OTHER COMPREHENSIVE PROFITS (LOSSES) (B)	**32**	**162**
COMPREHENSIVE NET PROFIT (LOSS) (A+B)	**(789)**	**(933)**
Parent Company's shareholders	(789)	(933)
Number of shares with voting rights	14,000,020	14,000,020
Diluted net earnings (loss) per share	(0.056)	(0.066)

STATEMENT OF CONSOLIDATED EQUITY AND FINANCIAL POSITION – ASSETS
(€/000)

		ASSETS	30/06/2018	31/12/2017	01/01/2017 reviewed
		NON-CURRENT ASSETS			
	1ne	**Tangible fixed assets**	**113,703**	**110,817**	**107,335**
1		Land	20,929	20,929	21,079
1		Buildings	35,813	36,149	36,909
1		Plant and equipment	46,067	45,658	43,747
1		Industrial, commercial and other equipment	4,006	4,054	3,919
2		Fixed assets under development and advances	6,888	4,027	1,680
	2ne	**Intangible fixed assets**	**19,591**	**19,521**	**19,484**
3		Trademarks	19,132	19,132	19,081
3		Goodwill	350	350	350
3		Software	109	39	48
		Fixed assets under development	-	-	4
		Financial fixed assets	**2,363**	**2,393**	**2,508**
4	3ne	Equity investments in affiliates	1,307	1,233	1,125
4	4ne	Other financial assets	526	526	533
5	5ne	Deferred tax assets	529	633	848
6	6ne	Financial receivables from affiliates	1	1	1
		TOTAL NON-CURRENT ASSETS	**135,657**	**132,731**	**129,327**
		CURRENT ASSETS			
	7ne	**Inventories**	**9,682**	**9,114**	**7,791**
7		Raw and ancillary materials and consumables	5,549	5,249	4,805
7		Finished products and goods	4,133	3,865	2,986
		Trade and other receivables	**45,478**	**44,022**	**43,145**
8	8ne	Trade receivables	29,893	31,449	28,005
		Receivables from affiliates	-	-	110
10	10ne	Tax assets	11,731	9,966	11,741
11	11ne	Receivables from others	3,854	2,607	3,288
		Cash and cash equivalents	**13,002**	**25,475**	**9,521**
12	12ne	Bank and postal accounts	12,749	24,998	92,89
13	13ne	Cash and valuables on hand	253	477	232
		TOTAL CURRENT ASSETS	**68,162**	**78,611**	**60,457**
		TOTAL ASSETS	**203,818**	**211,342**	**190,229**

STATEMENT OF CONSOLIDATED EQUITY AND FINANCIAL POSITION – LIABILITIES
(€/000)

		LIABILITIES AND SHAREHOLDERS' EQUITY	30/06/2018	31/12/2017	01/01/2017 reviewed
14	**15ne**	**Share Capital**	**28,840**	**28,840**	**28,840**
		Reserves	**33,468**	**34,257**	**34,702**
15		Share premium account	14,325	14,325	14,325
16		Merger premium reserve	3,096	3,096	3,096
17		Reserve from business combination ineligible for distribution	13,903	13,903	-
18		Revaluation reserve	197	197	197
19		Legal reserve	1,658	1,658	1,019
20		Other reserves	453	453	2,980
21		Consolidation reserve	1,845	1,845	1,845
22		IFRS first-time adoption reserve ineligible for distribution	135	135	135
23		Profits (losses) carried forward	(1,106)	(845)	(845)
24		Reserve for employee severance indemnity discounting	(216)	(248)	(65)
25		Profit (loss) for the period	(821)	(261)	12,015
	16ne	**GROUP SHAREHOLDERS' EQUITY**	**62,308**	**63,097**	**63,542**
		NON-CURRENT LIABILITIES			
26	17ne	Long-term loans	44,321	42,307	43,799
27	18ne	Long-term payables to other lenders	445	656	1,360
28	19ne	Placement of bonds 2017 - 2024	14,688	14,660	-
29	20ne	Deferred taxes	6,122	6,108	6,147
30		**Provisions**	**6,401**	**7,143**	**7,184**
	21ne	Employee severance indemnity	5,980	6,458	6,580
31	22ne	Provision for Directors' indemnity at the end of their term in office	346	306	232
32	23ne	Provision for liabilities and charges	75	379	372
		TOTAL NON-CURRENT LIABILITIES	**71,977**	**70,874**	**58,489**
		CURRENT LIABILITIES			
		Financial payables	**24,460**	**30,234**	**24,590**
33	24ne	Payables to banks	5,500	4,963	8,000
34	25ne	Current share of long-term loans	18,387	24,520	15,688
35	26ne	**Current share of payables to other lenders**	573	751	904
36		**Trade and other payables**	**45,072**	**47,137**	**430,607**
	27ne	Trade payables	38,209	41,230	37,443
		Payables to affiliates			17
38	29ne	Tax liabilities	835	914	697
39	30ne	Payables to social security authorities	1,495	1,335	1,254
40	31ne	Other payables	4,533	3,658	4,196
		TOTAL CURRENT LIABILITIES	**69,532**	**77,371**	**68,199**
		TOTAL EQUITY AND LIABILITIES	**203,818**	**211,342**	**190,229**

CONSOLIDATED CASH FLOW STATEMENT (€/000)

	30/06/2018	30/06/2017
Initial cash availability	20,512	1,521
A. Cash flow from operating activities		
Profit (loss) for the year	(821)	(1,095)
Amortisation of intangible fixed assets	7	7
Depreciation of tangible fixed assets	3,342	3,146
Total amortisation, depreciation and write-downs	**3,349**	**3,153**
Employee severance indemnity accrued in the FY, net of indemnities already paid and OCI effect	(445)	(148)
Provision for Directors' indemnity at the end of their term in office	41	35
Deferred taxes	14	-
Accrual to (Use of) provision for liabilities and charges	(304)	3
Total net allowances	**(695)**	**(110)**
Adjustment of equity investments in affiliates according to the equity method	(74)	(108)
Total non-cash flows	**(74)**	**(108)**
Change in net working capital		
Net trade receivables and other receivables	1,554	(761)
Inventories	(567)	(916)
Other receivables	(2,905)	(574)
Suppliers	(3,020)	(190)
Sundry payables	1,035	(84)
Tax liabilities	(80)	109
Total change in net working capital	**(3,984)**	**(2,416)**
Operating cash flow	**(2,225)**	**(576)**
B. Cash flow from (for) investing activities		
Net acquisitions of technical fixed assets	(6,228)	(3,483)
Financial (investments) divestments	(78)	(1)
Total cash flow from (for) investing activities	**(6,298)**	**(3,842)**
Free cash flow	**(8,530)**	**(4,418)**
C. Cash flow from change in shareholders' equity		
Dividends paid	-	-
Total cash flow from change in shareholders' equity	**-**	**-**
D. Cash flow from financing activities		
Change in medium/long-term financial payables	(4,480)	6,554
Total cash flow from financing activities	**(4,480)**	**6,554**
Total cash flows for the period	**(13,010)**	**2,134**
CASH AND BANKS AT YEAR-END (net of payables to banks)	**7,502**	**3,655**
of which bank accounts and cash on hand	13,002	10,655
of which payables to banks	(5,500)	(7,000)
Financial charges paid	815	539
Taxes paid	-	155

CHANGES IN CONSOLIDATED NET EQUITY *(€/000)*

	At 01/01/2017	Result allocation	Dividend payment	Other	Comprehensive net profit (loss)	At 30/06/2017
Share capital	28,840	-	-	-	-	28,840
Share premium account	14,325	-	-	-	-	14,325
Merger premium reserve	3,096	-	-	-	-	3,096
Reserve from business combination ineligible for distribution	-	11,376	-	-	-	11,376
Revaluation reserve	197	-	-	-	-	197
Legal reserve	1,019	639	-	-	-	1,658
Other reserves	2,980	-		-	-	2,980
Consolidation reserve	1,845	-	-	-	-	1,845
IFRS first-time adoption reserve ineligible for distribution	135	-	-	-	-	135
Profits (losses) carried forward	(845)			-	-	(845)
Reserve for employee severance indemnity discounting	(65)	-	-	-	162	97
Overall profit (loss) for the period	12,014	(12,014)	-	-	(1,095)	(1,095)
Group Shareholders' equity	**63,542**	**-**	**-**	**-**	**(933)**	**62,609**

	At 01/01/2018	Result allocation	Dividend payment	Other	Comprehensive net profit (loss)	At 30/06/2018
Share capital	28,840	-	-	-	-	28,840
Share premium account	14,325	-	-	-	-	14,325
Merger premium reserve	3,096	-	-	-	-	3,096
Reserve from business combination ineligible for distribution	13,902	-	-	-	-	13,902
Revaluation reserve	197	-	-	-	-	197
Legal reserve	1,658		-	-	-	1,658
Other reserves	453	-		-	-	453
Consolidation reserve	1,845	-	-	-	-	1,845
IFRS first-time adoption reserve ineligible for distribution	135	-	-	-	-	135
Profits (losses) carried forward	(845)	(261)		-	-	(1,106)
Reserve for employee severance indemnity discounting	(248)	-	-	-	32	(216)
Overall profit (loss) for the period	(261)	261	-	-	(821)	(821)
Group Shareholders' equity	**63,097**	**-**	**-**	**-**	**(789)**	**62,308**

Consolidated Interim Financial Report
at 30 June 2018
Centrale del Latte d'Italia S.p.A.

Notes to the Interim Financial Report

The Group

The Parent Company Centrale del Latte d'Italia S.p.A. - domiciled in Italy with registered office in Turin, Via Filadelfia 220 – 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 condensed consolidated interim financial statements at 30 June 2018 was authorised by the Board of Directors on 2 August 2018.

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 includes 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.. Therefore, incorporated into the consolidated interim directors' report are the interim directors' reports of Centrale del Latte d'Italia S.p.A. and the wholly owned subsidiaries Centrale del Latte della Toscana S.p.A. – Florence, Via dell'Olmatello 20 – and Centrale del Latte di Vicenza S.p.A. – Vicenza, Via A. Faedo 60. The interim directors' reports have been drafted using the same accounting standards.

Consolidation techniques.

In preparing the condensed consolidated interim 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 condensed consolidated interim financial statements beginning on the date on which control is acquired.

The main adjustments applied in preparing the condensed consolidated interim 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 condensed consolidated financial statements at 30 June 2018 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 condensed consolidated interim financial statements at 30 June 2018 and the notes are in thousands of Euros.

Audit

These condensed consolidated interim financial statements at 30 June 2018 are subject to limited audit by Deloitte & Touche S.p.A..

Accounting and assessment standards

The condensed consolidated interim financial statements at 30 June 2018 were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard 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 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).

These condensed consolidated interim financial statements were drafted according to the requirements of the international accounting standard concerning Interim Financial Reporting (IAS 34).
These notes are provided in summary form, in order to avoid the duplication of information already published, as required by IAS 34. Specifically, please note that the comments refer exclusively to those elements in the income statement and the balance sheet whose composition or the variation in which in terms of amount or nature, or because said composition or variation is unusual, are instrumental to a proper understanding of the economic, financial and equity situation of the Group.
The accounting standards adopted are coherent with the recognition and assessment criteria used for the consolidated financial statements at 31 December 2017, which may be consulted for further details, with the exception of what is explained in the following paragraph, with the exception of the standards applicable as of 1 January 2018 (IFRS 15 and 9, illustrated below).
For the purpose of an accurate comparison between the two periods, the data of the previous period, where appropriate, have been reclassified.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION AND APPLIED BY THE GROUP AS OF 1 JANUARY 2018

The following accounting standards, amendments and IFRS interpretations have been applied for the first time by the Group since 1 January 2018:

- On 28 May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which – together with other clarifications issued on 12 April 2016 – replaced 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 established a new revenue recognition model, which applies 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 has been applied since 1 January 2018. The standard was applied retrospectively in order to show the impact also in the comparative income statement. As already mentioned with reference to the company's financial statements at 31 December 2018, the Group assessed the effects deriving from the adoption of the standard, identifying the need to reclassify 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 incurred in sales transactions with large-scale retail customers. From a quantitative point of view, the reduction in revenue is effectively equal and opposite to the reduction of costs in the corresponding periods, with no impact on the operating result for each period.

- On 24 July 2014 the IASB issued 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. In addition, for non-substantial changes to liabilities, it is no longer possible to spread the economic effects of the renegotiation over the residual duration of the debt by modifying the interest effective at that date, but the effect must be recorded in the income statement.

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 standard has been applied since 1 January 2018, although it has had no substantial impact.

- *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 have been applied since 1 January 2018. The adoption of this amendment had no effect on the Group's consolidated financial statements.

- Document **"Annual Improvements to IFRSs 2014-2016 Cycle"**, issued on 8 December 2016, partially supplementing the pre-existing 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 has been applied since 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 has been applied since 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 has been applied since 1 January 2018.

The adoption of these amendments had no effect on the Group's consolidated 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 have been applied since 1 January 2018. The adoption of these amendments had no effect on the Group's consolidated financial statements.

- Interpretation "***Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)***" (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. 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 specific transaction date must be identified for each one. IFRIC 22 has been applied since 1 January 2018. The adoption of this interpretation had no effect on the Group's consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT EARLY ADOPTED BY THE GROUP AT 30 JUNE 2018

- 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 lease contracts from service supply 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 (i.e. lease contracts involving assets < € 5,000) 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. The directors expect that the application of IFRS 16 may have a significant impact on the amounts and the pertinent disclosure reported in the Group's consolidated financial statements, as a result of the recognition of the rent/lease contracts outstanding (mainly property rents, leases of industrial, technical and IT equipment and company cars). 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. The directors intend to apply IFRS 16 by adopting a modified retrospective approach.

- *Amendment to* **IFRS 9** "***Prepayment Features with Negative Compensation***" (issued on 12 October 2017). This document specifies that the prepayment features could comply with the "SPPI" test even in cases where the "*reasonable additional compensation*" to be paid for prepayment is a "*negative compensation*" for the lender. The amendment shall be applicable as from 1 January 2019, though earlier application is permitted. The directors do not expect the adoption of these changes to have a significant impact on the Group's consolidated financial statements.

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

As at the reference date of this [*nome documento*], the relevant European Union bodies have not yet completed the standardisation process necessary for the adoption of the following standards and amendments.

- On 18 May 2017, the IASB issued **IFRS 17 – Insurance Contracts**, intended to replace IFRS 4 - Insurance Contracts. The aim of the new standard is to ensure entities provide pertinent information that faithfully illustrates the rights and obligations deriving from the insurance contracts issued. The IASB has developed the standard in order to eliminate the inconsistencies and weaknesses of existing accounting standards, providing a single principle-based framework to take account of all types of insurance contracts, including the reinsurance contracts insurance companies hold.
  The new standard also includes a series of presentation and disclosure requisites to improve comparability between entities belonging to this sector.
  The new standard measures insurance contracts based on a General Model, or a simplified version of it called Premium Allocation Approach ("PAA").
  The main features of the General Model are:
    - the estimates and hypotheses of future cash flows are always the current ones;
    - the measurement reflects the time value of money;
    - the estimates provide for an extensive use of information that can be observed on the market;
    - there is a current, explicit measurement of risk;
    - the profit expected is deferred and aggregated into groups of insurance contracts upon initial recognition, and
    - the expected profit is recognised in the period covered by the contract, taking account of adjustments deriving from changes to the hypotheses regarding financial flows relating to each group of contracts.

  The PAA approach provides for the measurement of the liability for the remaining coverage of a group of insurance contracts, provided that, upon initial recognition, the entity reasonably expects said liability to be similar to the General Model. Contracts with a coverage period of a year or less are automatically suitable for the PAA approach. The simplifications deriving from the PAA method do not apply to the measurement of the liabilities for claims outstanding, which are measured with the General Model. Therefore, it is not necessary to discount said cash flows if the balance is expected to be paid or collected within a year of the date on which the claim was made.
  The entity must apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and investment contracts with a discretionary participation feature (DPF).
  The standard applies from 1 January 2021, though earlier application is permitted only for those companies opting for early adoption of IFRS 9 - Financial Instruments and IFRS 15 - *Revenue from Contracts with Customers*.

- On 7 June 2017, the IASB issued the interpretation document **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document tackles the issue of uncertainty over income tax treatments.
  The document establishes that uncertainties regarding the determination of tax liabilities or assets may be shown in the financial statements only if it is likely that the entity will pay or collect the amount in question. In addition, the document does not contain any new disclosure obligations, but it emphasises that the entity must establish whether it will be necessary to provide information on the considerations made by the management regarding the uncertainty concerning the recording of taxes, in accordance with the provisions of IAS 1.
  The new interpretation shall be applicable as from 1 January 2019, though earlier application is permitted. The directors do not expect the adoption of this interpretation to have a significant impact on the Group's consolidated financial statements.

- On 12 October 2017, the IASB issued the document **"Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)"**. This document clarifies the need to apply IFRS 9, including the requisites linked to impairment, to other long-term interest in associates or joint ventures for which the net equity method is not applied. The amendment shall be applicable as from 1 January 2019, though earlier application is permitted.
  The directors do not expect the adoption of these changes to have a significant impact on the Group's consolidated financial statements.

- On 12 December 2017, the IASB issued the document "Annual Improvements to **IFRSs 2015-2017 Cycle"**, which implements the amendments to certain standards as part of the annual improvement process. The main changes include:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: this amendment clarifies that when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business. This process is not provided for when joint control is obtained.
- IAS 12 *Income Taxes*: the amendment clarifies that all the tax consequences of dividends (including payments on financial instruments classed as equity) must be recognised consistently with the transactions that generated those profits (profit or loss, OCI or equity).
- IAS 23 *Borrowing costs*: the amendment clarifies that borrowings that remain outstanding even after the related qualifying asset is ready for use or sale should be calculated as part of the borrowing costs.

The amendments shall be applicable as from 1 January 2019, though earlier application is permitted. Although they do not expect the adoption of these amendments to have a significant effect on the Group's consolidated financial statements, the directors are evaluating the possible effects of their introduction on the Group's consolidated financial statements.

- *Amendment to IAS 19* ***"Plan Amendment, Curtailment or Settlement"*** (issued on 7 February 2018). The document clarifies how entities must record an amendment (i.e. a curtailment or a settlement) to a defined benefit plan. The amendments require the entities to update their assumptions and remeasure the liabilities or net assets deriving from the plan. The amendments clarify that after such an event occurs, entities must use updated assumptions to measure the current service cost and interest for the rest of the reference period subsequent to the event. The directors do not expect the adoption of these amendments to have a significant impact on the Group's consolidated 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 issued 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 consolidated 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 condensed consolidated interim financial statements at 30 June 2018, 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. Income tax is also recognised based on the best estimate of the weighted average rate expected for the whole FY from each consolidated company.

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.

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 condensed consolidated interim 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.

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.

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 goods is recognised when the company has transferred control of the goods to the purchaser, which substantially coincides with the transfer of the goods and the simultaneous transfer of ownership.

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.

As previously illustrated, due to the application of IFRS 15, the Group has reclassified the promotional expenses previously entered (in application of IAS 18) 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 with large-scale retail customers.

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 - including all material and processing costs and overheads directly associated with production. These include depreciation of property, plant and equipment, 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 917/86, 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., Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A.. The option is valid for three financial years from the one that closed at 31 December 2017.

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 1H 2018, 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):

(€/000)	1H 2018	1H 2017	Change

Fresh milk + ESL	38,710	42.8%	35,598	40.5%	3,112	8.7%
UHT milk	17,275	19.1%	20,065	22.8%	(2,790)	-13.9%
Yogurt	4,022	4.4%	4,293	4.9%	(271)	-6.3%
Fresh vegetables	3,021	3.3%	3,241	3.7%	(220)	-6.8%
Vegetable-based products	1,504	1.7%	1,352	1.5%	152	11.2%
Other packaged products	22,266	24.6%	20,543	23.4%	1,723	8.4%
Bulk milk and cream	2,100	2.3%	2,129	2.4%	(29)	-1.4%
Export	1,625	1.8%	737	0.8%	888	120.5%
Total	**90,523**	**100.0%**	**87,959**	**100.0%**	**2,564**	**2.9%**

Other revenue (2ene)

	1H 2018		1H 2017		Change	
Recoveries	455	39%	609	37%	(154)	-25%
Contingent assets	257	22%	349	21%	(92)	-26%
Contributions from suppliers	151	13%	163	10.0%	(12)	-7%
Sales of salvaged materials	140	12%	141	9%	(1)	-1%
Other	100	9%	127	8%	(27)	-21%
Grants for current expenses	35	3%	42	3%	(7)	-17%
Capital gains on asset disposal	8	1%	20	1%	(12)	-64%
Rental income	6	0.5%	12	1%	(6)	-50%
Indemnities	5	0.5%	159	10%	(154)	-97%
Royalties	1	0.1%	-	-	-	100%
Total	**1,158**	**100.0%**	**1,622**	**100%**	**(465)**	**-28.7%**

Use of raw materials and consumables (4ene)

The costs for raw materials and consumables amounted to € 48.762 million and include:

	1H 2018		1H 2017		Change	
Purchases of ingredients – sundry foodstuffs	31,350	64%	31,226	64%	124	0.4%
Goods for resale	8,429	17%	8,531	17%	(102)	-1%
Packaging materials	7,435	15%	7,682	16%	(247)	-3%
Consumables and ancillary material	1,547	3%	1,495	3%	52	3%
Total	**48,762**	**100%**	**48,934**	**100%**	**(172)**	**0%**

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

Personnel costs totalled € 13.707 million. A breakdown is provided below:

	1H 2018		1H 2017		Change	
Wages and salaries	9,587	70%	9,348	70%	239	3%
Social security charges	3,297	24%	3,240	24%	57	2%
Employee severance indemnity	635	5%	636	5%	(1)	0%
Other costs	188	1%	189	1%	(1)	-1%
Total	**13,707**	**100%**	**13,413**	**100%**	**294**	**2%**

The employee severance indemnity accrued in 1H 2018 may be considered a defined-contribution plan in the amount of € 635 thousand, entirely paid to the INPS Treasury account or to other pension provisions.

	Hired	Resigned	Transferred	In service	Average workforce
Managers	1		-	19	18
Middle management	1	2	1	21	23
White-collar personnel	7	8	1	194	193
Blue-collar personnel	4	2	-	208	208
Total	**13**	**12**	**2**	**442**	**442**

Amortisation and depreciation (9ene + 10ene)

Amortisation of intangible assets was calculated and recognised for a total amount of € 8 thousand. Depreciation of tangible assets was calculated and recognised for a total amount of € 3.342 million.

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

	1H 2018		1H 2017		Change	
Intangible fixed assets						
Software	8		7		1	14%
Tangible fixed assets						
Buildings	645	19%	650	21%	(5)	-1%
Plant and equipment	2,066	62%	1,951	62%	115	6%
Industrial and commercial equipment	631	19%	545	17%	86	16%
Total tangible fixed assets	**3,342**	**100.0%**	**3,146**	**100%**	**196**	**6%**

Costs for services (13ene)

The costs for services amounted to € 23.265 million and include:

	1H 2018		1H 2017		Change	
Transport for product distribution	9,732	42%	9,093	40%	639	7%
Commercial and advertising services	2,574	11%	2,469	11%	104	4%
Administrative services	2,280	10%	2,224	10%	56	3%
Industrial services	2,182	9%	2,100	9%	82	4%
Motive power and natural gas	2,116	9%	2,612	11%	(497)	-19%
Maintenance services	1,549	7%	1,641	7%	(91)	-6%
Purchase services	1,452	6%	1,442	6%	10	1%
Other	690	3%	748	3%	(59)	100%
Free gifts with products	392	2%	397	2%	(5)	-8%
Insurance services	298	1%	235	1%	63	27%
Total	**23,265**	**100%**	**22,962**	**100%**	**303**	**1%**

Lease and rental costs (14ene)

Lease and rental costs amounted to € 1.770 million. Rents currently regard industrial buildings, warehouses and vehicle parking areas.

	1H 2018		1H 2017		Change	
Industrial leases	1,451	82%	646	43%	805	125%
Leases of premises and buildings	299	17%	824	56%	(525)	-64%
Royalties	20	1%	13	1%	7	54%
Total	**1,770**	**100%**	**1,483**	**100%**	**287**	**19%**

Sundry operating expenses (15ene)

Sundry operating expenses amounted to € 937 thousand and include:

	1H 2018		1H 2017		Change	
Taxes other than income taxes	475	51%	439	47%	36	8%
Contingent liabilities	206	22%	172	18%	34	20%
Other	138	15%	186	20%	(48)	-26%
Membership fees	85	9%	90	10%	(5)	-5%

Entertainment expenses	13	1%	21	2%	(8)	-38%
Fines and penalties	7	1%	8	1%	(1)	-13%
Capital losses	-	0%	1	0%	(1)	-100%
Subscriptions to magazines and books	12	1%	17	2%	(5)	-29%
Total	**937**	**100%**	**934**	**100%**	**3**	**0%**

Financial income and charges (16ene + 17ene)

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

	1H 2018		**1H 2017**		**Change**	
Financial income						
Other	77	76%	65	76%	12	18%
Interest on VAT refunds	24	24%	20	23%	4	25%
Interest from banking institutions	-	-	1	1%	(1)	-100%
Total financial income	**101**	**100%**	**86**	**100%**	**15**	**17%**
Interest on mortgages and loans	427	52%	464	79%	(37)	-8%
Interest on bond	226	28%	-	-	226	100%
Performance bond expenses	60	7%	41	7%	19	47%
Financial charges for employee severance indemnity discounting	35	4%	50	9%	(15)	-30%
Financial charges on bond placement	33	4%	-	-	33	100%
Other	29	4%	32	5%	(3)	-10%
Finance lease interest	4	1%	-	0%	4	100%
Interest on current accounts	1	0%	1	0%	-	-
Total	**815**	**100%**	**588**	**100%**	**(32)**	**-5%**

Adjustments to equity investments

Adjustments to equity investments regard the adjustment to the 24.90% equity investment in the affiliate Mercafir S.c.p.a. to the Net Equity value for € 74 thousand.

Taxes (20ene + 21ene).

Income taxes for tax consolidation are receivable for € 29 thousand, and € 106 thousand have been recovered in deferred and prepaid taxes.

	1H 2018	**1H 2017**	**Change**
IRES for the period - 24%	(3)	110	(113)
IRAP for the period - 3.90%	(26)	(46)	20
TOTAL TAXES	**(29)**	**65**	**(93)**
Deferred/prepaid taxes	(106)	(43)	63
Total	**(135)**	**22**	**159**

BREAKDOWN OF ASSETS

NON-CURRENT ASSETS

Tangible fixed assets (1ne)

Changes in tangible fixed assets and the pertinent provisions at 30 June 2018 are broken down in the tables below:

TANGIBLE FIXED ASSETS	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Total	Fixed assets under development	Total
Historical cost	**20,929**	**56,155**	**101,659**	**18,566**	**197,309**	**4,027**	**201,336**
Accumulated depreciation	-	(20,005)	(56,001)	(14,512)	(90,518)	-	(89,443)
Initial amount	**20,929**	**36,149**	**45,658**	**4,054**	**106,791**	**4,027**	**110,817**
Acquisitions	-	308	2,492	593	3,393	2,976	6,369
Transfers	-	-	-	-	-	(115)	(115)
Disposals and eliminations	-	-	(27)	(192)	(219)	-	(219)
Use of provisions	-	-	9	183	192	-	192
Depreciation		(645)	(2,066)	(631)	(3,342)	-	(3,342)
Final amount	**20,929**	**35,813**	**46,067**	**4,007**	**106,816**	**6,888**	**113,703**

TANGIBLE FIXED ASSETS	Buildings	Plant and equipment	Industrial and commercial equipment	Total
Initial amount	**20,005**	**56,001**	**14,512**	**90,518**
Use of provisions	-	(9)	(183)	(192)
Depreciation	645	2,066	631	3,342
Final amount	**20,650**	**58,058**	**14,959**	**93,667**

Tangible fixed assets include the net book value of machinery under finance lease contracts for € 6.266 million.

Intangible fixed assets (2ne)

Changes 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	40,739	350	891	4	
Accumulated amortisation	(21,607)	-	(852)	-	
Initial amount	**19,182**	**350**	**39**	**4**	
Acquisitions	-	-	77		-
Amortisation for the period	-	-	(7)	(4)	-
Final amount	**19,082**	**350**	**109**	**-**	**-**

Considering the well-established presence on the reference market, the growing market shares and the investments in maintenance and development, the brands of the Group companies are believed to be able to generate adequate economic benefits over time, and may therefore be considered to have an indefinite useful life.

The brands with an indefinite useful life - "Centro Latte Rapallo", "Latte Tigullio", "Centrale del Latte di Vicenza" and "Mukki" – were not subjected to an impairment test at 30 June 2018, because on that date there were no indicators of impairment present.

Other financial assets (4ne)

Equity investments in affiliates – for € 1.307 million – are broken down in the table below:

	Mercafir S.c.p.a.	Filat
Initial amount	**1,229**	**4**
Increases	74	-
Decreases	-	-
Final amount	**1,303**	**4**

List of other financial equity investments

Equity investments in other companies totalled € 526 thousand and mainly regard the 0.52% interest held by Centrale del Latte della Toscana S.p.A. in the company Società Finanziaria Futura Sol of Pistoia, amounting to € 520 thousand; 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	Increases	Decreases	Final amount
Taxed risk provision	530	-	225	305
Amortisation recovered further to audit	105	-	-	105
Tax recovery of depreciation of buildings	109	-	-	109
Remuneration of directors	180	-	180	-
Membership fees	2	-	-	2
Taxed provision for bad debts	874	-	27	847
Listing	55	-	16	38
Trademarks	69	-	8	61
Prior-year losses	554	148	68	634
Total	**2,478**	**148**	**524**	**2,102**

Deferred tax assets were calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2018, 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	Increases	Decreases	Final amount
Taxed risk provision	148	-	63	85
Amortisation recovered further to audit	30	-	1	29
Tax recovery of depreciation of buildings	30	-	-	30
Remuneration of directors	46	-	46	-
Taxed provision for bad debts	210	-	6	204
Prior-year losses	134	36	16	153
Listing	15	-	4	11
Trademarks	19	-	2	17
Total	**633**	**36**	**138**	**529**

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	Final amount	Change
Raw and ancillary materials and consumables	5,249	5,549	300
Finished products and goods	3,865	4,133	268
Total	**9,114**	**9,682**	**568**

Trade receivables (8ne)

Trade receivables, all of which were due within one year, € 29.894 million at 30 June 2018, 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.

Taxed provision for bad debts remained unchanged.

The following table provides a breakdown of provisions for bad debts and changes in those provisions at 30 June 2018:

	Initial amount	Increases	Decreases	Final amount
Taxed provision for bad debts	658	-	27	631
0.5% provision for bad debts	1438	77	15	1,500
PROVISION FOR TAX LOSSES	**2,096**	**77**	**42**	**2,131**

Tax assets (10ne)

	Initial amount	Final amount	Change
VAT receivable	7,222	9,358	2,136
Income taxes	2,699	2,328	(371)
Employee severance indemnity withholdings	25	25	-
Litigation	18	18	-
Withholding taxes on interest receivable	2	2	-
Total tax assets	**9,966**	**11,731**	**1,765**

Other receivables (11ne). Receivables from others include

	Initial amount	Final amount	Change
Miscellaneous	1,135	1,199	64
Accrued income and prepaid expenses	816	1,238	421
Advances to suppliers	286	1,026	740
Deposits	114	156	42
Receivables from distributors	83	82	(1)
Loans to employees	73	80	7
Credits to be received	72	37	(35)
Receivables from social security institutions	24	25	1
Advances on salaries	4	9	5
Total receivables from others	**2,607**	**3,852**	**1,245**

Accrued income and prepaid expenses

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

	Initial amount	Final amount	Change
Loan fees	147	125	(22)
Maintenance fees	88	39	(49)
VAT guarantee policies	70	48	(22)
Advertising costs	62	30	(32)
Leases	37	19	(18)
Other costs	232	316	84
Insurance	122	205	83
Personnel Costs	-	347	347
Consulting costs	58	109	51
TOTAL PREPAID EXPENSES	**816**	**1,238**	**422**

Cash and cash equivalents (12ne+13ne).

Cash and cash equivalents, all of which are freely available, came to € 13.002 million, € 12.749 million of which in bank accounts and € 253 thousand 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 30 June 2018.

	30/06/2018	Nature	Use	Available	Eligible for distribution
Share capital	28,840				
Share premium account	14,325	Profits/capital	-	YES	NO
Merger premium reserve	3,096	Merger	-	YES	NO
Reserve from business combination ineligible for distribution	13,902	Merger	-	NO	NO
Revaluation reserve	197	Profits/capital	-	YES	YES
Legal reserve	1,658	Profits/capital	-	YES	NO
Other reserves	453	Profits/capital	YES	YES	YES
Consolidation reserve	1,845		-	NO	NO
IFRS first-time adoption reserve ineligible for distribution	135	Profits/capital	-	NO	NO
Profits (losses) carried forward	(1,106)	Profits/capital	-	NO	NO
Reserve for employee severance indemnity discounting	(216)		-	NO	NO
Profit (loss) for the period	(821)				
	62,308				

	Result for the period	Shareholders' Equity
Balances from accounting schedules at 30 June 2018 of Centrale del Latte d'Italia S.p.A.	**(732)**	**67,069**
Result for the year and Shareholders' Equity of Centrale del Latte della Toscana S.p.A.	113	25,246
Result for the year and Shareholders' Equity of Centrale del Latte di Vicenza S.p.A.	(201)	22,063
Derecognition of equity investments in companies within the scope of consolidation	-	(52,028)
Other consolidation adjustments	-	(42)

Balances as consolidated accounting schedules at 30 June 2018	**(821)**	**62,308**

NON-CURRENT AND CURRENT LIABILITIES

Financial payables (17ne+18ne+23ne+24ne+25ne)

The items that comprise the Group's financial debt, sub-divided by maturity, are broken down as follows.

	Payables within year-end	Over one year Within 5 years	Over 5 years	Total payables over one year	Total payables Total
Payables to banks for mortgages and loans	18,387	28,823	15,498	44,321	62,708
Payables to other lenders	573	445	-	445	1,018
Bond: 2017 - 2024	-	8,968	5,720	14,688	14,688
Total	**18,960**	**38,236**	**21,218**	**59,454**	**78,415**

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

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees in favour of subsidiaries
Banca di Credito Cooperativo di Cambiano S.c.p.a. Euribor rate 3 months + 1.35%	4,000	4,000	4,000	01/07/23	---
Banca del Centroveneto Cred. Coop s.c. Rate: 0.85%	1,500	1,500	1,500	31/8/18	Patronage from parent company
Banca Monte dei Paschi di Siena S.p.A. Euribor rate 3 months + 1.25%	1,000	1,000	100	30/09/18	Patronage from parent company
Banca Monte dei Paschi di Siena S.p.A. Euribor rate 3 months + 0.50%	1,500	1,500	833	30/09/18	Patronage from parent company
BNL Gruppo BNP Paribas S.p.A. Euribor rate 3 months + 0.80%	2,000	2,000	667	02/11/18	---
Centroveneto Bassano Banca Cred. Coop s.c. Euribor rate 6 months + 1.10%	1,600	1,600	270	17/12/18	Patronage from parent company
Deutsche Bank S.p.A. Euribor rate 3 months + 1.65%	1,200	1,200	225	29/01/19	---
UBI Banca S.p.A. Euribor rate 3 months + 1.10%	3,000	3,000	573	25/02/19	---
Credito Emiliano S.p.A. Euribor rate 3 months + 0.80%	1,500	1,500	1,002	11/05/19	---
Credito Emiliano SpA Euribor rate 3 months + 0.80% spread	1,000	1,000	669	11/05/2019	**Patronage from parent company**
BNL Gruppo BNP Paribas	6,000	6,000	1,200	30/06/19	
Euribor rate 6 months + 3.3%					
Credito Emiliano S.p.A. Euribor rate 12 months + 1.05%	1,000	1,000	716	02/08/19	Patronage from parent company
Cassa di Risparmio di Bra S.p.A.	800	800	354	21/03/20	Patronage from parent company

Actual rate: 0.90%					
UBI Banca S.p.A. Euribor rate 3 months + 0.85%	1,000	1,000	669	07/06/20	Patronage from parent company
ChiantiBanca Credito Cooperativo s.c. Euribor rate 6 months + 1.35%	4,000	4,000	2,026	21/06/20	---
BPER Banca S.p.A. Euribor rate 3 months + 1%	2,000	2,000	1,506	28/07/20	---
Intesa San Paolo S.p.A. Euribor rate 3 months + 1.10%	5,000	5,000	2,500	01/10/20	---
UBI Banca S.p.A. Euribor rate 3 months + 0.85%	1,000	1,000	835	16/10/20	Patronage from parent company
BNL Gruppo BNP Paribas Euribor rate 6 months + 2.20%	6,000	6,000	1,422	30/11/20	---
Unicredit S.p.A.	10	10	5	31/12/20	---
Unicredit S.p.A.	41	41	21	31/12/20	---
Banca CARIGE S.p.A. Euribor rate 6 months + 1.3%	1,000	1,000	878	31/12/20	---
Banca CARIGE S.p.A. Euribor rate 6 months + 1.3%	1,000	1,000	836	31/12/21	
Banca Popolare di Sondrio S.c.p.a. Euribor rate 6 months + 0.60%	1,500	1,500	1,500	31/01/21	---
Intesa San Paolo S.p.A. Euribor rate 3 months + 1.30%	2,000	2,000	1,385	31/03/21	Patronage from parent company
Deutsche Bank S.p.A. Euribor rate 3 months + 1.10%	2,000	2,000	1,500	30/06/21	---
Intesa San Paolo S.p.A. Euribor rate 3 months + 1%	3,000	3,000	2,294	30/06/21	Patronage from parent company
Banco BPM S.p.A. Euribor rate 1 months + 0.7%	1,500	1,500	1,009	30/06/21	Patronage from parent company
Banco BPM S.p.A. Euribor rate 3 months + 1.2%	1,500	1,500	1,111	31/12/21	---
Credit Agricole Cariparma Euribor rate 3 months + 0.85%	1,500	1,500	1,500	29/05/2022	Patronage from parent company
Unicredit Banca d'Impresa S.p.A. Euribor rate 6 months + 0.95%	1,500	1,500	1,500	31/05/2022	Patronage from parent company
Unicredit S.p.A. Euribor rate 6 months + 2.75%	3,000	3,000	1,400	30/06/25	Mortgage on an owned property in Vicenza for € 20 million
Unicredit S.p.A. Euribor rate 6 months + 1.80%	10,000	10,000	4,000	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	28,300	18,560	03/07/28	Mortgage on a property owned in Florence for € 60 million and special lien on plants for € 28.3 million
Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti	891	891	891	31/12/30	Mortgage on an owned property in Turin

Rate: 0.50% - Discounted rate: 2.95%					
Unicredit S.p.A. Rate: 2.95%	1,095	1,095	1,095	31/12/30	Mortgage on an owned property in Turin
Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti Rate: 0.50% - Discounted rate: 2.95%	295	295	295	31/12/30	Mortgage on an owned property in Vicenza
Unicredit S.p.A. Rate: 2.95%	363	363	363	31/12/30	Mortgage on an owned property in Vicenza

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.	1,151	4,231	1,542	6,925
Credit Agricole Cariparma	370	1,130	-	1,500
BNL Gruppo BNP Paribas	2,436	853	-	3,289
Intesa San Paolo S.p.A.	2,381	3,799	-	6,179
Credito Emiliano S.p.A.	2,243	144	-	2,387
Centroveneto Bassano Banca Credito Cooperativo Soc.Coop.	1,770	-	-	1,770
Banca Monte dei Paschi di Siena S.p.A.	933	-	-	933
UBI Banca S.p.A.	1,238	839	-	2,078
MPS Capital Services Banca per le Imprese S.p.A.	1,299	5,722	11,539	18,560
Chianti Banca Credito Cooperativo s.c.	1,006	1,019	-	2,026
Deutsche Bank S.p.A.	725	1,000	-	1,725
Banco BPM S.p.A.	892	2,447	281	3,620
BPER Banca S.p.A.	665	841	-	1,506
Banca CARIGE S.p.A.	578	1,136	-	1,714
Banca Popolare di Sondrio S.c.p.a.	497	1,003	-	1,500
Banca di Credito Cooperativo di Cambiano S.c.p.a.	-	3,744	256	4,000
Cassa di Risparmio di Bra	201	152	-	354
Unicredit S.p.A. per conto Cassa Depositi e Prestiti	-	303	882	1,185
Unicredit contratto di filiera	-	459	998	1,457
	18,387	**28,822**	**15,498**	**62,708**

Placement of bonds: 2017 – 2024 (19ne).

Bond totalling € 15 million issued by Centrale del Latte d'Italia S.p.A., falling due on 1 December 2024.

The bond was recognised using the amortised cost method.

	Within 12 months	Over one year, within 5 years	Over 5 years	Total
Placement of bonds: 2017 - 2024	-	8,968	5,720	14,688

***Covenants* on the placement of bonds: 2017- 2024**

- ratio between consolidated net financial debt and consolidated shareholders' equity lower than or equal to 1.50
- - consolidated ratio net financial charges consolidated value of production equal to or lower than 3.0%
- Consolidated Ebitda equal to or higher than 7 million starting from FY 2019.

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	573	445	-	1,018

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

Financial position.

The Group's net debt at 30 June 2018 amounted to € 70.913 million.

	30/06/2018	31/12/2017	Change
Cash and cash equivalents (12ne+13ne)	13,002	25,475	(12,473)
Total current financial assets	**13,002**	**25,475**	(12,473)
Payables to banks (21ne)	(5,500)	(4,963)	537
Current share of medium/long-term loans (22ne)	(18,387)	(24,520)	(6,133)
Current share of payables to other lenders (23ne)	(573)	(751)	(178)
Total current financial liabilities	**(24,460)**	**(30,234)**	**(5,774)**
Payables for medium/long-term loans (15ne)	(44,321)	(42,307)	2,014
Payables to other lenders for medium/long-term loans (16ne)	(445)	(656)	(211)
Placement of bonds: 2017 - 2024	(14,688)	(14,660)	28
Total non-current financial liabilities	**(59,454)**	**(57,624)**	**1,830**
Total financial liabilities	**(83,914)**	**(87,857)**	**(3,943)**
Net financial debt	**(70,913)**	**(62,384)**	**8,529**

Loan covenants

- Loan issued by Unicredit S.p.A. on behalf of Cassa depositi e Prestiti and loan issued by Unicredit S.p.A. related to the supply chain contract, granted to Centrale del Latte d'Italia S.p.A. e Centrale del Latte di Vicenza S.p.A., both set to mature on 31 December 2030, with an outstanding total balance of € 2.6 million at 30 June 2018: at 31/12 of each year ratio between net financial debt and shareholders' equity lower than or equal to 1.5.
- 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 million at 30 June 2018: at 31 December of each year, ratio of the borrower's net financial indebtedness to its net equity is not to exceed 1.5.
- 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 € 1.4 million at 30 June 2018: at 31 December of each year, ratio of the borrower's net financial indebtedness to its net equity is not to exceed 1.3 at 31 December 2017 and 1.25.
- 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 € 1.4 million at 30 June 2018: at 31 December of each year, 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 € 1.2 million at 30 June 2018: at 31 December of each year, ratio between net financial indebtedness and net equity lower than 2.75 – Ratio between net financial charges and revenue lower than 2.5%.
- Unsecured loan issued granted by Intesa Sanpaolo S.p.A. to Centrale del Latte della Toscana S.p.A., set to mature on 31 March 2021, with an outstanding balance of € 1.4 million at 30 June 2018: at 31/12 of each year ratio between EBITDA and financial charges lower than or equal to 1 – No losses for two consecutive FYs.
- Unsecured loan issued granted by Deutsche Bank S.p.A. to Centrale del Latte della Toscana S.p.A., set to mature on 30 June 2021, with an outstanding balance of € 1.5 million at 30 June 2018: at 31.12 of each year, ratio between EBITDA and financial charges 4.5 or lower – Ratio between net financial position and EBITDA 6.50 or higher – Ratio between net financial position and net equity 2 or higher.

Checks are carried out on annual data at 31 December to ensure covenants have been observed, and the Company considers they have been observed for the current year.

Deferred taxes (19ne)

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

	Initial amount	Increases	Decreases	Final amount
Trademarks	18,293	-	-	18,293
Elimination of tax interference – accelerated amortisation	2,075	-	(69)	2,006
Measurement of land	1,663	-	-	1,663
Equity Investments	402	-	-	402
Capital gains	-	231	(92)	139
	22,434	**231**	**(161)**	**22,503**

The following table illustrates the changes in deferred tax liabilities:

	Initial amount	Increases	Decreases	Final amount
Trademarks	5,104	-	-	5,104
Elimination of tax interference – accelerated amortisation	534	-	(19)	515
Measurement of land	464	-	-	464
Equity Investments	6			6
Capital gains	-	55	(22)	33
	6,108	**55**	**(41)**	**6,122**

Long-term provisions

Employee severance indemnity (20ne)

At 30 June 2018 the severance indemnity amounted to € 5.980 million.

Initial amount	**6,458**
Interest cost	27
Decreases and uses	(473)
Actuarial (income) loss via OCI	(32)
Final amount	**5,980**

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 30 June 2018.

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 0.98%
- 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:

30/06/2018	**Annual discounting rate**		**Annual inflation rate**		**Annual turnover rate**	
	0.25%	**-0.25%**	**0.25%**	**-0.25%**	**1.0%**	**-1.0%**
Defined benefit obligation	5,822	6,146	6,041	5,920	5,947	6,025

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 € 346 thousand. 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	305	41	-	346

Provision for liabilities and charges (22ne)

	Initial amount	**Increases**	**Decreases**	**Final amount**
Risk provision	225	-	225	-
Provision for customer indemnities	154	-	79	75
	379		**304**	**75**

CURRENT LIABILITIES

Short-term payables to banks (23ne) totalled € 23.887 million 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 € 396 thousand. This is broken down under financial payables.

Trade payables (26ne) at 30 June 2018 amounted to € 38.209 million, all payable by year-end.

Tax liabilities (28ne) include the following line items:

	Initial amount	Final amount	Change
Payables for employees' withholding taxes	597	620	23
Withholdings payable on independent contractors' fees	89	62	(27)
Payables for income taxes	228	118	(110)
Payables for other taxes	-	34	34
Total tax liabilities	**914**	**834**	**80**

Payables to social security authorities (27ne) - € 1.495 million – 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	Final amount	Change
Payables for wages and salaries	2,479	3,448	969
Accrued liabilities and deferred income	916	948	32
Payables for remuneration of directors and auditors	180	25	(155)
Other payables	76	110	34
Employee union withholdings	6	2	(4)
Total other payables	**3,658**	**4,533**	**875**

Accrued liabilities and deferred income are broken down as follows:

	Initial amount	Final amount	Change
DEFERRED INCOME			
Grants for current expenses	307	654	347
Other	384	-	(384)
Total deferred income	**691**	**654**	**(37)**
ACCRUED LIABILITIES			
Interest on bank loans	181	164	(17)
Interest on bank current accounts	2	1	(1)
Interest and charges on placement of bonds: 2017- 2024	40	44	4
Other	2	85	83
Total accrued liabilities	**225**	**294**	**69**
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	**916**	**948**	**32**

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 01/01/2018	Purchased in 2018	Sold in 2018	Shares held at 30/06/2018
Luigi LUZZATI	Chairman	166,395	-	-	166,395
Riccardo POZZOLI	Vice Chairman and Managing Director	55,125	-	-	55,125
Adele ARTOM	Director	(*) 5,845,996	(*) 35,340	-	5,881,336
Antonella FORCHINO	Director	(*) 142,517	(*) 1,590	-	144,107
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 with Mr. Maurizio Macchiavello, also in his capacity as Shareholder of l'Ulivo Srl.

The table below illustrates the situation regarding dealings with related parties at 30 June 2018, 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	2	-	-	5
Centrale del Latte d'Italia Group vis-à-vis:				
Finanziaria Centrale del Latte di Torino S.p.A. – ultimate parent company	-	2	5	-
	2	**2**	**5**	**5**

FINANCIAL AND OPERATIONAL RISKS OF THE COMPANY AND 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 Company contains this risk by drawing up quarterly agreements with milk producers and periodically determining the purchase price, 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 condensed consolidated interim 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 – previously set for 9 January 2018 – was adjourned to 25 September 2018.

During the FY a third dispute arose, since 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. On 30 May 2017, notification was received of an enforcement order and writ of execution issued by the ENASARCO Foundation for the payment of the sum of € 432,764.64 Euro relating to the assessment report of 11 November pertaining to the years 2011 – 2013. The company, within in terms established, filed a request with the Court of Rome for the suspension of the provisional enforceability of the injunction. On 6 July 2017, the Court of Rome suspended the provisional enforceability of the injunction and set the hearing for the discussion of the case for 20 December 2017. At the end of the hearing, the presiding Judge set another hearing for 17 May 2018. During said hearing, the presiding Judge, having listened to the witnesses of the parties, ordered that a deposition be taken from two witnesses who did not take part in the hearing, and adjourned the hearing again to 22 November 2018 to continue the discussion and to consider whether to admit further witnesses or grant an adjournment for a decision with a deadline for brief. On 19 July, having regard to the order for a deposition to be taken, the hearing was held at the Court of Turin, Employment Section, with the examination of the witnesses.

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, whereby it required a payment totalling €1.648 million as withholding taxes, sanctions and interest. The Company filed an appeal, and the Provincial Taxation Commission, with sentence no. 1786/8/15, upheld the combined appeals. Agenzia delle Entrate appealed against this sentence for both tax periods. The Regional Taxation Commission rejected the appeal for 2008, with sentence 284/1/17 filed on 22 February 2017. For the tax year 2009, the appeal was rejected by the Regional Taxation Commission with sentence no. 1839/17 filed on 18 December 2017. On 23 February 2018, Agenzia delle Entrate brought an appeal before the Supreme Court of Cassation against the sentence of the R.T.C. The Company brought a cross appeal on 26 March 2018. The case is currently pending a hearing being set.

In 2015, Agenzia delle Entrate – Direzione Provinciale I Turin issued the Company with notices of assessment for the tax periods 2010, 2011, 2012 and 2013, with which it requested the payment of a total of € 3.571 million for withholding taxes, sanctions and interest. The Company contested all the notices of assessment, and with sentence no. 880/5/16 filed on 27 May 2016, the Provincial Taxation Commission of Turin upheld all the combined appeals. Agenzia delle Entrate appealed against the sentence. The Regional Taxation Commission of Turin, with sentence no. 715/4/17 filed on 4 May 2017, rejected the appeal, sentencing Agenzia delle Entrate to pay the related costs. Agenzia delle Entrate brought an appeal against the judgement before the Supreme Court of Cassation. On 3 January 2018, the Company brought a cross-appeal before the Supreme Court of Cassation. The case is currently pending a hearing being set.

On 18 June 2018, Agenzia delle Entrate brought an appeal before the Court of Cassation against sentence no. 1839/17 relating to the tax period 2018. The Company brought a cross appeal against this appeal within the deadline established (31 July 2018).

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. The case is currently pending a hearing being set.

BUSINESS OUTLOOK.

During the coming quarter, no particular changes are expected in the economic situation and the market, and with the sale of the Salads & Fruits business unit, the implementation of the new organisational structures and the rationalisation of costs, a further improvement in margins can be expected during the second half of the year.

Turin, 2 August 2018 The Chairman of the Board of Directors

Luigi LUZZATI