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

FINANCIAL STATEMENTS for the year ended 31 December 2018

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BOARD OF DIRECTORS

E. D.	N.E. D.	I. D.		A.R. C.	R. C.	C.R. P.	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 **ARC = Audit and Risk Committee**

N.E.D. = Non-executive Director **R.C. = Directors' Remuneration Committee**

I.D. = Independent Director **C.R.P. = Committee for transactions with related parties**

I.D.C. = Independent Directors' Committee

BOARD OF STATUTORY AUDITORS

Debora SASSOROSSI **Chairman**

Giovanni RAYNERI **Statutory Auditor**

Francesco FINO **Statutory Auditor**

AUDITING AND CERTIFYING FIRM

DELOITTE *&* TOUCHE S.p.A. - Turin

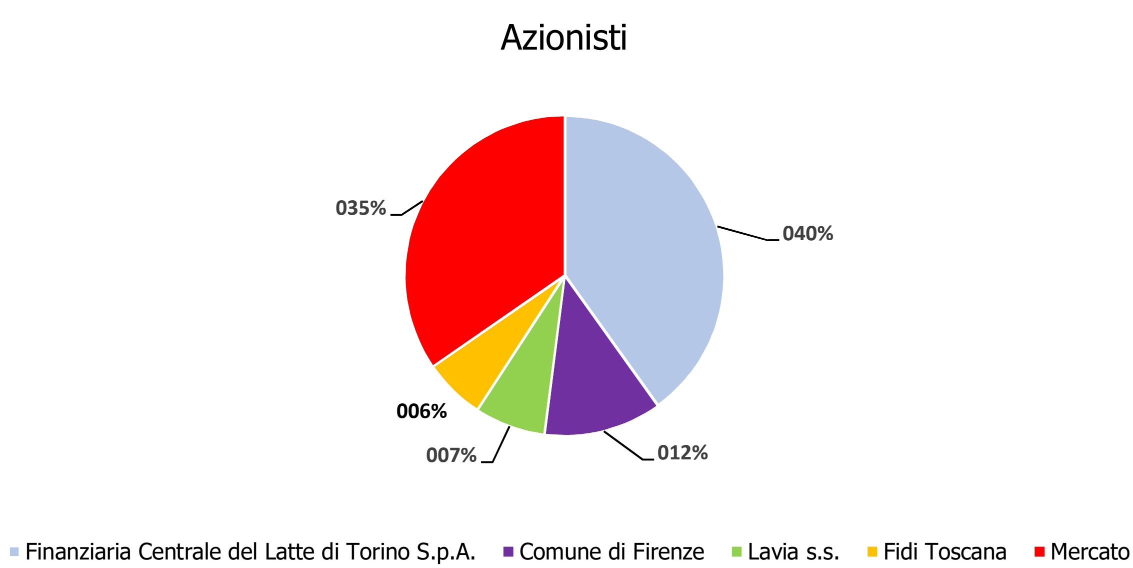
At 31 December 2018, Centrale del Latte d'Italia S.p.A. Group was made up as follows:

Shareholders

The share capital of the Company is equal to € 28,840,021.20 fully paid-up, divided into 14,000,020 ordinary shares with a par value of € 2.06 each.

According to the information available, 3,110 shareholders are registered in the shareholders' register of Centrale del Latte d'Italia S.p.A..

Starting from 11 January 2019, following the attribution of increased voting rights as a result of the provisions of art. 127 *quinquies*, para. 2, of the TUF (Consolidated Law On Finance) and art. 44 of the CONSOB-Banca d'Italia single measure on post-trading, as well as the provisions of art. 5 of the Articles of Association, the number of voting rights is 15,396,657. The holders of ordinary shares amounting to more than 5% are:



Finanziaria Centrale del Latte di Torino S.p.A.	40.11%
Municipality of Florence	11.91%
Lavia s.s.	7.16%
Fidi Toscana	6.21%
Market	34.61%

Centrale del Latte d'Italia Group

2018 Separate and Consolidated Financial Statements

Director's Report

Dear Shareholders,

FY 2018.

2018 was a particularly complicated year, in which political uncertainty and complex economic and climate conditions had a strong influence on the market and the consumption of food products. The considerations expressed in the periodic reports, highlighting signs of weakness and a slowdown in growth, with a consequent fall in consumption, were confirmed at year-end. The Milk market was affected by the aforementioned structural weakness, which penalised daily spending in particular, causing a situation in which the main trend was towards limiting purchases.

By differentiating in terms of areas and customers, and as a result of the winning characteristics of its brands and its presence in large cities and top tourist areas, the Group was able to respond positively to this period of crisis. The analysis of IRI data at the end of 2018 shows that the drop recorded by the Group in the milk market was one point lower than the drop in the Italian market as a whole, once again confirming the strength and reactivity of the Group's strategic decisions in terms of products, markets and sales channels.

In this context, the Group strengthened its market positions, and is the third-largest milk and dairy hub in Italy, with an Italian market share of 7.7% in terms of value in the fresh and ESL milk sector and of 4% in the long-life (UHT) milk sector.

In the regions of Piemonte - Valle d'Aosta, Tuscany, Liguria and Veneto, the Group maintains a leadership position, with market shares in the four regions of 28.7% in the fresh milk + ESL milk sector, and 14.6% in the UHT milk sector.

(Source IRI Infoscan Iper + Super +LSP at 31 December 2018).

Exports continued to grow, also through the online and mobile sales channel, and the first Chinese virtual flagship store was opened on Tmall, the largest e-commerce b-to-c (business to consumer) platform of Alibaba Group.

In total, Centrale del Latte d'Italia Group's exports went from € 1.644 million to € 3.471 million, accounting for 1.9% of consolidated turnover.

The Group closed FY2018 with a consolidated turnover reaching € 180.325 million compared to € 178.152 million, up 1.2%. EBITDA equalled € 7.738 million (4.3% on the value of production), versus € 7.244 million in 2017 (3.9% on the value of production). EBIT was positive for € 849 thousand (0.5% on the value of production), versus € 661 thousand in 2017. The consolidated net result after taxes and after recording prepaid taxes for € 541 thousand related to the Patent Box, was positive for € 398 thousand, compared to the net loss after taxes of € 260 thousand of FY2017.

On 15 October, 2018 Centrale del Latte d'Italia S.p.A. signed a preventive agreement with the Italian Revenue Agency to obtain access to the benefits of the Patent Box tax regime for the calculation of the income entitled to reduced taxation deriving from the use of its own brands for the 2015 tax year and for the following 4 years. The value of the tax benefit for the years 2015 to 2017 was equal to € 541 thousand, recognised in prepaid taxes and taxes of previous years. The value of the income entitled to reduced taxation for 2018, amounting to € 1.414 million, was deducted from the taxable amount for the 2018 tax year.
In 2018 an industrial and commercial partnership was reached in the sector of fresh salads and other vegetable products between 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.

The agreement concerned the transfer to Zerbinati of the "Salads & Fruits" business unit, located in Casteggio (Pavia) and used for the production of fresh salads, and has guaranteed continuity of production and the employment of the 26-strong staff in Casteggio. At the same time, CLI, through its sales channels, started 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 sale of the business unit generated a capital gain in the accounts totalling € 145 thousand.

Significant investments continued during 2018 for the new automated warehouse for the storage of finished products and for the modernisation and redevelopment of a number of production lines in the Parent Company factory in Turin. These investments are partly supported by the Supply Chain Contract and the Development Contract with Invitalia, and will be completed in 2020, with an expected further cost of approx. € 12 million.

Public contributions

Following the signing, on 22 December 2017, with the National Agency for Attracting Investments and Business Development S.p.A. – INVITALIA – of the Loan Contract offering special conditions pursuant to the Decree of 9 December 2014 of the Ministry of Economic Development as amended, Centrale del Latte d'Italia S.p.A. was granted a soft loan totalling € 8,197,945, of which € 745,267 in the form of a subsidy on a no-return basis and € 7,452,678 at a special reduced rate.

During the year, the Company received and recognised in the Financial Statements the first instalment of both the subsidy on a no-return basis of € 139,000 and of the soft loan, amounting to € 1,547,441.62.

During 2018, Centrale del Latte di Vicenza S.p.A. received a contribution for current expenses of € 200.00 following acceptance of application no. 3509007 of 22.12.2016 presented to AVEPA – Agenzia Veneta per i Pagamenti in Agricoltura (Veneto Region Agency for Payments in Agriculture) and regarding the investment measure for the processing and sale of agricultural and livestock products referred to in the Veneto Region Rural Development Programme – EU Reg. no. 1305/2013 Public Announcement of Regional Council Resolution no. 1937 of 23 December 2015.

For the settlement of the pending tax litigation referred to in the following chapter "Other risks" in the notes, the Parent Company posted tax payables of € 121,314 to taxes for previous FYs.

The economic management and the equity position of the Group in FY2018 are illustrated in the reclassified consolidated financial statements in annex a) of this report. This annex contains a description of the criteria adopted for drawing up the reclassified accounting statements, notes referring back to the items in the statutory financial statements and information regarding "alternative performance indicators".

Summary of the main FY figures

(€/000)	2018	% on value of production	2017	% on value of production	Change	
Revenue from sales and services	180,325		178,152		2,173	1.2%
Value of production	183,138		182,182		956	0.5%
EBITDA	7,738	4.3%	7,244	4.0%	493	6.8%
EBIT	849	0.5%	661	0.4%	188	28.4%
Pre-tax result	(404)	-0.2%	(309)	-0.2%	95	30.7%
Net profit (loss) after taxes	398	0.2%	(261)	-0.1%	659	252.4%

The Group's net revenue amounted to € 180.325 million, compared to € 178.152 million of the previous FY. The Group's net revenue for 2017 is shown in application of IFRS 15, which came into force on 1 January 2018.

Although a single operating sector has been identified at both Group and ultimate parent company level, shown in the table below is a breakdown per segment:

(€/000)	2018		2017		Change	
Fresh milk + ESL	68,675	38.1%	70,815	39.7%	(2,140)	-3.0%
UHT milk	40,671	22.6%	40,709	22.9%	(38)	-0.1%
Yogurt	8,823	4.9%	8,345	4.7%	478	5.7%
Fresh vegetables	5,963	3.3%	6,219	3.5%	(257)	-4.1%
Bulk milk and cream	3,889	2.2%	3,966	2.2%	(77)	-1.9%
Other packaged products	45,951	25.5%	43,805	24.6%	2,146	4.9%
Vegetable-based products	2,882	1.6%	2,649	1.5%	233	8.8%
Export	3,471	1.9%	1,644	0.9%	1,827	111.2%
Total	**180,325**	**100.0%**	**178,152**	**100.0%**	**2,173**	**1.2%**

Personnel costs reached € 26.505 million, compared to € 26.296 million in 2017. The average workforce in FY2018 came to 433 units: In 2017 there were 445 employees. The number of employees working for the Group at 31 December 2018 was 413, compared to 445 at 31 December 2017. The average number of employees at 2018 year-end was as follows:

- Management - 19
- Middle management - 23
- White-collar personnel - 192
- Blue-collar personnel - 199

Depreciation of tangible fixed assets went from € 6.367 million in 2017 to € 6.594 million in 2018, while amortisation of intangible fixed assets totalled € 17 thousand (€ 14 thousand in 2017).

Capital gain on dismissal of non-current assets.

Capital gains from the sale of non-current assets amounted to € 248 thousand, of which € 145 for the sale of the "Salads & Fruits" business unit by Centrale del Latte d'Italia S.p.A., and € 103 thousand for the sale of other plant and machinery.

Financial income and expenses. Financial expenses registered at the end of FY2018 amounted to a total of € 1.520 million, compared to € 1.187 million of the previous FY, and are mainly attributable to interest on loans and financing (€ 947 thousand) and on the 2017-2024 bond placement (€ 63 thousand). Financial income from interest receivable reached € 193 thousand, compared to € 72 thousand in 2017.

Adjustment to equity investments.

The adjustment of the value of the equity investments amounted to € 74 thousand, and regarded the adjustment of the equity investment in Mercafir S.c.p.a. held by Centrale del Latte della Toscana S.p.A. to the Net Equity value.

Financial Position.

The Group's net financial position at the end of FY2018 was negative for € 73.798 million, mainly with medium-long term maturities, reflecting the investments under way in the Group's factories.

The average cost of the financial debt was 1.4%.

(€/000)	31/12/2018	31/12/2017	Change
Cash and cash equivalents (12ne+13ne)	13,028	25,475	(12,447)
Total current financial assets	**13,028**	**25,475**	**(12,447)**
Payables to banks (24ne)	(3,500)	(4,963)	1,463
Short terms portion of medium/long-term loans (25ne)	(16,764)	(24,520)	7,756
Short terms portion of payables to other lenders (26ne)	(366)	(751)	385
Total current financial liabilities	**(20,631)**	**(30,234)**	**9,603**
Long-term loans (17ne)	(51,140)	(42,308)	(8,832)
Long-term payables (18ne)	(329)	(656)	327
Long term bonds (19ne) (*)	(14,727)	(14,660)	(66)
Total non-current financial liabilities	**(66,195)**	**(57,624)**	**(8,572)**
Total financial liabilities	**(86,826)**	**(87,857)**	**1,031**
Net financial debt	**(73,798)**	**(62,383)**	**(11,416)**

(*) the value is carried at amortized cost.

INFORMATION ON FINANCIAL AND OPERATING RISKS OF THE GROUP.

Risks associated with the business activity

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

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

Financial risks

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

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

Interest rate risk

The Group's exposure to interest rate risk is connected mainly to long-term loans and financing, to which are normally applied interest rates equivalent to 3 month, 6 month and 12 month Euribor rates plus a fixed spread. With the application of the so-called "Basel 2" all the companies in the Group are subjected to an analysis on the part of credit institutes that attribute a rating to them; the fixed spread may vary depending on the rating assigned. At the date of closure of these consolidated financial statements, no variations had been applied. Details of the rates applied to individual loans are provided in the notes to the consolidated financial statements, specifically in the note regarding financial payables.

Liquidity risk

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

Credit risk

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

Other risks

With regard to the dispute initiated by the ENASARCO Foundation, for the first, the ENASARCO Foundation has an appeal pending with the Court of Cassation to overturn order 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 order 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 order 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, when it was newly adjourned to 17 September 2019.

A third dispute arose 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. 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. The hearing held on 22 November 2018 postponed the hearing again to 21 March 2019.

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 order no. 1786/8/15, upheld the combined appeals. Agenzia delle Entrate appealed against this order for both tax periods. The Regional Taxation Commission rejected the appeal for 2008, with order 284/1/17 filed on 22 February 2017. For the tax year 2009, the appeal was rejected by the Regional Taxation Commission with order 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 order of the R.T.C. The Company brought a cross appeal on 26 March 2018.

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 order 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 order. The Regional Taxation Commission of Turin, with order no. 715/4/17 filed on 4 May 2017, rejected the appeal, ordering 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. On 18 June 2018, Agenzia delle Entrate brought an appeal before the Court of Cassation against order no. 1839/17 relating to the tax period 2018. The Company brought a cross appeal against this appeal within the deadline established.

With regard to the dispute with Agenzia delle Entrate for the years 2008 – 2009 -2010 – 2011 -2012 and 2013, the Company has decided to apply for the settlement concessions for pending tax litigation (so-called "tax amnesty") which, in the event both decisions (orders of the Regional Tax Commission, CTR) are favourable, allows for the settlement of the disputes with the payment of an amount equal to 5% of the higher tax assessed, with no interest or sanctions. The amount thus calculated totalled € 121,314, which was entered in the financial statements.

Regarding the tax inspection concerning FY 2004, please note that, following the order 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 pending.

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

During 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 € 3.59 per share, as compared to a minimum of € 2.64. The last trading day of the year, the company shares closed at € 2.73 per share. According to the information available, 3,110 shareholders are registered in the shareholders' register of Centrale del Latte d'Italia S.p.A..

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

Economic management

FY2018 of Centrale del Latte d'Italia S.p.A. closed with net revenue reaching € 79.732 million, +2.5% compared to € 77.784 million in FY2017. EBITDA equalled € 2.651 million (3.3% on the value of production), versus € 2.737 million in 2017 (3.5% on the value of production). EBIT was positive for € 475 thousand (0.6% on the value of production), versus a negative figure of € 581 thousand in 2017 (0.7% on the value of production). The net result after taxes and after recording prepaid taxes for € 541 thousand related to the Patent Box, was positive for € 487 thousand, compared to € 204 thousand in 2017.

As mentioned above, Company's sales amounted to € 79.732 million, up 2.5%.

At the end of FY 2018, the main indicators in the income statement are summarised and compared with those of FY 2017 in the following table:

(€/000)	2018	% on value of production	2017	% on value of production	Change	
Revenue from sales and services	79,732		77,784		1,948	2.5%
Value of production	81,052		79,226		1,826	2.3%
EBITDA	2,651	3.3%	2,737	3.5%	(85)	-3.1%

EBIT	476	0.6%	581	0.7%	(106)	-18.1%
Pre-tax result	(88)	-0.1%	248	0.3%	(335)	-135.2%
Net profit (loss) after taxes	487	0.6%	204	0.3%	283	138.1%

Revenue from sales

Revenue from sales increased by 2.5% compared to 2017.

The following table clearly illustrates sales in the segments that make up the turnover:

	2018		2017		Change	
Fresh milk + ESL	30,918	38.8%	32,960	42.4%	(2,042)	-6.2%
Intercompany	1,450	1.8%	954	1.2%	496	52.0%
Total fresh milk	**32,368**	**40.6%**	**33,914**	**43.6%**	**(1,546)**	**-4.6%**
UHT milk	13,574	17.0%	12,401	15.9%	1,174	9.5%
Intercompany	244	0.3%	238	0.3%	6	2.7%
Total UHT milk	**13,819**	**17.3%**	**12,638**	**16.2%**	**1,180**	**9.3%**
Yogurt	1,999	2.5%	2,253	2.9%	(254)	-11.3%
Total yogurt	**1,999**	**2.5%**	**2,253**	**2.9%**	**(254)**	**-11.3%**
Fresh vegetables	4,569	5.7%	4,900	6.3%	(330)	-6.7%
Intercompany	899	1.1%	746	1.0%	153	20.4%
Total fresh vegetables	**5,468**	**6.9%**	**5,646**	**7.3%**	**(178)**	**-3.1%**
Vegetable-based products	1,135	1.4%	1,076	1.4%	59	5.4%
Intercompany	5	-	5	-	-	-
Vegetable-based products	**1,140**	**1.4%**	**1,082**	**-**	**58**	**5.4%**
Bulk milk and cream	1,022	1.3%	1,474	1.9%	(451)	-30.6%
Intercompany	211	0.3%	212	0.3%	(1)	-0.6%
Total bulk milk and cream	**1,233**	**1.5%**	**1,686**	**2.2%**	**(452)**	**-26.8%**
Other packaged products	19,979	25.1%	18,659	24.0%	1,320	7.1%
Intercompany	312	0.4%	262	0.3%	50	19.1%
Total other packaged products	**20,291**	**25.4%**	**18,921**	**24.3%**	**1,370**	**7.2%**
Export	**3,415**	**4.3%**	**1,644**	**2.1%**	**1,771**	**107.8%**
Total	**79,732**	**100%**	**77,784**	**100%**	**1,948**	**2.5%**
of which intra-group	3,120	3.9%	2,417	3.1%	703	29.1%

Other revenue

Other revenue amounted to € 1.526 million compared to € 1.077 thousand in FY2017. The breakdown of this revenue is illustrated in the pertinent table contained in the notes.

Personnel costs reached € 11.758 million, compared to € 11.363 million in 2017. The average number of employees related to the factories in Turin, Rapallo (GE) in FY2018 was 196, compared to an average of 205 in 2017. The number of employees working for the Group at 31 December 2018 was 175, compared to 204 at 31 December 2017. The average number of employees at 2018 year-end was as follows:

- Management - 9
- Middle management - 11
- White-collar personnel - 77
- Blue-collar personnel - 99

Depreciation on tangible fixed assets went from € 1,927 million in 2017 to € 1,987 million in 2018.

Capital gain on dismissal of non-current assets.

Capital gains from the sale of non-current assets amounted to € 248 thousand, of which € 145 for the sale of the "Salads & Fruits" business unit by Centrale del Latte d'Italia S.p.A., and € 103 thousand for the sale of other plant and machinery.

Financial income and expenses. Financial expenses registered at the end of FY2018 amounted to a total of € 686 thousand, compared to the € 286 thousand of the previous FY, and are mainly attributable to interest on loans and financing and on the bond placement (€ 364 thousand). Financial income from interest receivable amounted to € 122 thousand, of which € 88 thousand relating to loans granted to the subsidiary Centrale del Latte di Vicenza S.p.A.

For each of the paragraphs considered hitherto, regarding revenue and costs for FY2018, statements illustrating the figures and comparing them with the previous financial year have been drawn up and published in the notes to the financial statements.
The economic management and the equity position of the Parent Company in FY2018 are illustrated in the reclassified consolidated financial statements in annex a) of this report. This annex contains a description of the criteria adopted for drawing up the reclassified accounting statements, notes referring back to the items in the statutory financial statements and information regarding "alternative performance indicators".

Net financial position

The Parent Company's net financial position at the end of FY2018 was negative for € 20.241 million, compared to the € 6.867 million recorded at the end of 2017, reflecting the investments under way in the Turin plant.

The average cost of financial debt was 2%.

(€/000)	31/12/2018	31/12/2017	Change
Cash and cash equivalents (13ne+14ne)	8,654	23,115	(14,461)
Total current financial assets	**8,654**	**23,115**	**(14,461)**
Payables to banks (25ne)	(1,000)	-	(1,000)
Short terms portion of medium/long-term loans (26ne)	(4,200)	(7,576)	3,375
Short terms portion of payables to other lenders (27ne)	(22)	(68)	45
Total current financial liabilities	**(5,224)**	**(7,644)**	**2,420**
Long-term loans (18ne)	(8,895)	(7,678)	(1,215)
Long-term payables (19ne)	(51)	-	(51)
Long terms bond (20ne) (*)	(14,727)	(14,660)	(66)
Total non-current financial liabilities	**(23,672)**	**(22,338)**	**(1,332)**
Total financial liabilities	**(28,895)**	**(29,982)**	**1,087**
Net financial position	**(20,241)**	**(6,867)**	**(13,373)**

(*) the value is carried at amortized cost.

Information on the Subsidiaries included in the scope of consolidation.

Centrale del Latte della Toscana S.p.A.

Centrale del Latte di Toscana S.p.A., a 100%-subsidiary, closed FY2018 with EBITDA of € 4.042 million (5.1% on the value of production) compared to € 3.516 million (5.1% of the value of production) and a negative result after taxes of € 534 thousand (net loss of € 36 thousand in 2017). Revenue from sales, gross of intra-group sales, amounted to € 77.628 million, compared to € 79.123 million in FY2017.

Centrale del Latte di Vicenza S.p.A.

Centrale del Latte di Toscana S.p.A., a 100%-subsidiary, closed FY2018 with EBITDA of € 1,096 million (3.4% on the value of production) compared to € 992 thousand in 2017 (3.3% of the value of production) and a negative result after taxes of € 623 thousand (net loss of € 501 thousand in 2017). Revenue from sales, gross of intra-group sales, amounted to € 31.989 million, compared to € 29.297 million in FY2017.

The value of the intangible, property and technical assets of the subsidiary Centrale del Latte di Vicenza S.p.A. underwent assessments on the part of external, independent bodies, which showed that their economic recoverable value is higher than that entered in the financial statements.

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

Reconciliation between Separate Financial Statements and Consolidated Financial Statements

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

OTHER INFORMATION

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

Corporate Governance Code

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

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

Code of behaviour for internal dealing

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

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

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

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

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

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

The adoption and spread of the model is aimed at rendering potential offenders fully aware that they may in fact be committing an offence and at carrying out constant observation and monitoring of activities so as to ensure Centrale del Latte 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.

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 31 December 2018.

SUBSEQUENT EVENTS THE CLOSE OF THE FINANCIAL YEAR.

Subsequently to the close of the FY, the Parent Company has continued the programme of investments for the redevelopment and implementation of the operating offices in Turin. Reports are being drafted on the investments made for the progress payments of the pertinent medium/long-term loans.

BUSINESS OUTLOOK.

The difficult situation regarding domestic consumption continues in 2019. The Group's aim will be to consolidate sales to customers and consumers on the Italian market, also with the launch of new, innovative products, and to support further exports, also to new markets. The simplification of the Group's organisational structures and the on-going rationalisation of costs will also continue during 2019.

Dear Shareholders,

We would like to thank those in charge of the Deloitte & Touche S.p.A. Audit Company, the board of statutory auditors, managers, employees and workers for their cooperation, and we invite you to approve the financial statements at 31 December 2018, the relevant explanatory notes and this report on management allocating the profit for the year (€ 487,010) as follows:

• to the legal reserve	€	24,350
• to the extraordinary reserve	€	462,660

Turin, 15 March 2019 The Chairman of the Board of Directors

Luigi Luzzati

Centrale del Latte d’Italia Group

2018 Separate and Consolidated Financial Statements

Directors’ Report – Annexes

Reclassified schedules.

The reference in the first column is to the individual item or group of items in the statutory schedule on which the reclassification is based.

The amounts shown are in €/000.

ALTERNATIVE PERFORMANCE INDICATORS (APIs)

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

- these indicators have been drawn up based exclusively on data from the records and correspond to those entered in the financial statements of CLI Group, and are not indicative of the future performance thereof;
- the APIs are not contemplated in the reference accounting standards (*International Financial Reporting Standards*) regarding CLI Group, and although they are taken from the financial statements of the same, they are not subject to accounting audit;
- the APIs must not be considered a substitute of the indicators provided for in the reference accounting standards;
- the API for FY2018 were drawn up with consistent, standardised definitions and representative of FY2017.
- the definitions of the indicators used by CLI Group may not be the same as those adopted by other companies/groups and therefore may not be comparable with them.

ALTERNATIVE PERFORMANCE INDICATORS (APIs) - DEFINITION

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

Annex a) Reclassified consolidated accounting schedules

Consolidated income statement reclassified by nature

		2018		2017		Change 2018-2017	
1ec	Revenue from sales and services	180,325	98.5%	178,152	97.8%	2,173	1.2%
3ec	Change in inventories	(133)	-0.1%	886	0.5%	(1,019)	-115.0%
2ec	Other revenue and income	2,946	1.6%	3,144	1.7%	(198)	-6.3%
	Value of production	**183,138**	**100.0%**	**182,182**	**100%**	**956**	**0.5%**
12ec+13ec	Services	(48,523)	-26.5%	(48,100)	-26.4%	(423)	0.9%
4ec	Consumption of raw material	(98,617)	-53.8%	(98,684)	-54.2%	67	-0.1%
15ec	Other operating costs	(1,705)	-0.9%	(1,858)	-1.0%	153	-8.2%
	Added value	**34,293**	**18.7%**	**33,540**	**18.4%**	**753**	**78.8%**
5ec+6ec+7ec +8ec	Personnel costs	(26,505)	-14.5%	(26,296)	-14.4%	(209)	0.8%
	EBITDA	**7,788**	**4.3%**	**7,244**	**4.0%**	**544**	**7.5%**
11ec	Allowance to provision for bad debts	(279)	-0.2%	(202)	-0.1%	(77)	38.2%
10ec	Amortization of tangible fixed assets	(6,594)	-3.6%	(6,367)	-3.5%	(227)	3.6%
9ec	Amortisation of intangible fixed assets	(17)	0.0%	(14)	0.0%	(3)	19.9%
	Risk allowance	(50)	0.0%	-	0.0%	(50)	100.0%
	EBIT	**848**	**0.02%**	**661**	**0.4%**	**187**	**28.4%**
15ec	Financial income	193	0.1%	191	0.1%	2	0.9%
16ec	Financial charges	(1,520)	-0.8%	(1,187)	-0.7%	(333)	28.1%
17ec	Adjustment to equity investments	74	0.0%	107	0.1%	(33)	-30.5%
18ec	**Capital gain on equity investment disposal**	**-**	**-**	**11**	**0.0%**	**(11)**	-100.0%
19ec	**Adjustment to financial asset**	**-**	**-**	**(92)**	**0.1%**	**92**	100.0%
	Pre-tax profit (loss)	**(404)**	**-0.2%**	**(309)**	**-0.2%**	**(96)**	**30.9%**
21ec	Income taxes from tax consolidation	(142)	0.1%	(203)	-0.1%	462	-227.7%
22ec	(Deferred) prepaid taxes	944	0.3%	252	0.1%	291	115.6%
	Net profit (loss) for the year	**398**	**0.3%**	**(261)**	**-0.1%**	**658**	**-253.2%**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	2018	2017
Total net profit (loss)	**398**	**(261)**
Actuarial gains (losses)	128	(184)
Total other comprehensive profits (losses)	**128**	**(184)**
Total comprehensive net profit (loss)	**526**	**(445)**

Reclassified Consolidated Balance sheet

		31/12/2018		31/12/2017	
	Fixed assets				
1	Tangible fixed assets	112,257		106,790	
2	Tangible fixed assets in progress	8,174		4,027	
3	Intangible fixed assets	19,644		19,521	
3	Intangible fixed assets in progress	1		-	
4	Equity investments and securities	1,934		1,761	
6	Financial receivables from affiliates	2		2	
	Total fixed assets	**142,012**	**94.7%**	**132,100**	**95.2%**
	Working capital				
9	Trade receivables	30,114		31,449	
8	Inventories	9,971		9,114	
5+7+11+12	Other receivables	15,150		13,206	
35+36	Trade payables	(40,588)		(41,230)	
38+39	Other payables	(5,687)		(4,993)	
37	Tax liabilities	(964)		(914)	
	Net working capital	**7,996**	**5.3%**	**6,631**	**4.8%**
	LIABILITIES AND EQUITY	**150,008**	**100%**	**138,731**	**100.0%**
	Long-term liabilities and provisions				
29	Employee severance indemnity	5,819		6,458	
31	Other provisions	127		379	
30	Director's severance indemnity	382		306	
28	Provision for deferred taxes	6,160		6,108	
	Total long-term liabilities and provisions	**12,488**	**8.3%**	**13,251**	**9.6%**
	Financial position				
13+14	Cash and cash equivalents	(13,028)		(25,475)	(13.028)
32	Payables to banks	3,500		4,963	
33	Short terms portions of medium/long-term loans	16,764		24,520	
34	Short terms portions of payables to other	366		751	

27	Long-term payables to other	329		656	
26	Long-term loans	51,140		42,309	
29	Long term bonds	14,727		14,660	
	Net financial position	**73,798**	**49.2%**	**62,383**	**45.0%**
	Shareholders' Equity				
16	Share capital	28,840		28,840	
17+18+19+20+ 21+22+23+24	Reserves	34,483		34,518	
25	Net profit (loss)	398		(261)	
	Total Shareholders' Equity	**63,721**	**42.5%**	**63,097**	**45.5%**
	LIABILITIES AND EQUITY	**150,008**	**100.0%**	**138,731**	**100.0%**

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

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

		2018		2017		Change 2018-2017	
1ec	Revenue from sales and services	79,732	98.4%	77,784	98.2%	1,948	2.5%
3ec	Change in inventories	(206)	-0.3%	364	0.5%	(570)	-156.6%
2ec	Other revenue and income	1,526	1.9%	1,078	1.4%	448	41.6%
	Value of production	**81,052**	**100.0%**	**79,226**	**100.0%**	**1,826**	**2.3%**
12ec+13ec+14ec	Services	(22,190)	-27.4%	(22,191)	-28.0%	1	0.0%
4ec	Consumption of raw materials	(43,813)	-54.1%	(42,104)	-53.1%	(1,709)	4.1%
15ec	Other operating costs	(640)	-0.8%	(832)	-1.1%	192	-23.1%
	Added value	**14,409**	**17.8%**	**14,099**	**17.8%**	**310**	**2.2%**
5ec+6ec+7ec+8ec	Personnel expenses	(11,758)	-14.5%	(11,363)	-14.3%	(395)	3.5%
	EBITDA	**2,651**	**3.3%**	**2,737**	**3.5%**	**(86)**	**-3.1%**
11ec	Allowance for bad debts	(248)	-0.3%	(169)	-0.2%	(79)	46.5%
10ec	Amortization of tangible fixed assets	(1,928)	-2.4%	(1,987)	-2.5%	59	-3.0%
	EBIT	**475**	**0.6%**	**581**	**0.7%**	**(106)**	**-17.9%**
15ec	Financial income	122	0.2%	35	0.0%	87	248.5%
16ec	Financial charges	(686)	-0.8%	(286)	-0.4%	(400)	139.9%
17ec	Adjustment to equity investments	-	-	(1)	0.0%	1	100.0%
18ec	Capital gain on equity investment disposal	-	-	11	-0.1%	(11)	-100.0%
19ec	Adjustment to financial asset	-	-	(92)	-0.1%	92	100.0%
	Pre-tax result	**(89)**	**-0.1%**	**248**	**0.3%**	**(337)**	**-135.1%**
21ec	Income taxes	(52)	-0.1%	(146)	-0.2%	94	-64.1%
22ec	(Deferred) prepaid taxes	627	0.8%	102	0.1%	**525**	**514.7%**
	Net profit (loss) for the year	**487**	**0.6%**	**204**	**0.3%**	**283**	**138.7%**

STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
Total net profit (loss)	**487**	**204**
Actuarial gains (losses)	61	(77)
Total other comprehensive profits (losses)	**61**	**(77)**
Comprehensive net profit (loss)	**548**	**127**

Reclassified balance sheet of Centrale del Latte d'Italia S.p.A.

		31/12/2018		31/12/2017	
	Fixed assets				
1	Tangible fixed assets	19,384		15,498	
2	Tangible fixed assets in progress	8,172		3,426	
3	Intangible fixed assets	6,241		6,240	
4	Equity investments and securities	52,031		52,031	
6	Financial receivables from subsidiaries	3,000		-	
	Financial receivables from affiliates	1		1	
	Total fixed assets	**88,829**	**95.5%**	**77,196**	**98.2%**
	Working capital				
8+9+10	Trade receivables	13,130		12,208	
7	Inventories	3,316		2,811	
11+12	Other receivable	11,152		7,933	
33+37+38	Trade payables	(19,686)		(17,830)	
40+41	Other payables	(3,054)		(2,602)	
39	Tax liabilities	(390)		(298)	
	Net working capital	**4,467**	**4.8%**	**2,222**	**2.8%**
	LIABILITIES AND EQUITY	**93,296**	**100.0%**	**79,418**	**100.0%**
	Long-term liabilities and provisions				
30	Employee severance indemnity	2,118		2,252	
32	Other provisions	77		154	
31	Directors Severance indemnity	382		305	
29	Provision for deferred taxes	2,138		2,048	
	Total long-term liabilities and provisions	**4,715**	**5.1%**	**4,759**	**6.0%**
	Financial position				
13+14	Cash and cash equivalents	(8,654)		(23,115)	
33	Payables to banks	1,000		-	
34	Short terms portion of medium/long-term loans	4,202		7,576	
35	Short terms portion of payables to other lenders	22		68	
28	Long-term payables to other lenders	51		-	

27	Long-term loans	8,893		7,678	
30	Long term bond	14,727		14,660	
	Net financial position	**20,241**	**21.8%**	**6,867**	**8.6%**
	Shareholders' Equity				
16	Share capital	28.840		28.840	
17+18+19+20+21+22+23+24+	Reserves	39.013		38.748	
25	Net profit (loss)	487		204	
	Total Shareholders' Equity	**68,341**	**73.3%**	**67,792**	**85.4%**
	LIABILITIES AND EQUITY	**93,296**	**100.0%**	**79,418**	**100.0%**

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

The income (€ 184 thousand) deriving from the transfer of the loss to the consolidated tax position is presented under the opposite sign among "(Deferred) prepaid taxes".

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

	2018		2017		Change 2018-2017	
Revenue from sales and services	77,628	98.4%	79,123	97.6%	(1,495)	-1.9%
Change in inventories	(196)	-0.2%	319	0.4%	(515)	-161.4%
Other revenue and income	1,492	1.9%	1,639	2.0%	(147)	-9.0%
Value of production	**78,924**	**100.0%**	**81,081**	**100.0%**	**(2,157)**	**-2.7%**
Services	(20,177)	-25.6%	(19,977)	-24.6%	(200)	1.0%
Consumption of raw materials	(43,030)	-54.5%	(45,678)	-56.3%	2,648	-5.8%
Other operating costs	(809)	-1.0%	(783)	-1.0%	(26)	3.4%
Added value	**14,908**	**18.9%**	**14,644**	**18.1%**	**265**	**1.8%**
Personnel costs	(10,866)	-13.8%	(11,128)	-13.7%	262	-2.4%
EBITDA	**4,042**	**5.1%**	**3,516**	**4.3%**	**527**	**15.0%**
Amortization of tangible fixed assets	(3,185)	-4.0%	(3,075)	-3.8%	(110)	3.6%
Amortisation of intangible fixed assets	(3)	0.0%	(3)	0.0%	-	0%
Allowances	(50)	-0.1%	-	-	(50)	100.0%
EBIT	**804**	**1.0%**	**438**	**0.5%**	**366**	**83.5%**
Financial income	156	0.2%	154	0.2%	2	1.3%
Financial charges	(582)	-0.7%	(637)	-0.8%	55	-8.6%
Adjustments of equity investments	74	0.1%	108	0.1%	-34	31.5%
Pre-tax result	**452**	**0.6%**	**64**	**0.1%**	**390**	**629%**
Income taxes	(85)	-0.1%	(55)	-0.1%	(30)	53.9%
(Deferred) prepaid taxes	167	0.2%	27	0.0%	140	518.5%
Net profit (loss) for the year	**534**	**0.7%**	**36**	**0.0%**	**498**	**1383.1%**

STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
Total net profit (loss)	**534**	**36**
Actuarial gains (losses)	55	(84)
Total other comprehensive profits (losses)	**55**	**(84)**
Comprehensive net profit (loss)	**589**	**(49)**

Reclassified balance sheet of Centrale del Latte della Toscana S.p.A.

	31/12/2018		31/12/2017	
Fixed assets				
Tangible fixed assets	53,023		54,754	
Tangible fixed assets in progress	-		115	
Intangible fixed assets	8,085		7,961	
Equity investments and securities	1,927		1,755	
Total fixed assets	**63,035**	**95.8%**	**64,585**	**94.7%**
Working capital				
Trade receivables	13,620		14,987	
Inventories	4,433		4,545	
Other receivables	2,444		3,743	
Trade payables	(15,686)		(17,562)	
Other payables	(1,663)		(1,656)	
Tax liabilities	(406)		(468)	
Net working capital	**2,742**	**4.2%**	**3,589**	**5.3%**
LIABILITIES AND EQUITY	**65,777**	**100.0%**	**68,173**	**100.0%**
Long-term liabilities and provisions				
Employee severance indemnity	3,028		3,358	
Provision for deferred taxes	2,691		2,729	
Risk provision	50		-	
Total long-term liabilities and provisions	**5,769**	**8.8%**	**6,087**	**8.9%**
Financial position				
Cash and cash equivalents	(2,303)		(1,607)	
Payables to banks	-		4,900	
Short terms portion of medium/long-term loans	7,924		8,421	
Short terms portion long-term loans	28,588		25,261	
Net financial position	**34,209**	**52.0%**	**36,975**	**54.2%**
Shareholders' Equity				
Share capital	24,830		24,830	
Reserves	435		245	

Net profit (loss) for the period	534		36	
Total Shareholders' Equity	**25,799**	**39.2%**	**25,111**	**36.8%**
LIABILITIES AND EQUITY	**65,777**	**100.0%**	**68,173**	**100.0%**

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

	31/12/2018	**31/12/2017**
Cash and cash equivalents	**2,303**	**1,607**
Payables to banks	-	(4,900)
Short terms portion of medium/long-term payables	(7,924)	(8,421)
Current financial liabilities	**(7,924)**	**(13,321)**
Short terms portion long-term payables	(28,588)	(25,261)
Non-current financial liabilities	**(28,588)**	**(25,261)**
Total financial liabilities	**(36,512)**	**(38,582)**
Net financial position	**(34,209)**	**(36,975)**

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

The income (€ 212 thousand) deriving from the transfer of the loss to the consolidated tax position is presented under the opposite sign among "(Deferred) prepaid taxes".

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

	2018		2017		Change 2018-2017	
Revenue from sales and services	31,989	98.1%	29,297	97.3%	2,692	9.2%
Change in inventories	269	0.8%	203	0.7%	66	32.5%
Other revenue and income	357	1.1%	602	2.0%	(245)	-40.7%
Value of production	**32,615**	**100.0%**	**30,102**	**100.0%**	**2,513**	**8.3%**
Services	(6,585)	-20.2%	(5,997)	-19.9%	(588)	9.8%
Consumption of raw materials	(20,798)	-63.8%	(19,065)	-63.3%	(1,733)	9.1%
Other operating costs	(255)	-0.8%	(243)	-0.8%	(12)	5.1%
Added value	**4,977**	**15.3%**	**4,797**	**15.9%**	**180**	**3.7%**
Personnel costs	(3,881)	-11.9%	(3,805)	-12.6%	(76)	2.0%
EBITDA	**1,096**	**3.4%**	**992**	**3.3%**	**104**	**10.4%**
Allowance to provision for bad debts	(32)	-0.1%	(34)	-0.1%	2	-7.1%
Amortization of tangible fixed assets	(1,495)	-4.6%	(1,316)	-4.4%	(179)	13.6%
EBIT	**(431)**	**-1.3%**	**(358)**	**-1.2%**	**(73)**	**20.4%**
Financial income	3	0.0%	2	0.0%	1	72.6%
Financial charges	(340)	-1.0%	(265)	-0.9%	(75)	28.1%
Pre-tax result	**(768)**	**-2.4%**	**(621)**	**-2.1%**	**(147)**	**23.6%**
Income taxes	(5)	0.0%	(2)	0.0%	(3)	150%
(Deferred) prepaid taxes	150	0.5%	122	0.4%	28	23%
Total net profit (loss)	**(623)**	**-1.9%**	**(501)**	**-1.7%**	**(122)**	**24.4%**

STATEMENT OF COMPREHENSIVE INCOME

	2018	2017
Total net profit (loss)	**(623)**	**(501)**
Actuarial gains (losses)	11	(22)
Total other comprehensive profits (losses)	**11**	**(22)**
Comprehensive net profit (loss)	**(612)**	**(523)**

Reclassified balance sheet of Centrale del Latte di Vicenza S.p.A.

	31/12/2018		31/12/2017	
Fixed assets				
Tangible fixed assets	39,895		36,580	
Tangible fixed assets in progress	3		487	
Intangible fixed assets	5,318		5,318	
Equity investments and securities	4		152	
Total fixed assets	**45,220**	**98.3%**	**42,537**	**98.4%**
Working capital				
Trade receivables	7,218		7,294	
Inventories	2,222		1,759	
Other receivable	1,264		1,053	
Trade payables	(8,779)		(8,551)	
Other payables	(971)		(736)	
Tax liabilities	(169)		(149)	
Net working capital	**785**	**1.7%**	**670**	**1.6%**
LIABILITIES AND EQUITY	**46,005**	**100.0%**	**43,208**	**100.0%**
Long-term liabilities and provisions				
Employee severance indemnity	673		848	
Other provisions	-		225	
Provision for deferred taxes	**1,331**		1,331	
Total long-term liabilities and provisions	**2,004**	**4.4%**	**2,404**	**5.6%**
Financial position				
Cash and cash equivalents	(2,071)		(753)	
Payables to banks	2,500		63	
Short terms portion of medium/long-term loans	4,640		8,523	
Short terms portion of payables to other lenders	344		683	
Long-term payables to other lenders	278		656	
Long-term loans	13,659		9,368	
Financial payables to ultimate parent company	**3,000**		**-**	

Net financial position	**22,350**	**48.6%**	**18,541**	**42.9%**
Shareholders' Equity				
Share capital	29,162		29,162	
Reserves	(6,888)		(6,397)	
Net profit (loss) for the period	(623)		(501)	
Total Shareholders' Equity	**21,651**	**47.1%**	**22,255**	**51.5%**
LIABILITIES AND EQUITY	**46,005**	**100.0%**	**43,208**	**100.0%**

Net financial position

	31/12/2018	**31/12/2017**
Cash and cash equivalents	**2,071**	**753**
Payables to banks	(2,500)	(63)
Short terms portion of medium/long-term payables	(4,642)	(8,523)
Short terms portion of payables to other lenders	(344)	(683)
Current financial liabilities	**(8,420)**	**(9,269)**
Long-term payables	(13,659)	(8,523)
Long-term payables to other lenders	(278)	(9,369)
Financial payables to ultimate parent company	(3,000)	-
Non-current financial liabilities	**(16,937)**	**(17,892)**
Total financial liabilities	**(24,423)**	**(27,161)**
Net financial position	**(22,350)**	**(26,408)**

Annex e) Economic and Financial Indicators

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

ROI	**2018**	**2017**
Current assets	67,467	79,244
Non-current assets	142,808	132,100
Current liabilities	(67,871)	(76,122)
Invested capital	**142,404**	**135,222**
Operating Profit	**848**	**661**
ROI	**0.6%**	**0.5%**
ROE		
Net profit (loss)	398	(261)
Shareholders' equity	63,721	63,097
ROE	**0.6%**	**-0.4%**
ROS		
Operating Profit	848	661
Revenue from sales and services	180,325	178,152
ROS	**0.5%**	**0.4%**
ROD		
Financial charges	1,253	(261)
Financial payables	86,826	63,097
Cost of debt	**1.4%**	**-0.4%**

Acid test ratio	**2018**	**2017**
Acid test	13.028	25.475
Non-current and current liabilities	(146.553)	(148.246)
Acid test ratio	**(0,09)**	**0,17**
Quick test ratio		
Current assets	67,467	78,611
Current liabilities	(67,871)	(77,371)
Quick test ratio	**0.99**	**1.02**
ROT		
Revenue from sales and services	180,325	178,152
Invested capital	142,404	135,222
ROT	**1.38**	**1.32**
N.F.I. / Equity		
Net financial debt	73,798	**62,383**
Equity	63,721	63,097
N.F.I. / Equity	**1.2**	**0.98**

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

ROI	**2018**	**2017**
Current assets	35,771	45,871
Non-current assets	86,310	77,391
Current liabilities	(28,356)	(28,373)
Invested capital	**93,725**	**94,889**
Operating Profit	**476**	**581**
ROI	**0.5%**	**0.6%**
ROE		
Net profit (loss)	487	204
Shareholders' equity	68,341	67,792
ROE	**0.7%**	**0.3%**
ROS		
Operating Profit	476	581
Revenue from sales and services	81,052	79,225
ROS	**0.6%**	**0.7%**
ROD		
Financial charges	515	204
Financial payables	28,895	29,982
Cost of debt	**1.8%**	**0.7%**

Acid test ratio	**2018**	**2017**
Acid test	8,654	23,115
Non-current and current liabilities	56,740	(29,982)
Acid test ratio	**(0.15)**	**(0.84)**
Quick test ratio		
Current assets	35,771	45,871
Current liabilities	(28,354)	(28,252)
Quick test ratio	**1.26**	**1.62**
ROT		
Revenue from sales and services	81,052	80,230
Invested capital	93,409	95,010
ROT	**0.87**	**0.84**
N.F.I. / Equity		
Net financial debt	20,241	6,867
Equity	68,341	67,792
N.F.I. / Equity	**0.29**	**0.10**

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

Report on corporate governance and company structure (art. 123-bis of TUF - Consolidated Finance Law) for FY2018 – Approved by the Board of Directors of 15 March 2019 -

Report available onwww.centralelatteitalia.com

REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE (Art. 123-bis of the Consolidated Finance Law).

1. ISSUER'S PROFILE

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

By 24 December 2018 and by the means provided for in resolution no. 20621 of 10 October 2018, the Company provided Consob with the information regarding the acquisition of the qualification as an SME, as set forth in art. 1, para. 1, letter w-quater.1) of the TUF (Consolidated Finance Law).

2. INFORMATION ON THE COMPANY STRUCTURE (as per article 123 bis paragraph 1 of TUF) at 15 March 2019

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

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

Common shares are registered, freely transferrable, in electronic format and centrally managed by Monte Titoli S.p.A.

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

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

Other financial instruments

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

Share-based incentive scheme

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

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

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

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

According to the information available, 3,111 shareholders are registered in the shareholders' register of CLI.

The holders of more than 5% of common shares at 31 December 2018 were:

MAJOR SHAREHOLDERS			
Declaring party	**Direct shareholder**	**% held on ordinary share capital**	**% held on voting share capital**
Adele Artom	Finanziaria Centrale del Latte di Torino S.p.A.	39.27%	39.27%
	Lavia s.s.	3.93%	3.93%
Municipality of Florence	Municipality of Florence	12.31%	12.31%
Fidi Toscana S.p.A.	Fidi Toscana S.p.A.	6.83%	6.83%
Municipality of Pistoia	Municipality of Pistoia	5.26%	5.26%

As from 11 January 2019, following the attribution of increased voting rights as a result of the provisions of 127 quinquies, para. 2 of the TUF (Consolidated Finanace Law) and art. 44 of the CONSOB-Banca d'Italia single measure on post-trading, as well as the provisions of art. 5 of the Articles of Association, the new structure of the share capital (fully subscribed and paid up) and the number of voting rights and of the holders of ordinary shares amounting to more than 5% are shown in the table below:

	Share capital as at 31 December 2018		**Share capital at 11 January 2019**	
	No. of shares	No. of voting rights	No. of shares	No. of voting rights
Total shares	14,000,020	14,000,020	14,000,020	15,396,657
of which:				
Ordinary shares	14,000,020	14,000,020	12,603,383	12,603,386
Ordinary loyalty shares	-	-	1,396,637	2,793,274

MAJOR SHAREHOLDERS			
Declaring party	Direct shareholder	% held on ordinary share capital	% held on voting share capital
Adele Artom	Finanziaria Centrale del Latte di Torino S.p.A.	40.11%	40.11%
	Lavia s.s.	7.16%	7.16%
Municipality of Florence	Municipality of Florence	11.19%	11.19%
Fidi Toscana S.p.A.	Fidi Toscana S.p.A.	6.21%	6.21%

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

No securities granting special controlling rights have been issued.

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

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

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

There are no restrictions on voting rights.

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

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

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

The Agreement came into force on 30 September 2016, and on 16 October 2018, in compliance with the term of advance notice contemplated in the Agreement, the Shareholders: Finanziaria Centrale del Latte di Torino S.p.A., Lavia S.S., and Luigi Luzzati, Marco Fausto Luzzati, Sylvia Loew and Carla Luzzati (joinlty)informed the other syndicated shareholders the cancellation of the Agreement, il which, therefor, **will not be renewed upon expiry on 29 September 2019, being deemed terminated and invalid starting from that date.**

As from 11 January 2019, following the attribution of increased voting rights to Stable Shareholders as a result of the provisions of 127 quinquies, para. 2 of the TUF (Consolidated Law On Finance) and art. 44 of the CONSOB-Banca d'Italia single measure on post-trading, as well as the provisions of art. 5 of the Articles of Association, a change occurred in the representation of the Syndicated Shareholders participating in the Agreement and the number of Syndicated Shares and voting rights pertaining to the Syndicated of**da each Syndicated Shareholder, both compared to the total number of ordinary shares and pertinent voting rights and compared to the total number of Syndicated Shares in the Agreement and the pertinent voting rights. The new representation is shown in the table below:

Syndicated Shareholder	**Syndicated Shares**	**% on share capital of € 28,840,041.20 divided into 15,396,657 shares**	**% on total shares involved in the Agreement**
Finanziaria Centrale del Latte di Torino S.p.A.	5,858,650	38.051%	55.910%
Lavia S.S.	1,102,500	7.161%	10.521%
Luigi Luzzati	332,457	2.159%	3.173%
Sylvia Loew	118,460	0.769%	1.130%
Marco Fausto Luzzati	47,410	0.308%	0.452%
Carla Luzzati	26,469	0.172%	0.253%
Municipality of Florence	1,714,323	11.134%	16.360%
Fidi Toscana S.p.A.	955,678	6.207%	9.120%
Chamber of commerce, industry and crafts of Florence	322,763	2.096%	3.080%
Total	**10,478,710**	**68.058%**	**100.000%**

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

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

http://centralelatteitalia.com/wp-content/uploads/2018/10/Informazioni-essenziali-ex-art_130_reg_Consob.pdf

and on Consob's website:

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

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

Neither the issuer nor its subsidiaries have entered into significant agreements which become effective, are amended or cease to be valid in the event of a change of control as regards the contracting company, without prejudice to point 13 of the Regulation of the 2017 – 2024 Bond.

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

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

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

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

- is not controlled by companies set up and governed by the law of countries not belonging to the European Union;

- is not subject to management and coordination activities on the part of the ultimate parent company Finanziaria Centrale del Latte di Torino S.p.A., because the main aim of the company is the direct management of civil buildings and it does not have a structure able to control and/or direct decisions of an operational nature.

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

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

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

Compliance with codes of behaviour

CLI, with regard to the codes of practice on corporate governance promoted by Borsa Italiana S.p.A, has adopted the following:

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

http://centralelatteitalia.com/governance/corporate-governance/

Code of behaviour for internal dealing. The 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 in its latest version of 1 October 2016, is available on the company's website:

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

During 2018, the relevant entity Finanziaria Centrale del Latte di Torino S.p.A. notified the purchase of 123.500 shares of the Company. Consequently, the Directors Ms. Adele Artom and Ms. Antonella Forchino, closely linked to Finanziaria Centrale del Latte di Torino S.p.A., notified the indirect purchase of 74,100 and 3,334 shares respectively.
Regular communications to the market were issued within the time frame and with the methods provided for in the Issuers' Regulations..
The communications are available on the company's website:
http://centralelatteitalia.com/governance/comunicazioni-internal-dealing/

At 31 December 2018, the relevant persons above held the following stakes in the Company's share capital:

- Finanziaria Centrale del Latte di Torino S.p.A. – 39.26%;
- Ms Adele Artom exercising control over the Company, pursuant to article 235, no. 2 of the Italian Civil Code (dominant influence) and article 93 of the Consolidated Finance Law – 43.20%;
- Ms Antonella Forchino – 1.06%.

As from 11 January 2019, following the attribution of increased voting rights to Stable Shareholders as a result of the provisions of 127 quinquies, para. 2 of the TUF (Consolidated Law on Finance) and art. 44 of the CONSOB-Banca d'Italia single measure on post-trading, as well as the provisions of art. 5 of the Articles of Association, the significant subjects hold the following stakes in the share capital:

- Finanziaria Centrale del Latte di Torino S.p.A. – 40.11%;
- Ms Adele Artom exercising control over the Company, pursuant to article 235, no. 2 of the Italian Civil Code (dominant influence) and article 93 of the Consolidated Finance Law – 47.27%;
- Ms Antonella Forchino – 1.08%.

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

http://centralelatteitalia.com/wp-content/uploads/2016/06/CLI-Procedura-operazioni-parti-correlate-140217CLI.pdf

4. BOARD OF DIRECTORS

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

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

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

Where a single list is submitted, this represents the entire Board of Directors. In the event no list is submitted, the shareholders' meeting shall resolve by majority vote. Abstentions shall not be taken into account.

When the composition of the Board of Directors is not such as to guarantee compliance with gender balance, taking account of the order in which they are listed, the last candidates of the gender with the highest representation to be elected on the majority list shall be replaced by the appropriate number of the top non-elected candidates of the minority gender on the same list in order to guarantee compliance with the requisite. If the number of candidates of the minority gender on the majority list is insufficient to proceed to the aforesaid replacement, the Meeting shall complete the Board with the legal majority candidates, thus ensuring compliance with the requisite.

How and by when lists must be submitted is indicated in the call notice.

The lists presented may be consulted by the public on the company’s website and through other means provided for by law, at least 21 days before the date of the Shareholders’ Meeting.

The Directors shall remain in office for a period of no more than three financial years, and their term of office shall end on the date of the meeting convened to approve the financial statements for the last financial year of their term. Directors may be re-appointed.

Before directors are appointed, the shareholders’ meeting shall determine the number of Board members and the duration of their term. Where the number of Directors determined is lower than the maximum number provided for, the Shareholders’ Meeting, during the Board’s term of office, may increase this number. The term of Directors thus appointed shall expire together with those serving on the Board at the time of their appointment. The remuneration due to the members of the Board of Directors shall be determined by the Shareholders’ Meeting.

According to article 11 of the Corporate By-Laws, candidates may not be admitted to the lists if they already hold directorships in other five companies or entities whose stocks are liable for trading on a regulated market featured on the list provided for by articles 63 and 67 of Legislative Decree no. 58/1998.

No plan for succession has been provided for in the event the Members of the Board of Directors are replaced before the natural expiry of their term.

Structure of the Board of Directors and Committees

The current Board of Directors will expire with the approval of the financial statements at 31 December 2019, and is made up as follows:

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

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

Role of the Board of Directors

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

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

- mergers in the cases provided for under articles 2505 and 2505 bis of the Italian Civil Code;
- transferring the Company's registered office within the national territory;

- establishing or closing secondary offices;
- the indication of which Directors – in addition to the Chairman, the Vice Chairman and the Managing Directors – and executives may represent the company, in accordance with the following articles 17 and 18 of the corporate by-laws;
- reducing the share capital in case of shareholders' withdrawal;
- adjusting the corporate by-laws in accordance with regulatory provisions.

The Board of Directors met 6 times during 2018 (with an average length of 2 hours per meeting), in order to discuss and resolve upon the following:

- **Meeting of 01 March 2018:**
  - the draft financial statements and the draft consolidated financial statements and pertinent reports and notes at 31 December 2017;
  - annual report of the Supervisory Body;
  - annual report on corporate governance for 2017;
  - report on the remuneration paid to the members of the management and audit bodies, general managers and other key management personnel
  - call of Ordinary Shareholders' Meeting;
  - annual report of the Supervisory Body;
  - amendments, supplements and subsequent resolutions related to the Organisation, Management and Control model pursuant to Legislative Decree 231/2001;
  - organization of the Centrale del Latte d'Italia Group;
  - self-evaluation questionnaire of the Board of Directors.
- **Meeting of 10 May 2018:**
  - approval of the minutes of the meeting dated 1 March 2018;
  - interim report on operations at 31 March 2018.
- **Meeting of 18 June 2018:**
  - approval of the minutes of the meeting dated 10 May 2018;
  - industrial and commercial agreement for the fresh salads business unit;
  - proposal for the purchase of a garage in Via Filadelfia 239, Turin.
- **Meeting of 09 July 2018:**
  - Examination of a request for a loan pursuant to Regional Development Plan, Piemonte Region 201 – 2020 Measure 4 – Sub-measure 4.2 – Operation 4.2.1 – Announcement A – Year 2018. Granting of powers and commitment to sign supply contracts.
- **Meeting of 02 August 2018:**
  - approval of the minutes of the meetings dated 18 June 2018 and 9 July 2018;
  - interim financial report at 30 June 2018;
  - interim report of Audit and Risk Committee and Supervisory Body as per Legislative Decree 231/2001.
- **Meeting of 30 October 2018:**
  - approval of the minutes of the meeting dated 02 August 2018;
  - Interim report on operations at 30 September 2018;
  - correspondence with the Partner Municipality of Collesalvetti.

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

Article 13 of the Company's Self-Regulatory Code deals with the question of relations and economic transactions with related parties. The Code recommends that in the case of transactions conducted with related parties, those Directors that have an interest—including a potential or indirect interest—in the transaction should provide timely, exhaustive notification thereof to the board regarding such interest and the circumstances of the same, and should leave the board meeting when the pertinent resolutions are made.

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

CONSOB has given a specific indication of subjects that may be deemed related parties, as described in IAS 24; these include those that control the issuer, those that are controlled by the issuer and those that are linked to the issuer, as defined by IAS 28.
Between the parent company and the subsidiaries Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A. and the ultimate parent company Finanziaria Centrale del Latte di Torino S.p.A., transactions were carried out at arm's length conditions. The sales prices applied have been verified and monitored by the person appointed for the purpose to the Audit and Risk Committee of the Company. This activity, in which no censurable practice was evident, has been amply reported to the Board of Directors.

As of 1 January 2011, relations with related parties are regulated by the code of procedures for dealing with transactions with related parties, pursuant to Consob resolution no. 17221 as amended.

Chairman of the Board of Directors and Managing Directors.

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

Other executive directors.

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

Independent directors.

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

Share-based incentive scheme

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

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

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

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

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

5. HANDLING OF COMPANY INFORMATION.

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

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

6. COMMITTEES WITHIN THE BOARD.

Directors' Remuneration Committee.

Within the Board of Directors, a remuneration Committee has been set up. It is composed of 3 non-executive Directors, the majority of which are independent.

The remuneration committee presents the Board with:

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

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

The Remuneration Committee is made up of the following members:

Alberto Tazzetti Chairman, Independent non-executive Director
Piera Braja Independent non-executive Director
Luciano Roasio Independent non-executive Director

During FY2018 the Committee did not meet.

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

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

Audit and Risk Committee

The Board of Directors has formed the Internal Audit Committee, which is intended to serve in an advisory and proactive capacity, consisting of 3 members, two of whom are independent non-executive directors.
The members of the Audit and Risk Committee are:

- **Luciano Roasio** Chairman, Independent non-executive Director
- **Antonella Forchino** Non-executive Director
- **Laura Materassi** Independent non-executive Director

The audit and risk committee is in charge of:

a) assessing the correct use of accounting standards and their consistency for the purposes of drafting the consolidated financial statements, together with the executive appointed to draft corporate accounts and the auditing firm;
b) assessing and expressing opinions on specific issues related to the identification of the main company risks;
c) assessing the offers made by the auditing firm to obtain the assignment, as well as the work schedule prepared for the audit and the results set forth in the report and advisory letter, if present;
d) ensuring that the auditing process is effective;
e) performing additional duties assigned by the Board of Directors;
f) periodically reporting to the Board of Directors—at least every six months—on the activities performed and on the appropriateness of the internal audit system.

The Audit and Risk Committee of CLI and its subsidiaries is authorised to supply advice and submit proposals. The committee is made up of three members, three of whom are non-executive directors (two of them independent).

The Audit and Risk Committee verified that the XXXXX implemented by the Company is compliant with the pertinent regulations. It carried out the functions it is responsible for by means of direct analysis and collection of documents and information from the managers of company departments.

The Audit and Risk Committee noted that the Organisation, Management and Control Model (hereinafter the Model or MOG) has been updated. Checks were carried out to ensure notification of the existence of the MOG and the Code of Ethics is included in the contracts, and the procedure for handling bad debts was verified, with no irregularities found. The Committee also verified that the Bonds resolved upon on 24 November 2017 named "Centrale del Latte d'Italia S.p.A. – Variable rate - 2017 /2024" for a total nominal amount of € 15,000,000.00 were implemented as illustrated to the BOD by the Directors.

The Committee liaised closely with the Health and Safety Officer at the Turin factory in order to monitor the progress of the building work for the construction of a new warehouse and new production lines. Sample checks were carried out to verify the conduct of the company staff with regard to the construction work under way.

The Committee carried out sample checks on compliance with procedures regarding administration, human resources, quality, logistics, environment, maintenance, warehouse and procedures regarding products, purchases, marketing and IT systems.

The Committee delegated the Internal Auditing function to Ms. Berardo to carry out the audit activity on its behalf. As a result of said audit carried out at the Turin factory, Ms. Berardo noted the following:

- that a number of problems that emerged regarding the sterility of a product were identified quickly and the production batches affected were eliminated as a sub-product; - that during the extraordinary maintenance carried out on the packing machine, the products were undamaged, and that, as a precautionary measure, a supplementary inspection has been initiated, involving specialised technicians;
- that the checks on products provided by third parties were timely and effective, and that the suppliers, having immediately received notification of a number of critical points identified, responded positively by correcting the anomaly;
- that no points of particular note emerged from the scheduled audits, with the exception of a number of recommendations that the dress code be observed;
- that no irregularities were found regarding the disposal of special waste, necessary following demolition operations;
- that it was necessary to seek improvements as a result of reports of excessive noise (although below the parameters established) in order to avoid disturbing the neighbourhood.

Following the audit carried out by Ms. Berardo at the factory in Rapallo (Genoa), the Committee noted there were no critical points to report.

The Committee met with the Audit Company and the Board of Auditors of the Company.

Following the meetings with the Audit Company, the Committee intends to activate a procedure for the periodic evaluation of the credit situation of the Group's main clients. The significant points covered in the encounters included the sale of the "Salads & Fruits" business unit, an extraordinary transaction for which the pertinent accounting records were verified and found to be correct. The Audit Company stated that it had not identified any critical points regarding the identification of related parties, and that no critical points had emerged from the ordinary quarterly inspections carried out. In agreement with the Audit Company, the Committee emphasised the need for the inclusion in the audit plan of a check on the procedure for the identification of new suppliers.

In view of the above, the Committee concluded that with regard to the period 01.01.2018 – 31.12.2018, there were no issues or critical points of a structural nature that required reporting.

During 2018 the Audit and Risk Committee met 7 times.

Committee for transactions with related parties.

Article 11 of the Company's Self-Regulatory Code deals with the question of relations and economic transactions with related parties. The Code recommends that in the case of transactions conducted with related parties, those Directors that have an interest—including a potential or indirect interest—in the transaction should provide timely, exhaustive notification thereof to the board regarding such interest and the circumstances of the same, and should leave the Board meeting when the pertinent resolutions are made.

As of 1 January 2011, the Company adopted the code of procedures for dealing with transactions with related parties, pursuant to Consob resolution no. 17221 as amended. The procedure also serves as an instruction issued by the Parent Company to its subsidiaries, pursuant to art. 114 para. 2 of the Consolidated Law.
The procedure provides for the set-up of a Committee for transactions with related parties, made up of the members of the Audit and Risk Committee, with a supplementary alternate member, who is the independent Director not part of the Audit and Risk Committee.

Transactions with related parties are carried out in line with the proper criteria in terms of both substance and procedures.
For transactions involving related parties, the Directors who have even a potential or indirect interest in the operation:
a) provide the Board of Directors with exhaustive, timely notification of the existence of this interest and the circumstances of the same;
b) withdraw from Board meetings at the time of resolution.
Should the nature, value, or other characteristics of the transaction so require, in order to avoid terms being set that would not be in keeping with those normally agreed upon by non-related parties, the Board of Directors arranges for it to be carried out with the assistance of independent experts, in order to determine the value of the assets or of the pertinent financial, legal, or technical profiles.
The Committee for transactions with related parties is made up as follows:
- **Alberto Tazzetti** Chairman, Independent non-executive Director
- **Lorenzo Marchionni** – Executive Director
- **Piera Braja** Independent non-executive Director

During FY2018 the Committee did not meet.

The code in its latest version approved on 3 March 2017 – is available on the company's website:
http://centralelatteitalia.com/wp-content/uploads/2017/Procedura-parti-correlate_2017.pdf

Committee of non-executive independent directors.
The Board of Directors has formed within it a Committee of independent non-executive directors, composed of Messrs.:

- **Ms Elsa Fornero Chairperson**
- **Ms Piera Braja**
- **Mr. Renato Giallombardo**
- **Ms Laura Materassi**
- **Mr. Luciano Roasio**
- **Mr. Alberto Tazzetti**

The independent non-executive directors contribute to discussions within the board, and their skills from outside the company's sphere of activity make it possible to analyse the various questions for discussion and help to stimulate the articulate debate that is the pre-requisite for a reasoned, aware collective decision.

During FY2018, the Committee met once to assess the organisation of Gruppo Centrale del Latte d'Italia and the self-evaluation questionnaire completed by the Board of Directors.

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

Risk management and internal audit systems.

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

The adoption and spread of the model is aimed at rendering potential offenders fully aware that they may in fact be committing an offence and at carrying out constant observation and monitoring of activities so as to ensure CLI is able to adopt preventive measures or to intervene swiftly in order to stop offences being committed.

The model covers all the activities carried out by Centrale del Latte d'Italia spa, a company that is inter-regional in scope (comprising the Turin headquarters, the Salads & Fruits Division in Casteggio (Pavia), and the Latte Tigullio Operating Unit in Rapallo (Genoa) and specialises in the production and sale of milk and dairy products, such as fresh milk, ESL milk, yogurt and probiotics, as well as fresh products such as: eggs, fresh salads, cheeses, fresh pasta, sauces, cereals, ready-to-cook vegetables and desserts.

Operating in synergy with CLI are the subsidiaries: Centrale del Latte di Vicenza spa and Centrale del Latte della Toscana spa, which come together to form Centrale del Latte d'Italia Group.

The company and its subsidiaries constantly pursue the aims of extending the sales network, increasing the range of products and improving the technology of the plants.

On 2 April 2001, Centrale del Latte di Torino & C Spa, now Centrale del Latte d'Italia, was admitted to the Star segment of Borsa Italiana S.p.A.. Within the framework of its activities, on 13 November 2003, Centrale del Latte di Torino & C drafted a Code of Ethics, subsequently incorporated by Centrale del Latte d'Italia, setting forth the ethical commitments and responsibilities the company seeks to observe in the carrying out of its business and financial activities. This charter of rights and duties defines the ethical and social responsibility of those operating in the name and on behalf of the company, since it introduces a clear, explicit definition of the ethical and social responsibilities of the company's top and middle management and employees, as well as suppliers, from the various groups of stakeholders.

In addition, the Board of Directors of CLI has adopted a Code of Practice on Internal Dealing aimed at governing obligations regarding information, in compliance with the provisions of articles 2.6.3, 2.6.4 and 2.6bis of the "Regulation of Markets organised and managed by Borsa Italiana S.p.A.", approved by Consob resolution no. 13655 of 9 July 2002 and with articles 152bis-ter-quater-quinquies-sexies-septies-octies of the Consob Regulation for issuers, regarding the operations as per article 2.6.4 of the Borsa Italiana regulation carried out on their own behalf by Directors, auditors and general managers of the company, or any other person who has access by virtue of their position in the company or its subsidiaries to information on events that may cause significant changes to the economic, financial and equity prospects of the company and that could, if made public, significantly influence the price of the financial instruments listed.

On 13 December 2016, the Board of Directors of CLI resolved to adopt the Organisational, Management and Control Model for the prevention of crimes and the code of Ethics.

The Model was drawn up with reference to the actual situation of the company, and may constitute a departure from—without affecting the validity of—the guidelines issued by Confindustria and approved by the Ministry of Justice.

By drafting the model, the company's intention is to:

- identify offences that may give rise to administrative liability;
- identify the areas vulnerable to the commission of offences provided for by Legislative Decree no. 231/2001 as amended;
- indicate procedures;
- establish information obligations from the Supervisory Body;
- illustrate the disciplinary system set up to deal with failure to comply with company procedures and regulations.

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

Correlation between the Model and the company documents.

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

The manuals and the codes of practice comprise:

- the accounting and administration procedures manual (available at the Administrative Department)
- the management system manuals of the various plants and the procedures referred to therein, drafted in compliance with the voluntary technical standards for which the CLI plants and procedures can be certified (available for consultation at the respective Quality Assurance Offices);
- the internal dealing code of behaviour (available on the company's website: http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-internal-dealing-2016_CLI.pdf);
- the self-regulatory code for the application of Corporate Governance (available on the company's website: http://centralelatteitalia.com/wp-content/uploads/2016/06/Codice-Autodisciplina-2016.pdf);
- the code of ethics (available on the website: http://centralelatteitalia.com/wp-content/uploads/2016/06/CLI-DI-01-Codice-etico-rev00-del-2016-12-13.pdf).

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

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

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

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

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

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

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

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

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

Within the framework of the business conducted in 2018 by the Supervisory Body, activities were carried out to monitor:

- the taking on board of the suggestions made during previous audits and the progress made on implementing the consequent improvements;
- The current status and the update to documentation with the changes that have occurred, and the consequent evaluation of risk, all with a view to integrating the various operating facilities;
- compliance with the model on the part of assignees and the presence of infringements;
- how adequate the Model is for the company structure and its actual ability to prevent the commission of offences relevant to Legislative Decree no. 231/2001;
- planning of the periodic checks conducted by Ms. Berardo for the Turin factory, and by Mr. Macera for the Rapallo factory;
- analysis of the outcome of the checks and of the information received from company managers, based on which the following are to be assessed:
  - a) the proper implementation of the provisions of the MOG;
  - b) the need to update the same to keep pace with changes in the company and to regulations;
  - c) the efficacy of the model for the prevention of offences.
- Preparation of the report on the activity carried out.

The Supervisory Body met with the Board of Auditors and the Audit Company twice to discuss and compare their respective activities and exchange the appropriate information.

The auditing activity was carried out by conducting sample checks according to the audit plan scheduled with Ms. Berardo, directly interviewing the management and or heads of the various pertinent areas and by directly consulting documents.

Within the framework of the activity carried out, the Board of Directors was informed of the need to update the MOG to adapt the assessment of risks to the changes that have taken place in the company over the last year, and Mr. Ceccarelli, as an external professional figure, was entrusted with the task of redrawing the risk map and consequently, of reviewing the structure of the MOG as a whole. The new document was approved by the Board of Directors on 1 March 2018.

The audits were conducted at the CLI Group facilities in Turin, Rapallo and Casteggio, and were aimed at verifying the activities considered most critical for the purposes of Legislative Decree no. 231/01, in view of the specific situations present in the company and the means of handling occasional events.

The Supervisory Body verified the successful outcome of all the checks carried out by third parties:

- periodic visits by the Local Health Authority for the issue of veterinary certificates in Turin and Rapallo;
- audit for CCPB organic certification. 2nd audit of 2018 in Turin and 1st in Rapallo;
- audit ISO 14001:2015
- audit ISO 9001:2015
- audit FSSC 22000;
- audit IFS at the Casteggio facility

- audit by Studio Gaia for the assessment of waste management (Turin + Rapallo)
- second-party audit, by customers, at the Turin facility.

All the audits verified the application of all the main aspects of the reference standards, and no critical points emerged. The audits mainly regarded:

- the monitoring of the progress of the construction projects for the expansion of the factory and the warehouse in Turin;
- the sample check on the company procedures regarding the labelling of the new products;
- the adequacy of the self-certification provided by suppliers at the contract stage;
- the company sectors covered by the scheduled audits were administration, human resources, the management system, health and safety in the workplace, the commercial sector, the laboratory, logistics, the warehouse, maintenance, marketing, pasteurisation, packaging, the management secretary's office and the IT systems;
- verifying the application of Legislative Decree no. 81/2008 on safety in the workplace, and fire prevention, incident management, emergency management, and staff training.
- No significant issues emerged from the control activities carried out, so based on the checks conducted in the various areas, both by third parties and by the figure responsible for audits, the Supervisory Body considers that the organisational model for the prevention of offences integrated into the company is adequate both for the regulations in force and the needs of the company.

During 2018 the Supervisory Board met 7 times.

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

- **Luciano Roasio** Chairman, Independent non-executive Director
- **Antonella Forchino** Non-executive Director
- **Laura Materassi** Independent non-executive Director

The internal audit manager is Ms **Simona Berardo**.

The organisational management and control model pursuant to former Legislative Decree no. 231/2001 is available on the Company's website

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

The Model was updated during 2018 and is available on the Company's website:

http://centralelatteitalia.com/investor-relations/modello-d-leg-231-2001-e-codice-etico/

11. AUDITING COMPANY.

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

12. EXECUTIVE IN CHARGE OF DRAFTING CORPORATE ACCOUNTS.

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

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

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

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

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

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

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

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

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

- measures applied at group or individual consolidated company level, such as the allocation of responsibilities, powers and proxies, the division of tasks and allocation of privileges and rights of access to IT applications;

- measures applied at process level, such as the issue of authorisations and the carrying out of reconciliation and the performance of consistency checks.

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

14. APPOINTMENT OF AUDITORS.

The Board of Statutory Auditors is composed of three Statutory Auditors and three Alternate Auditors who hold office for three years and may be re-elected. The minority group is entitled to elect one Statutory Auditor and one Alternate Auditor. The Board of Statutory Auditors is appointed on the basis of lists submitted by shareholders, in which the candidates are indicated by a progressive number. One member of the gender with the least representation must always be included in each list, both for Statutory Auditors and Alternate Auditors, provided there are not fewer than three candidates. The list is composed of two sections: one for candidates for the office of Statutory Auditor and another for candidates for the office of Alternate Auditor. Lists may be filed only by those shareholders who, alone or jointly with other shareholders, hold a total of shares representing at least 2.5% (two point five percent) of the share capital with voting rights in the ordinary meeting. No shareholder may file, either through a third party or by trusts, more than one list or vote for different lists. Each candidate may be appointed in one list only, under penalty of ineligibility. Candidates may not be admitted to the lists if they already hold directorships in other five companies or entities whose stocks are liable for trading on a regulated market featured on the list provided for by articles 63 and 67 of Legislative Decree no. 58/1998, or if they are not in possession of the requirements of honourability, professionalism and independence established by the pertinent regulations. The lists submitted must be filed with the company's headquarters at least 25 days before the date of the Shareholders' Meeting called upon to resolve upon the appointment of the members of the board of statutory auditors. How and by when lists must be submitted is indicated in the call notice.

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

1. two statutory and two alternate members shall be taken from the list obtaining the highest number of votes in the Meeting, according to the progressive order in which the candidates are listed in the sections.

2. the remaining statutory and the other alternate member shall be taken from the list obtaining the second highest number of votes in the Meeting, according to the progressive order in which the candidates are listed in the sections.

When the composition of the Standing Auditors or of the Alternate Auditors is not such as to guarantee compliance with gender balance, taking account of the order in which they are listed in the respective section, the last candidates of the gender with the highest representation to be elected on the majority list shall be replaced by the appropriate number of the top non-elected candidates of the minority gender on the same list and on the same section in order to guarantee compliance with the requisite.

The first candidate on the minority list obtaining the highest number of votes will be the Chairman. Should the Auditor no longer be in possession of the requisites established by the regulations and the by-laws, s/he shall be removed from office. In the event an Auditor is replaced, the alternate member of the same list shall take the place of the member to be replaced, guaranteeing compliance with the legal requisites and the By-Laws, and specifically taking account of the obligation to ensure gender balance.

Resolutions are passed by an absolute majority of the votes of those in attendance.

The above rulings regarding the election of Auditors do not apply to meetings held, pursuant to the law, to appoint Statutory and/or Alternate Auditors and the Chairman required to complete the Board of Statutory Auditors following the replacement or expiry of the term of an Auditor. In such cases, the meeting shall resolve by relative majority, without prejudice to the clause at paragraph two of this article. Where one list only is submitted, the entire Board of Statutory Auditors shall be appointed from said list. In the event no list is submitted, the shareholders' meeting shall resolve by majority vote. Abstentions shall not be taken into account.

The lists are made available to the public on the company's website and by the other means provided for by law at least 21 days before the date of the Shareholders' Meeting called upon to resolve upon the appointment of the members of the board of statutory auditors.

The remuneration of the Statutory Auditors is established by the Shareholders' Meeting.

The Board of Statutory Auditors may also meet by telecommunication means, provided the following conditions are met:

a) participants must be able to view, receive or transmit all the necessary documentation;
b) it must be possible to participate in the discussion in real time, in compliance with the collective decision-making method.

Meetings are held at the location of the Chairman, or in the absence of the Chairman, of the most senior Auditor in terms of age.

15. AUDITORS.

The make-up of the Board of Statutory Auditors, the date of appointment and the expiry of their term are indicated in table 3).

Their office expires with the approval of the 2020 financial statements. They were appointed during the Meeting of 26 April 2018.

During FY2018, the Board of Auditors convened 7 times.

16. RELATIONS WITH SHAREHOLDERS.

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

17. SHAREHOLDERS' MEETINGS.

Mechanisms governing the Shareholders' Meeting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Turin, 15 March 2019 The Chairman of the Board of Directors

Luigi Luzzati

TABLE 1:

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

Office	Members	First year of office(1)	In office up to	List (2)	Executive	Non-Executive	Indep. according to Code	Indep. according to TUF	% (3)	Audit and Risk Committee	Remuneration Committee	Supervisory Body	Committee for dealings with related parties	Independent Directors' Committee	No. of other offices
Chairman	LUZZATI Luigi	2000	Approval of 2019 Financial Statements	M	YES				100%						
Vice Chairman and Managing Director	POZZOLI Riccardo	2000	Approval of 2019 Financial Statements	M	YES				100%						
Vice Chairman	MARCHIONNI Lorenzo	2016	Approval of 2019 Financial Statements	M	YES				100%				YES		4
Director	ARTOM Adele	2000	Approval of 2019 Financial Statements	M		YES			80%						
Director	BRAJA Piera	2017	Approval of 2019 Financial Statements	M		YES	YES	YES	100%		YES		YES	YES	9

Director	FORCHINO Antonella	2006	Approval of 2019 Financial Statements	M					100%	YES		YES			
Director	FORNERO Elsa	2014	Approval of 2019 Financial Statements	M		YES	YES	YES	90%					YES	2
Director	GIALLOMBARDO Renato	2016	Approval of 2019 Financial Statements	M		YES			100%					YES	
Managing Director at Rapallo operating unit	Maurizio MACCHIAVELLO	2012	Approval of 2019 Financial Statements	M	YES				100%						
Director	MATERASSI Laura	2016	Approval of 2019 Financial Statements	M		YES	YES	YES	100%	YES		YES		YES	
Director	PETRETTO Lorenzo	2016	Approval of 2019 Financial Statements	M		YES			90%						1
Director	ROASIO Luciano	2009	Approval of 2019 Financial Statements	M		YES	YES	YES	100%	YES	YES	YES		YES	
Director	TAZZETTI Alberto	2002	Approval of 2019 Financial Statements	M		YES	YES	YES	90%		YES		YES	YES	1

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

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

Office	Name	
Investor Relator	Edoardo POZZOLI	

	Boards of Directors	Audit and Risk Committee	Remuneration Committee	Supervisory Body	Committee for dealings with related parties	Independent Directors' Committee
Number of meetings held during the period	7	4	-	4	-	-

TABLE 2: OTHER OFFICES OF THE DIRECTORS

At 31 December 2018

Progr. no.	Office	Members	Other office held	In LISTED COMPANIES (foreign too)	IN BANKING OR INSURANCE COMPANIES	IN COMPANIES OF SIGNIFICANT SIZE
1	Director	Piera BRAJA	STATUTORY AUDITOR	A.S.T.M. SPA		
			CHAIRMAN OF STATUTORY AUDITORS			SAIT FINANZIARIA SPA
			CHAIRMAN OF STATUTORY AUDITORS			SAIT ABRASIVI SPA
			CHAIRMAN OF STATUTORY AUDITORS			FARID INDUSTRIE SPA
			STATUTORY AUDITOR			FEG SPA
			STATUTORY AUDITOR			FEG BRIVIO SPA
			STATUTORY AUDITOR			FINPAT SPA
			STATUTORY AUDITOR			JACOBACCI E PARTNER SPA
			STATUTORY AUDITOR			S.I.T.A.F. SPA
2	Director	Elsa FORNERO	Independent Director	BUZZI UNICEM S.p.A.		
			Independent Director	ITALMOBILIARE S.p.A.		
3	Director	Lorenzo PETRETTO	Chairman		Fidi Toscana S.p.A.	
4	Director	Alberto TAZZETTI	Director		Intesa San Paolo Assicura S.p.A.	

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Office	Members	In office from	In office up to	List (*)	Indep. according to Code	% (**)	No. of other offices
Chairman	Deborah SASSOROSSI	26/04/2018	Approval of 2020 Financial Statements	M	YES	100%	28
Statutory Auditor	Francesco FINO	26/04/2018	Approval of 2020 Financial Statements	M	YES	90%	6
Statutory Auditor	RAYNERI Giovanni	26/04/2018	Approval of 2020 Financial Statements	M	YES	100%	32
Alternate Auditor	Vittoria ROSSOTTO	26/04/2018	Approval of 2020 Financial Statements	M	YES		
Alternate Auditor	Michela RAYNERI	26/04/2018	Approval of 2020 Financial Statements	M	YES		
Alternate Auditor	Franco RICHETTI	26/04/2018	Approval of 2020 Financial Statements	M	YES		

(*) = **M** Majority list (**) % of attendance at Board and Committee meetings
m = minority list

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

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

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

REPORT ON THE REMUNERATION PAID TO THE MEMBERS OF THE MANAGEMENT AND AUDIT BODIES, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL. YEAR 2018.

SECTION I

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

At the end of FY2016, the Board of Directors, in office until approval of the 2018 financial statements, was made up as follows:

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

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

a) *Bodies or individuals involved in the preparation and approval of the remuneration policy, specifying their respective roles, and bodies or individuals responsible for the proper implementation of this policy.*
   The following boards/individuals were involved in the preparation and approval of the remuneration policy:

   - The ordinary shareholders' meeting with regard to the remuneration fixed proportion

- The Directors' Remuneration Committee for the fixed, variable and termination indemnity of Executive Directors and Managing Directors and the remuneration of the directors who are members the Company's internal Committees.

b) *Mention any role played by a Remuneration Committee or other committee responsible on this matters, describing their members, authority and mode of operation.*
The Directors' Remuneration Committee is made up of the following members:

Mr. Alberto Tazzetti	Chairman, Independent non-executive Director
Ms Piera Braja	Independent non-executive Director
Mr. Luciano Roasio	Independent non-executive Director

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

c) *Potential role played by independent experts.*
No independent experts were involved in determining the remuneration policy.

d) *Aims of the remuneration policy, underlying principles and any changes in the remuneration policy compared to the previous financial year.*
The remuneration policy is aimed at attracting people with skills and diversified professional experience who can positively contribute to the Company's growth and control of corporate activities.

e) *Description of policies on the remuneration fixed and variable components with particular regard to the indication of their respective proportion within the overall remuneration and distinction between the short term and medium-long term variable components.*
The fixed component of executive directors' remuneration accounts for 88% of the overall remuneration, while the variable remuneration accounts for 12% of the total. The base salary is paid monthly, while variable remuneration is calculated on earnings for the financial year and paid out in the next.

f) *Policy applied with regard to non-monetary benefits.*
There are no non-monetary benefits.

g) *With reference to the variable components, a description of performance targets upon which they are assigned, distinguishing between the short term and medium-long term variable components, and information about the link between changes in performance and changes in remuneration.*
The variable remuneration is assigned according to a mixed system that takes account of the short-term and medium-term results expected for the Group.

h) *Criteria used for assessing the performance targets underlying the allocation of shares, options, other financial instruments or other variable remuneration components.*
The variable remuneration system is made up of a short-term part and a medium-long-term part.

The short-term part is calculated on a percentage base on EBITDA, corresponding to the result before amortisation and depreciation, write-downs, financial income and charges, adjusted to exclude significant revenue and costs that, given their nature, are not expected to be repeated and will not influence future periods, differentiated based on the positions held by the individual directors. The recipients and the percentages they are entitled to are as follows:

Mr. Luigi LUZZATI, Chairman, and Mr. Riccardo POZZOLI, Vice Chairman and Managing Director of the Parent Company: 0.7% of Group EBITDA, Mr. Lorenzo MARCHIONNI, Vice Chairman, 0.4% of Group EBITDA, Mr. Maurizio MACCHIAVELLO, COO of CLR - Latte Tigullio operating unit: 0.2% of Group EBITDA. The variable remuneration thus established will be paid out every year after the approval of each year's financial statements 2017 – 2018 – 2019 and may not in any case exceed € 100,000.00 per FY for each executive director.

The medium-long term remuneration is conditional upon the achievement of the targets indicated in the 2017 –2018 – 2019 business plan, approved by the Board of Directors on 13 December 2016, and is structured as set out below:

Chairman, Vice Chairman and Managing Director of the Parent Company:

a. achievement of Group turnover for the 2017 – 2018 – 2019 years:

1. Target below 95% — no bonuses
2. Target reached between 95% and 99% — 50% of the bonus
3. Target reached between 100% and 104% — 100% of the bonus
4. Target reached from 105% and beyond — 115% of the bonus

b. achievement of Group EBITDA (as defined here above) the 2017 – 2018 – 2019 years:

1. Target below 95% — no bonuses
2. Target reached between 95% and 99% — 50% of the bonus
3. Target reached between 100% and 104% — 100% of the bonus
4. Target reached from 105% and beyond — 115% of the bonus

c. ratio between consolidated NFP and consolidated EBITDA (as defined above), with the exclusion of financial indebtedness linked to any equity investments and net of any assets disposed of:

1. Target below 95% — no bonuses
2. Target reached between 95% and 99% — 50% of the bonus
3. Target reached between 100% and 104% — 100% of the bonus
4. Target reached from 105% and beyond — 115% of the bonus

d. share of fresh milk + ESL milk sector at Italian level for the years 2017 – 2018 – 2019 equal to or higher than 7%. Source: IRI Infoscan Iper + Super:

1. Target below 99% — no bonuses
2. Target reached between 100% and 104% — 100% of the bonus
3. Target reached from 105% and beyond — 115% of the bonus

The bonus for reaching 100% of each of the targets indicated above will be € 25,000, and will be paid at the end of the term of office, i.e. after the approval of the 2019 financial statements.

At the end of the three-year term of office, the maximum level of medium-long-term variable remuneration will be € 230,000.00.

If the term of office is interrupted as a result of death or permanent invalidity, the bonuses achieved will be paid out to the rightholders immediately following the event; in the event the term of office is interrupted in advance, the bonuses will not be paid out.

Mr. Lorenzo MARCHIONNI, Chairman of Centrale del Latte della Toscana

a. achievement of Centrale del Latte della Toscana S.p.A. turnover for the 2017 – 2018 – 2019 years:

1. Target below 95% — no bonuses
2. Target reached between 95% and 99% — 50% of the bonus
3. Target reached between 100% and 104% — 100% of the bonus
4. Target reached between 105% and beyond — 115% of the bonus

b. market share in the Tuscany Region in the Fresh Milk and ESL Milk segment for the years 2017-2018-2019 equal to or higher than 41.5% Source IRI Infoscan Iper + Super:

1. Target below 99% no bonuses
2. Target reached between 100% and 104% 100% of the bonus
3. Target reached between 105% and beyond 115% of the bonus

The bonus for reaching the targets will be € 25,000, for each target reached and will be paid at the end of the term of office, i.e. after the approval of the 2019 financial statements.

At the end of the three-year term of office, the maximum level of medium-long-term variable remuneration will be € 172,500.

If the term of office is interrupted as a result of death or permanent invalidity, the bonuses achieved will be paid out to the rightholders immediately following the event; in the event the term of office is interrupted in advance, the bonuses will not be paid out.

Mr. Maurizio MACCHIAVELLO, COO of CLR - Latte Tigullio operating unit:

c. achievement of Rapallo operating unit's turnover for the 2017 – 2018 – 2019 years:

5. Target below 95% no bonuses
6. Target reached between 95% and 99% 50% of the bonus
7. Target reached between 100% and 104% 100% of the bonus
8. Target reached between 105% and beyond 115% of the bonus

d. market share in the Liguria Region in the Fresh Milk and ESL Milk segment for the years 2017-2018-2019 equal to or higher than 20.6%. Source: IRI Infoscan Iper + Super:

4. Target below 99% no bonuses
5. Target reached between 100% and 104% 100% of the bonus
6. Target reached between 105% and beyond 115% of the bonus

The bonus for reaching the targets will be € 25,000, for each target reached and will be paid at the end of the term of office, i.e. after the approval of the 2019 financial statements.

At the end of the three-year term of office, the maximum level of medium-long-term variable remuneration will be € 172,500.

If the term of office is interrupted as a result of death or permanent invalidity, the bonuses achieved will be paid out to the rightholders immediately following the event; in the event the term of office is interrupted in advance, the bonuses will not be paid out.

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

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

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

Not applicable.

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

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

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

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

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

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

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

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

The remuneration of non-executive directors who are members of the Company's internal committees amounts to € 500.00 for each meeting.

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

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

During FY2017 the Committee met once in order to resolve upon:

- the calculation of the fixed and variable remuneration of the Directors for the three-year period 2017 – 2018 – 2019 and the termination indemnity.

SECTION II

PART ONE

1.1 ITEMS THAT MAKE UP THE REMUNERATION

Board of Directors:

a) **Executive Directors:**

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

b) **Non-Executive Directors:**

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

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

Luigi LUZZATI	Chairman	€ 235,712
Riccardo POZZOLI	Vice Chairman and Managing Director	€ 623,162
Maurizio MACCHIAVELLO	Managing Director	€ 212,489
Lorenzo MARCHIONNI	Executive Vice Chairman	€ 196,978
Adele ARTOM	Non-executive Director	€ 8,000
Piera BRAJA	Non-executive Director	€ 8,500
Antonella FORCHINO	Non-executive Director	€ 15,000
Elsa FORNERO	Independent non-executive Director	€ 8,500
Renato GIALLOMBARDO	Independent non-executive Director	€ 8,500
Laura MATERASSI	Independent non-executive Director	€ 14,500
Lorenzo PETRETTO	Non-executive Director	€ 15,000
Luciano ROASIO	Independent non-executive Director	€ 15,500
Alberto TAZZETTI	Independent non-executive Director	€ 8,500

During FY 2018, the variable remuneration paid out totalled € 144,891 broken down as follows:

- variable remuneration on short-term targets point h) € 144,891;

During FY 2018, the variable remuneration on other medium-to-long-term targets to be paid at the end of the office term

- variable remuneration on medium-to-long-term targets € 196,500;

For the breakdown, see table on page 8.

Board of Statutory Auditors:

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

The Board of Statutory Auditors, appointed by the ordinary shareholders' meeting held on 26 April 2018 and which will remain in office until the 2020 financial statements are approved, is made up as follows:

Ms Deborah SASSOROSSI	Chairperson of the Board of Statutory Auditors
Mr. Francesco FINO	Statutory Auditor
Mr. Giovanni RAYNERI	Statutory Auditor
Ms Vittoria ROSSOTTO	Alternate Auditor
Ms Michela RAYNERI	Alternate Auditor
Mr. Franco RICHETTI	Alternate Auditor

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

		Fixed remuneration
Deborah SASSOROSSI	Chairperson of the Board of Statutory Auditors	Euro 24,000
Francesco FINO	Statutory Auditor	Euro 18,000
Giovanni RAYNERI	Statutory Auditor	Euro 18,000

Key management personnel:

Remuneration payable to any other key management personnel.

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

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

1.2.1 Whether any such agreement is in place.

Executive Directors:

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

Non-Executive Directors:

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

1.2.2 Criteria for determining the indemnity payable to each person.

See paragraph 1.2.1. above.

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

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

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

Not applicable.

1.2.5 Cases when the directors become entitled to the indemnity

Not applicable.

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

No agreements have been entered into.

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

No agreements have been entered into.

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

Not applicable.

1.2.9 *If no specific agreements are in place, explain the criteria used in determining the accrued termination indemnities.*
Not applicable.

PART TWO

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

PART THREE

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

Turin, 15 March 2019

The Chairman of the Board of Directors

Luigi Luzzati

Table 1)

EMOLUMENTS PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Luigi LUZZATI	**Chairman**	**(*) 2000**	**31/12/2019**									
Remuneration from CLI S.p.A.				178,000	185,615	-	50,712	-	-	414,327	-	101,056
Remuneration from subsidiaries				7,000	-	-	-	-	-	7,000	-	
Total				**185,000**	**185,615**	**-**	**50,712**	**-**	**-**	**421,327**	**-**	**101,056**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Riccardo POZZOLI	**VC and Managing Director**	**(*) 2000**	**31/12/2019**									

Remuneration from CLI S.p.A.				450,450	-	-	50,712	-	-	501,162	-	172,710
Remuneration from subsidiaries				122,000	-	-		-	-	122,000	-	
Total				**572,450**	**-**	**-**	**50,712**	**-**	**-**	**623,162**	**-**	**172,710**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Lorenzo MARCHIONNI	**Non-Executive Vice Chairman**	**Oct 2016**	**31/12/2019**									
Remuneration from CLI S.p.A.				88,000	-	-	28,978	-	-	116,978	-	12,222
Remuneration from subsidiaries				80,000	-	-	-	-	-	80,000	-	
Total				**168,000**	**-**	**-**	**28,978**	**-**	**-**	**196,978**	**-**	**12,222**

(*) reference to listing year

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries		Non-equity variable remuneration		Other remuneration			Severance allowance

						Remuneration for attendance to committees	Variable remuneration	Profit sharing		Total	Fair value of equity remuneration	
Adele ARTOM	**Director**	**(*) 2000**	**31/12/2019**									
Remuneration from CLI S.p.A.				8,000	-	-	-	-	-	8,000	-	-
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-
Total				**8,000**	**-**	**-**	**-**	**-**	**-**	**8,000**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Piera BRAJA	**Director**	**2017**	**31/12/2019**									
Remuneration from CLI S.p.A.				8,000	-	500	-	-	-	8,500	-	-
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-
Total				**8,000**	**-**	**500**	**-**	**-**	**-**	**8,500**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries		Non-equity variable remuneration		Other remuneration			Severance allowance

						Remuneration for attendance to committees	Variable remuneration	Profit sharing		Total	Fair value of equity remuneration	
Antonella FORCHINO	**Director**	**2006**	**31/12/2019**									
Remuneration from CLI S.p.A.				8,000	-		7,000	-	-	15,000	-	-
Remuneration from subsidiaries				-	-			-	-	-	-	-
Total				**8,000**	**-**		**7,000**	**-**	**-**	**15,000**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries		Non-equity variable remuneration		Other remuneration			Severance allowance

						Remuneration for attendance to committees	Variable remuneration	Profit sharing		Total	Fair value of equity remuneration	
Elsa FORNERO	**Director**	**2014**	**31/12/2019**									
Remuneration from CLI S.p.A.				8,000	-	500	-	-	-	8,500	-	-
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-
Total				**8,000**	**-**	**500**	**-**	**-**	**-**	**8,500**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Renato GIALLOMBARDO	**Director**	**ott-2016**	**31/12/2019**									
Remuneration from CLI S.p.A.				8,000	-	500	-	-	-	8,500	-	-
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-
Total				**8,000**	**-**	**500**	**-**	**-**	**-**	**8,500**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries		Non-equity variable remuneration		Other remuneration			Severance allowance

						Remuneration for attendance to committees	Variable remuneration	Profit sharing		Total	Fair value of equity remuneration	
Laura MATERASSI	**Director**	**Oct 2016**	**31/12/2019**									
Remuneration from CLI S.p.A.				8,000	-	6,500	-	-	-	14,500	-	-
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-
Total				**8,000**	**-**	**6,500**	**-**	**-**	**-**	**14,500**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries		Non-equity variable remuneration		Other remuneration			Severance allowance

						Remuneration for attendance to committees	Variable remuneration	Profit sharing		Total	Fair value of equity remuneration	
Maurizio MACCHIAVELLO	**COO**	**2012**	**31/12/2019**									
Remuneration from CLI S.p.A.				198,000	-	-	14,489	-	-	212,489	-	95,722
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	
Total				**198,000**	**-**	**-**	**14,489**	**-**	**-**	**212,489**	**-**	**95,722**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Lorenzo PETRETTO	**Director**	**Oct 2016**	**31/12/2019**									
Remuneration from CLI S.p.A.				8,000	-	-	-	-	-	8,000	-	-
Remuneration from subsidiaries				7,000	-	-	-	-	-	7,000	-	-
Total				**15,000**	**-**	**-**	**-**	**-**	**-**	**15,000**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries		Non-equity variable remuneration		Other remuneration			Severance allowance

						Remuneration for attendance to committees	Variable remuneration	Profit sharing		Total	Fair value of equity remuneration	
Luciano ROASIO	**Director**	**2009**	**31/12/2019**									
Remuneration from CLI S.p.A.				8,000	-	7,500	7,500	-	-	15,500	-	-
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-
Total				**8,000**	**-**	**7,500**	**7,500**	**-**	**-**	**15,500**	**-**	**-**

Director	Office	First year of office	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing				
Alberto TAZZETTI	**Director**	**(*) 2002**	**31/12/2019**									

Remuneration from CLI S.p.A.				8,000	-	500	-	-	-	8,500	-	-
Remuneration from subsidiaries				-	-	-	-	-	-	-	-	-
Total				**8,000**	**-**	**500**	**-**	**-**	**-**	**8,500**	**-**	**-**

							Non-equity variable remuneration					
				Fixed remuneration	**Salaries**	**Remuneration for attendance to committees**	**Variable remuneration**	**Profit sharing**	**Other remuneration**	**Total**	**Fair value of equity remuneration**	**Severance allowance**
Remuneration from CLI S.p.A.				986,450	185,615	23,000	144,891	-	-	1,339,956	-	381,710
Remuneration from subsidiaries				216,000	-	-	-	-	-	216,000	-	-
TOTAL REMUNERATION				**1,202,450**	**185,615**	**23,000**	**144,891**	**-**	**-**	**1,555,956**	**-**	**381,710**

(*) reference to listing year

di quotazione

Table 2)

EMOLUMENTS PAID TO THE MEMBERS OF THE BOARD OF AUDITORS

(*) reference to listing year

Statutory Auditors	Office	First year of office (*)	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Deborah SASSOROSSI	**Chairperson**	**2012**	**31/12/2020**										
Remuneration from CLTO & C. S.p.A.				24,000 **24,000**							24,000 **24,000**		

	Office	First year of office (*)	Expiration of term	Fixed remuneration	Salaries	Remuneration for attendance to committees	Non-equity variable remuneration		Non-monetary benefits	Other remuneration	Total	Fair value of equity remuneration	Severance allowance
							Variable remuneration	Profit sharing					
Francesco FINO	**Chairman**	**2012**	**31/12/2020**										
Remuneration from CLTO & C. S.p.A.				18,000 **18,000**							24,000 **24,000**		

	Office	**First year of office (*)**	**Expiration of term**	**Fixed remuneration**	**Salaries**	**Remuneration for attendance to committees**	**Non-equity variable remuneration**		**Non-monetary benefits**	**Other remuneration**		**Fair value of equity remuneration**	**Severance allowance**
							Variable remuneration	**Profit sharing**					
Giovanni RAYNERI	**Auditor**	**2009**	**31/12/2020**										
Remuneration from CLTO & C. S.p.A.				18,000							18,000		
				18,000							**18,000**		

TOTAL REMUNERATION				**60,000**							**60,000**		

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

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

	Office	Subsidiary	Shares held at 01/01/2018	Purchased in 2018	Sold in 2018	Shares held at 31/12/2018
Luigi LUZZATI	Chairman	Centrale del Latte d'Italia S.p.A.	166,395	-	-	166,395
Riccardo POZZOLI	Executive Vice Chairman and Managing Director	Centrale del Latte d'Italia S.p.A.	55,125	-	-	55,125
Adele ARTOM	Director	Centrale del Latte d'Italia S.p.A.	(*) 5,845,995	(*) 58,900	-	5,904,895
Antonella FORCHINO	Director	Centrale del Latte d'Italia S.p.A.	142,517	(*) 35,340	-	177,857
Maurizio MACCHIAVELLO	Director	Centrale del Latte d'Italia S.p.A.	10,000	-	-	10,000

(*) also through directly controlled Companies

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

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

2018 Financial Statements

Financial Statements – Accounting Schedules

Introduction

Notes:

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

INCOME STATEMENT (amounts shown in Euros)

			2018	2017
1ec	**1ene**	**Revenue from sales**	**79,732,405**	**77,783,961**
		▪ *of which from subsidiaries*	*3,120,376*	*2,417,114*
2ec	**2ene**	Other revenue	1,526,161	1,077,480
		▪ *of which from subsidiaries*	*323,152*	*47,241*
3ec	3ene	Change in inventories of work in progress, semi-finished and finished goods	(206,012)	363,726
		Total revenue from sales and services	**81,052,554**	**79,225,167**
4ec	4ene	Raw materials, consumables and goods	**(43,812,827)**	**(42,103,107)**
		▪ *of which from subsidiaries*	*(5,199,328)*	*(4,508,592)*
		Personnel costs	**(11,758,182)**	**(11,363,441)**
5ec	5ene	➢ Wages and salaries	(8,380,107)	(8,047,780)
6ec	6ene	➢ Social security contributions	(2,633,111)	(2,571,401)
7ec	7ene	➢ Employee severance indemnity	(568,855)	(558,458)
8ec	8ene	➢ Other costs	(176,110)	(185,802)
		Depreciation, amortisation and write-downs	**(2,175,088)**	**(2,156,030)**
9ec	9ene	➢ Amortisation of intangible fixed assets	-	-
10ec	**10ene**	➢ Amortization of tangible fixed assets	(1,927,539)	(1,987,476)
11ec	11ene	➢ Write-downs of current receivables	(247,549)	(168,554)
		Other operating costs	**(22,830,218)**	**(23,021,774)**
12ec	**12ene**	➢ Services	(21,437,920)	(21,752,993)
		▪ *of which from subsidiaries*	*(74,000)*	*(63,708)*
13ec	13ene	➢ Lease and rental costs	(752,244)	(437,085)
		▪ *of which from subsidiaries*	*(11,385)*	*(12,778)*
14ec	**14ene**	Other operating expenses	(640,054)	(831,696)
		EBIT	**476,240**	**580,815**
15ec	**15ene**	Financial income	121,982	34,599
		▪ *of which from subsidiaries*	*87,972*	
16ec	16ene	Financial expenses	(686,205)	(285,597)
17ec	17ene	**Adjustments to equity investments**	-	**(1,217)**
18ec	18ene	**Capital gain on equity investment disposal**	-	**10,705**
19ec	19ene	**Adjustment to financial asset**	-	**(91,744)**
		Profit (loss) before taxes	**(87,983)**	**247,561**

20ec	20ene	Income taxes	(52,366)	(146,362)
21ec	21ene	(Deferred) prepaid taxes	627,359	102,379
		NET PROFIT (LOSS) (A)	**487,010**	**203,578**
		Parent Company's shareholders	**487,010**	**203,578**
		Number of shares in circulation with voting rights	**14,000,020**	**14,000,020**
		Basic and diluted net earnings (loss) per share	**0.035**	**0.015**

STATEMENT OF COMPREHENSIVE INCOME (amounts shown in Euros)

	2018	**2017**
NET PROFIT (LOSS) (A)	**487,010**	**203,578**
Items that will never be restated under profit/(loss) for the period		
Actuarial gains (losses)	61,496	(76,883)
TOTAL OTHER COMPREHENSIVE PROFITS (LOSSES) (B)	**61,496**	**(76,883)**
COMPREHENSIVE NET PROFIT (LOSS) (A+B)	**548,506**	**126,695**

FINANCIAL STATEMENT (amounts shown in Euros)

		ASSETS	31/12/2018	31/12/2017	01/01/2017 reviewed
		NON-CURRENT ASSETS			
	1ne	**Tangible fixed assets**	**27,555,722**	**18,922,678**	**16,530,156**
1		Land	2,571,148	2,571,148	2,721,148
1		Buildings	6,725,416	6,496,442	6,640,927
1		Plant and equipment	8,980,448	5,145,245	5,776,509
1		Industrial, commercial and other equipment	1,107,132	1,284,944	1,302,071
2		Fixed assets under development and advances	8,171,578	3,424,899	89,500
	3ne	**Intangible fixed assets**	**6,241,061**	**6,241,061**	**6,191,061**
3		Trademarks	5,890,983	5,890,983	5,840,983
3		Goodwill	350,078	350,078	350,078
	4ne	**Financial fixed assets**	**55,513,159**	**52,227,748**	**52,132,212**
4		Equity investments in subsidiaries	52,028,328	52,028,328	52,028,328
4		Equity investments in associates	--	-	1
4		Other financial assets	2,279	2,279	9,290
5	**5ne**	**Deferred tax assets**	481,302	195,891	93,593
6	**6ne**	**Financial receivables from subsidiaries**	3,000,000	-	-
7	7ne	**Financial receivables from others**	1,250	1,250	1,000
		TOTAL NON-CURRENT ASSETS	**89,309,942**	**77,391,487**	**74,853,428**
		CURRENT ASSETS			
	8ne	**Inventories**	**3,315,637**	**2,810,566**	**2,105,751**
8		Raw materials, supplies and consumables	1,897,173	1,196,882	950,978
8		Finished products and goods	1,418,464	1,613,684	1,154,773
		Trade and other receivables	**23,801,115**	**19,945,453**	**22,660,002**
9	9ne	Trade receivables	11,857,521	11,519,420	9,689,950
10	10ne	Receivables from subsidiaries	1,273,371	688,717	1,605,694
10	10ne	Receivables from associates	-	-	110,000
11	11ne	Tax assets	8,898,093	5,910,923	9,327,556
12	12ne	Receivables from others	1,772,130	1,826,393	1,926,802

		Cash and cash equivalents	**8,654,155**	**23,114,922**	**6,098,533**
13	13ne	Bank and deposit	8,407,365	22,679,006	5,907,980
14	14ne	Cash and valuables on hand	246,790	435,916	190,553
		TOTAL CURRENT ASSETS	**35,770,907**	**45,870,941**	**30,864,286**
15	**15ne**	Non-current assets held for sale	**-**	**-**	**445,710**
		TOTAL ASSETS	**125,080,849**	**123,262,428**	**106,163,424**

FINANCIAL STATEMENTS (amounts shown in Euros)

		LIABILITIES AND SHAREHOLDERS' EQUITY	**31/12/2018**	**31/12/2017**	**01/01/2017 reviewed**
16	**16ne**	**Share capital**	28,840,041	28,840,041	**28,840,041**
		Reserves	**39,500,489**	**38,951,984**	**38,825,290**
17		Share premium account	14,324,577	14,324,577	14,324,577
18		Merger premium reserve	3,096,015	3,096,015	3,096,015
19		Reserve from business combination ineligible for distribution	13,902,917	13,902,917	-
20		Revaluation reserve	196,523	196,523	196,523
21		Legal reserve	1,856,699	1,846,520	1,207,334
22		Other reserves	10,522,192	10,328,793	12,087,176
23		IFRS first-time adoption reserve ineligible for distribution	1,265,967	1,265,967	1,265,968
24		Profits (losses) carried forward	41,478	41,478	41,478
25		Reserve for employee severance indemnity discounting	(44,155)	(105,651)	(28,768)
26		Merger deficit	(6,148,733)	(6,148,733)	(6,148,733)
27		Profit (loss) for the period	487,010	203,578	12,783,720
	17ne	**SHAREHOLDERS' EQUITY**	**68,340,530**	**67,792,025**	**67,665,331**
		NON-CURRENT LIABILITIES			
28	18ne	Long-term loans	8,894,612	7,678,067	6,112,217
29	19ne	Long-term payables to other lenders	50,972	-	21,173
30	20ne	Long term bonds	14,726,715	14,660,267	-
31	21ne	Deferred taxes	2,137,875	2,047,961	2,048,043

		Provisions	**2,576,086**	**2,711,127**	**2,788,247**
32	22ne	Employee severance indemnity	2,117,837	2,251,874	2,409,588
33	23ne	Directors' Severance Indemnity	76,540	153,748	231,746
34	24ne	Provision for risks and charges	381,709	305,505	146,913
		TOTAL NON-CURRENT LIABILITIES	**28,386,260**	**27,097,422**	**10,969,679**
		CURRENT LIABILITIES			
		Financial payables	**5,223,010**	**7,643,964**	**7,728,200**
35	25ne	Payables to banks	1,000,000	-	500,000
36	26ne	Short terms portion of long-term loans	4,200,546	7,576,136	7,210,029
37	27ne	**Short terms portion of payables to other lenders**	22,464	67,829	18,171
		Trade and other payables	**23,131,050**	**20,729,016**	**19,800,213**
38	28ne	Trade payables	17,790,278	16,096,254	13,858,958
39	29ne	Payables to subsidiaries	1,896,795	1,733,951	2,824,794
40	30ne	Payables to associate	-	-	13,412
41	31ne	Tax liabilities	390,004	298,286	234,613
42	32ne	Payables to social security authorities	552,184	538,565	548,886
43	33ne	Other payables	2,501,790	2,061,960	2,319,551
		TOTAL CURRENT LIABILITIES	**28,354,060**	**28,372,980**	**27,528,413**
		TOTAL EQUITY AND LIABILITIES	**125,080,849**	**123,262,428**	**106,163,424**

Statement of Cash Flow (amounts shown in Euros)

	31/12/2018	**31/12/2017**
Net cash and cash equivalent at beginning of year	23,114,922	5,598,533
A. Cash flow generated / (absorbed) by operating activities		
Profit (loss) for the year	487,010	**203,578**
Amortization of tangible fixed assets	1,927,539	1,987,476
Total amortisation, depreciation and write-downs	**1,927,539**	**1,987,476**
Provision for employee severance indemnity accrued in the FY, net of indemnities already paid and OCI effect	(72,542)	(234,598)
Directors' severance indemnity	76,204	73,759
Changes in deferred taxes	89,914	(82)
Changes in provision for liabilities and charges	(77,208)	6,835
Total net allowances	**16,368**	**(154,086)**
Change in net working capital		
Change in trade receivables and other receivables	(922,755)	(802,743)
Changes in financial receivables from subsidiaries	(3,000,000)	
Changes in inventories	(505,071)	(704,815)
Changes in other receivables	(3,218,317)	3,414,745
Changes in trade payables	1,856,865	1,133,041
Changes in other liabilities	453,451	(267,910)
Changes in tax liabilities	91,718	63,673
Total change in net working capital	**(5,244,109)**	**2,835,991**
Operating cash flow	**(2,813,194)**	**4,872,959**
B. Cash flow generated/(absorbed) by investment activities		
Acquisitions of technical fixed assets	(10,560,582)	(4,379,999)
Acquisitions of intangible fixed assets	-	(50,000)
Financial (investments) divestments	-	7,012
Change in non-current assets held for sale	**-**	**445,710**
Total cash flow generated/(absorbed) by investment activities	**(10,560,582)**	**(3,977,277)**
Free cash flow	**(13,373,775)**	**895,682**
C. Cash flow generated / (absorbed) from change in shareholders' equity		
Dividends paid	-	-
Total cash flow generated / (absorbed) from change in shareholders' equity	**-**	**-**

D. Cash flow generated / (absorbed) by financial activities		
Change in medium/long-term financial payables	(2,086,991)	16,620,707
Total cash generated / (absorbed) by financial activities	**(2,086,991)**	**16,620,707**
Total cash flows for the period	**(15,460,766)**	**17,516,389**
Net cash and cash equivalents at end of year (net of banks debt)	**7,654,156**	**23,114,922**
of which cash and cash equivalens	8,654,156	23,114,922
of which banks debt	(1,000,000)	-
Financial charges paid	514,927	164,248
Taxes paid	-	-

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

	At 01/01/2017	Allocation of net profit (losses)	Dividend distribution	Totalnet profit (loss)	Changes for the period	At 31/12/2017
Share capital	28,840,041	-	-	-		28,840,041
Share premium account	14,324,577	-	-	-		14,324,577
Merger premium reserve	3,096,015	-	-	-		3,096,015
Reserve from business combinations ineligible for distribution	-	12,144,534	-	-	1,758,383	13,902,917
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	1,207,334	639,186	-	-	-	1,846,520
Other reserves	12,087,176	-	-	-	(1,758,383)	10,328,793
IFRS first-time adoption reserve ineligible for distribution	1,265,967	-	-	-	-	1,265,967
Profits (losses) carried forward	41,478	-	-	-	-	41,478
Reserve for employee severance indemnity discounting	(28,768)	-	-		(76,883)	(105,651)
Merger deficit	(6,148,733)	-	-		-	(6,148,733)
Profit (loss) for the period	12,783,720	(12,783,720)	-	203,578	-	203,578
	67,665,331	**-**	**-**	**203,578**	**(76,883)**	**67,792,025**

	At 01/01/2018	Allocation of net profit (losses)	Dividend distribution	Totalnet profit (loss)	Changes for the period	At 31/12/2018
Share capital	28,840,041	-	-	-	-	28,840,041
Share premium account	14,324,577	-	-	-	-	14,324,577
Merger premium reserve	3,096,015	-	-	-	-	3,096,015
Reserve from business combinations ineligible for distribution	13,902,917	-	-	-	-	13,902,917
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	1,846,520	10,179	-	-	-	1,856,699
Other reserves	10,328,793	193,399	-	-	-	10,522,192
IFRS first-time adoption reserve ineligible for distribution	1,265,967	-	-	-	-	1,265,967
Profits (losses) carried forward	41,478	-	-	-	-	41,478
Reserve for employee severance indemnity discounting	(105,651)	-	-	-	*61,496*	(44,155)
Merger deficit	(6,148,733)	-	-	-	-	(6,148,733)

Profit (loss) for the period	203,578	(203,578)	-	487,010	-	487,010
	67,792,025	**-**	**-**	**487,010**	**61,496**	**68,340,530**

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

2018 Financial Statements

Notes to the Financial Statements at 31 December 2018

The Company

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

- milk and dairy products
- packaged products in the fresh and ultra-fresh segment
- fresh vegetables
- vegetable-based products

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

The Company shares are listed on the STAR segment of Borsa Italiana, and according to the shareholders' register and based on the information available on the Consob website (www.consob.it) and the official notifications received and available at the date of this annual financial report at 31 December 2018, the shareholders who directly or indirectly hold equity interests amounting to more than 5% of the share capital with voting rights are: (i) Adele Artom 43.20%, (ii) Municipality of Florence 12.31%, (iii) Fidi Toscana S.p.A. 6.83%, (iv) Municipality of Pistoia 5.26%.

Starting from 11 January 2019, the holders of voting rights amounting to more than 5%, pursuant to the provisions of art. 127 quinquies, para. 2, of the TUF (Consolidated Law On Finance) and art. 44 of the CONSOB-Banca d'Italia single measure on post-trading, as well as the provisions of art. 5 of the Articles of Association, are: (i) Adele Artom 47.27%, (ii) Municipality of Florence 11.19%, (iii) Fidi Toscana S.p.A. 6.21%.

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

The publication of the 2018 financial statements was authorised by the Board of Directors on 15 March 2019.

The Company has also prepared, in its capacity as Parent Company, the consolidated Financial Statements at 31 December 2018.

Centrale del Latte d'Italia Group has 4 production plants in Turin, Florence, Vicenza, and Rapallo (Ge), capable of directly producing fresh, ESL (Extended Shelf Life) and UHT milk, yoghurt, mascarpone, and plant-based drinks, and to sell packaged own-brand products in the fresh sector, such as eggs, cheese, pasta, fresh salads produced through selected customers. It has 413 employees and over 320 reefer vans that every day supply 2750 points of sale of retail chains and over 11,600 customers in normal trade channels, as well as collecting approx. 119 million litres of milk from 161 stables.
The Group is the third milk producing hub in Italy, with a national market share of 7.7% in the fresh and extended shelf life (ESL) milk segment, 4% in the UHT milk segment and leadership positions in the Piemonte/Valle d'Aosta, Tuscany, Liguria and Veneto regions, Wight market shares of 28.7% in the fresh and extended shelf life (ESL) milk segment and 14.6% in the UHT milk segment. (Source IRI Infoscan Iper + Super +LSP at 31 December 2018).

Structure and content of the accounting schedules

The Financial Statements at 31 December 2018 are composed of the equity and financial position, the income statement and the statement of comprehensive income, the cash-flow statement, the statement of changes in Shareholders' Equity and the Notes. The statement of the equity and financial position consists of assets and liabilities analysed by maturity date, separating the current and non-current entries with maturity date, respectively, within and beyond a 12-month period.

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

The Financial Statements for FY2018 were drafted in Euros.

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

Audit

The 2018 Financial Statements are subject to audit by Deloitte & Touche S.p.A..

ACCOUNTING STANDARDS, AMENDMENTS AND IFRS INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2018

The following amendments have been applied for the first time by the Company 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. Please note that as provided for in IAS 8, the Company also presented the balance sheets at 31 December 2017 and 1 January 2017: these statements, although indicated as "restated", do not differ in any way from the balance sheet data published, and approved, with reference to 31 December 2017 and 31 December 2016, because the adjustments deriving from the application of the standard are closely linked to the 2017 and 2018 income statement.

  The Company has evaluated the effects deriving from the adoption of this 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 sustained with sales transactions with large-scale retail customers. From a quantitative point of view, the 2017 income statement showed a reduction in revenue compared to the financial statements at 31 December 2017: This reduction, € 1,368 thousand, is effectively equal and opposite to the reduction of costs, with no impact on the operating result for the period. Likewise, the 2018 income statement showed a fall in revenue of € 1,361 thousand, with no impact on EBIT for the period.

- On 24 July 2014 the IASB issued the final version of **IFRS 9 – Financial Instruments: *recognition and measurement*.** 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 changes to financial liabilities defined as non-substantial, 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.

- On 12 September 2016 the IASB issued the document "***Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts***". For entities whose business is predominantly made up of insurance, the aim of the amendments is to clarify the concerns deriving from the application of the new IFRS 9 (from 1 January 2018) to financial assets, before the current IFRS 4 is replaced with the standard IFRS 17 *Insurance Contracts*, based on which financial liabilities are carried.
  The amendment has been applied since 1 January 2018. Also considering the fact that the Company does not operate in the insurance sector, the adoption of this amendment did not have any effects on the financial statements at 31 December 2018.

- On 20 June 2016, the IASB issued the amendment 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. Considering the fact that the Company has no outstanding instruments that fall within the scope of IFRS 2, the adoption of this amendment had no effects on the financial statements at 31 December 2018.
- On 08 December 2016, the IASB published the document "**Annual Improvements to IFRSs: 2014-2016 Cycle**", 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 Financial Statements at 31 December 2018.

- On 8 December 2016, the IASB published the amendment to **IAS 40 "*Transfers of Investment Property"*.** These changes clarify the prerequisites necessary to transfer a property to or from an 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 already occurred, 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 Financial Statements at 31 December 2018.
- On 8 December 2016, the IASB issued the interpretation "***Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)***". The aim of the interpretation is to provide guidelines for transactions conducted in foreign currency where non-monetary advances or deposits (contra entry to the received/paid consideration) 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:

  - the date on which the full or partial advance consideration paid is entered in the financial statements of the entity; and
  - 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 Company has no foreign currency transactions, so the adoption of this interpretation had no effects on the financial statements at 31 December 2018.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, not yet mandatorily applicable and not early adopted by the Company at 31 December 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 lease contracts for the lessee, which requires the object under lease, including operating lease, to be posted to the assets, offset by a financial liability. The Standard does not comprise significant amendments regarding lessors.

  The standard applies from 1 January 2019, though earlier application is permitted.

  The Company is finalizing the preliminary *assessment programme* of the potential impacts of the application of the new standard at the transaction date (1 January 2019). This process has taken place in several stages, including the complete mapping of contracts potentially suitable for containing a lease and an analysis of the contracts in order to understand the main clauses pertinent for the purpose of IFRS 16.

  The Company chose to apply the standard retrospectively, but posted the cumulative effect deriving from the application of the standard to net equity at 1 January 2019, as contemplated in paragraphs C7 – C13 of IFRS 16. Specifically, regarding the lease contracts previously classified as operative, the Company will record:

a) a financial liability, equal to the current value of remaining future payments at the transition date, discounted, for each contract, using the incremental borrowing rate applicable at the transition date;

b) a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses/accrued liabilities and deferred income referring to leases and recorded in the balance sheet at the date of closure of these financial statements.

With the adoption of IFRS 16, the Company intends to use the exemption granted in paragraph 5 (a) of IFRS 16 regarding short-term leases for the following types of assets.

Likewise, the Company intends to use the exemption granted in paragraph 5 (b) of IFRS 16 regarding lease contracts for which the underlying asset is considered as a low-value asset (i.e. the assets underlying the contract do not exceed € 5.00 when new). The contracts the exemption has been applied to mainly come under the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and furnishings.

For these contracts, the introduction of IFRS 16 will not involve the recognition of the financial liability of the lease and the pertinent right of use, but the lease payments will be recognised in the income statement on a straight-line basis for the duration of the respective contracts.

In addition, with reference to the rules governing transition, the Company intends to use the following practical measures in the event the modified retrospective transition method is chosen:

- Classification of contracts that expire within 12 months of the transition date as short-term leases; For these contracts, the lease payments will be posted to the income statement on a straight-line basis;
- Exclusion of initial direct costs from the measurement of right of use at 1 January 2019;
- Use of the information present at the transition date to determine the lease term, with particular reference to exercising the extension and early closure options.

An initial estimate indicates that the application of the standard will result in an increase of approx. € 3 million in financial debt (substantially aligned with the per lease commitment pursuant to IAS 17), offset by a significant improvement in EBITDA.

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

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

- 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*. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of the insurance contracts. The directors do not expect the adoption of this standard to have a significant impact on the Company's 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 Company's 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. The directors do not expect the adoption of these changes to have a significant impact on the Company's financial statements.

- On 7 February 2018, the IASB issued the document "**Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"**. 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. At the moment, the directors are assessing the possible effects of the introduction of these amendments on the financial statements.

- On 22 October 2018, the IASB issued the document "Definition of a Business (Amendments to IFRS 3)". The document clarifies a number of points regarding the definition of business for the purpose of applying IFRS 3 correctly. Specifically, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business where an integrated set of activities/processes and assets is present. However, for the definition of a business, an integrated set of activities/processes and assets must include at least an input and a substantial process that together make a significant contribution to the ability to create outputs. To this end, the IASB has replaced the term " ability to create outputs" with "ability to contribute to the creation of outputs", in order to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.

  The amendment also introduced a "concentration test", optional for the entity, to determine whether a set of activities/processes and assets purchased is not a business. If the result of the test is positive, the set of activities/processes and assets purchased is not a business, and the standard requires no further verification. If the result of the test is negative, the entity must conduct further analyses on the activities/processes and assets purchased to identify the presence of a business. To this end, the amendment has added numerous examples to IFRS 3 in order to illustrate the practical application of the new definition of a business in specific cases. The modifications apply to all the business combinations and acquisitions of assets after 1 January 2020, but early application is permitted. Considering that this amendment will be applied to new acquisition transactions completed starting from 1 January 2020, any effects will be recorded in the consolidated financial statements closed after that date.

- On 31 October 2018, the IASB issued the document "Definition of Material (Amendments to IFRS 1 and IAS 8)". The document has introduced a change to the definition of "significant" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The aim of this amendment is to offer a more specific definition of "significant" and to introduce the concept of "obscured information" in addition to the concepts of omitted or erroneous information already present in the two amended standards. The amendment clarifies that an information is "obscured" if the effect it has on the primary readers of a set of financial statements is similar to the effect of said information being omitted or erroneous.

  The directors do not expect the adoption of these amendments to have a significant impact on the Company's financial statements.
- On 11 September 2014 the IASB issued the amendment to IFRS 10 and IAS 28 *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*. The document was 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.

Business combinations

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

- The payment transferred in a business combination is carried at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities acquired by the Group at the date of acquisition and the capital instruments issued in exchange for control of the business acquired. Ancillary expenses related to the transaction are generally recognised in the income statement when they are incurred.

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

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

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

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

Use of Estimates

In drafting the Financial Statements at 31 December 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 revenues indicated in the Financial Statements. The estimates and assumptions are based on previous experience and on other factors considered reasonable in the relevant cases, and were adopted in order to estimate the book value of assets and liabilities that could not readily be deduced from other sources. It should be noted, however, that these are estimates and therefore the final figures may differ from the estimated figures. The main estimates used by the Company concern the assessments to show provisions for bad debts, amortisation and depreciation, write-downs of assets, employee benefits, taxes, and provisions for liabilities and charges.

In addition, a number of assessment processes, in particular those more complex processes such as the determination of any impairment losses on non-current assets, are generally carried out exhaustively only for the drafting of the yearly Financial Statements, once all the necessary information is available, except for those cases in which there are impairment indicators requiring an immediate assessment of any impairment losses.

In consideration of a number of disclosure obligations, the Directors identify the fair value of financial assets with an indefinite useful life.

Pursuant to the provisions of IAS 36, indications are provided regarding the changes to fair value on the basis of a hierarchy (IFRS 13) that reflects the significance of the input used in determining said fair value (Level 1: reference listed prices in active markets for the assets or liabilities being measured; Level 2: input data other than listed prices, which are observable either directly or indirectly; Level 3: input data not based on observable market data).

The accounting standards and assessment criteria are illustrated below.

The accounting standards and assessment criteria are illustrated below.

Intangible fixed assets

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

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

Further to initial booking:

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

Intangible assets with an indefinite useful life mainly consist of brands that have no limitations in terms of useful life from a legal, contractual, economic and competitive point of view. Pursuant to the provisions of IAS 36, indications are provided regarding the changes to fair value on the basis of a hierarchy (IFRS 13) that reflects the significance of the input used in determining said fair value (Level 1: reference listed prices in active markets for the assets or liabilities being measured; Level 2: input data other than listed prices, which are observable either directly or indirectly; Level 3: input data not based on observable market data).

The line item "Goodwill" represents the fair value of the payment transferred, plus the amount recognised of any equity investments held by third parties in the company purchased, less the net amount recognised (usually the fair value), of the identifiable assets purchased.

The "software" category includes the group operating system, used to manage all company activities, amortised at a rate of 20% per year.

Tangible fixed assets

Tangible fixed assets are recognised at purchase cost, plus any directly attributable accessory expenses required to prepare the asset for use and less commercial allowances or discounts. The period-end amount is net of accumulated depreciation.

The depreciation charges recognised in the statement of comprehensive income are calculated systematically and consistently according to rates deemed representative of the estimated economic and technical lives of the assets, as illustrated below:

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

- Isothermal vans 16%

The depreciation period begins from the financial year in which the asset is available for use.

Land is not depreciated, as it is presumed to have an indefinite useful life.

Profits and losses deriving from the divestment or sale of fixed assets, calculated with reference to their book value, are entered among operating income and expenses on the statement of comprehensive income. Maintenance and repair costs are charged to the income statement for the financial year in which they were sustained, except for those of an incremental nature, which are charged to the fixed assets they refer to and are amortised on the basis of their residual use. Expenses of an incremental nature are those for which the pertinent future benefits are likely to be for the Company.

Lease

Tangible assets on finance lease, under which the risks and rewards related to ownership are essentially transferred to the Group, are recognised as Group assets at their current value, or at the present value of minimum finance lease payments owed, should this be lower. The corresponding liability towards the lessor is shown among financial debts. Assets are depreciated by applying the standard and rates illustrated above.

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

Impairment of fixed assets

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

Equity investments carried at cost

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

Other financial assets

Equity investments in other companies are carried at fair value.

Financial liabilities

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

Inventories

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

Trade receivables

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

Discontinued operations

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

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

Employee benefits – Employee severance indemnity

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

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

Provision for risks and charges

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

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

In the event of merely remote events, i.e. events that are highly unlikely to occur, no provision is recognised, nor is any relevant information provided.

Provisions are presented at the current amount of expected outlays where the discount effect is material.

Revenue

Revenue is recognised to the extent it is probable that the Group will receive economic benefits and that the amount thereof may be reliably determined. Revenue is carried net of any discounts, refunds, credits, and bonuses.

Revenue from the sale of an asset is recognised when the entity has substantially transferred all risks and rewards of ownership of that asset to the buyer.

In application of IFRS 15 (first application with reference to the consolidated financial statements at 31 December 2018), the Group recognised as a reduction in revenue the promotional contributions (based on annual contracts signed with large-scale retailers), since in the context of the analysis of the standard, they are not considered a separate performance obligation from the performance obligation "transfer of assets".

Revenue on services rendered is recognised when the degree of completion of the transaction at the reporting date for the financial statements may be reliably determined according to the date of accrual of the service.

Public contributions

Contributions are entered into the Financial Statements only when it is reasonably certain that the Company will comply with the conditions set for receiving the contribution and that those contributions will effectively be received. Public contributions for plants are entered as deferred 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.

Art. 1, paras. 125-129 of Law no. 124 of 4 August 2017 (Annual law for the market and competition) introduced new information obligations regarding the transparency of public contributions received and granted. The reporting criterion to be followed is the "cash-based method".

Information regarding the contributions received during FY (referred to in Law no. 124 del 4 August 2017) is illustrated in the Notes on Other Revenue and Financial Payables

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 recognised assets and liabilities and the amounts of those assets and liabilities for statutory purposes. Deferred tax assets are only recognised where it is likely that the entity will earn taxable income against which it may set off the temporary deductible difference. Deferred tax liabilities are recognised on all the temporary taxable differences.

In addition, the tax consolidation program governed by Presidential Decree 971/86, amended by Legislative Decree 344/2003, was introduced in 2005. The program allows for optional group taxation, which consists of determining a single taxable group income for the ultimate parent company corresponding to the algebraic sum of the net total incomes of participants and thus a single income tax for Group companies.

The Companies that joined the tax consolidation regime are Centrale del Latte d' Italia S.p.A., 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.

Segment reporting

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

Earnings per share

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

Capital – Capital management policy and processes

With regard to share capital and the reserves of joint stock companies, Italian legislation establishes that:

the share capital of the Company may not amount to less than € 50,000.

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

The share premium reserve is created if the Company issues shares at a price higher than their face value, and it may not be distributed until the legal reserve has reached a fifth of the share capital.

As regards treasury shares, these may only be purchased by the company within the limits of the distributable profits and the reserves available as shown in the most recent approved Financial Statements. Purchase must be authorised by the Shareholders' Meeting, and on no account may the face value of the shares purchased exceed one fifth of the share capital.

The capital management objectives identified by the Company are the creation of value for shareholders in general, safeguarding business continuity and supporting the development of the Company. The Company intends to maintain an adequate level of capitalisation, allowing for satisfactory returns for equity investors and, at the same time, guaranteeing reasonable access to external sources of financing, also by achieving an adequate rating.

The Company constantly monitors the evolution of debt in relation to net equity, and in particular the level of net debt and the cash generation from industrial activities.

In order to achieve the aforementioned objectives, the Company seeks to constantly improve the profitability of the business areas it operates in.

BREAKDOWN OF INCOME STATEMENT ITEMS

REVENUE

Revenue from sales (1ene)

Breakdown of sales by turnover segment (1ene):

	2018		2017		Change	
Fresh milk + ESL	30,918,014	38.8%	32,960,255	42.4%	(2,042,241)	-6.2%
Intra-group	1,449,912	1.8%	953,882	1.2%	496,030	52.0%
	32,367,926	**40.6%**	**33,914,137**	**43.6%**	**(1,546,211)**	**-4.6%**
UHT milk	13,574,358	17.0%	12,400,728	15.9%	1,173,630	9.5%
Intra-group	244,228	0.3%	237,767	0.3%	6,461	2.7%
	13,818,586	**17.3%**	**12,638,495**	**16.2%**	**1,180,091**	**9.3%**
Yogurt	**1,998,953**	**2.5%**	**2,253,359**	**2.9%**	**(254,406)**	**-11.3%**
Fresh vegetables	4,569,469	5.7%	4,899,786	6.3%	(330,317)	-6.7%
Intra-group	898,643	1.1%	746,076	1.0%	152,567	20.4%
	5,468,112	**6.9%**	**5,645,862**	**7.3%**	**(177,750)**	**-3.1%**
Bulk milk and cream	1,022,330	1.3%	1,473,535	1.9%	(451,205)	-30.6%
Intra-group	210,730	0.3%	211,974	0.3%	(1,244)	-0.6%
	1,233,060	**1.5%**	**1,685,509**	**2.2%**	**(452,449)**	**-26.8%**
Other packaged products	19,978,626	25.1%	18,658,956	24.0%	1,319,670	7.1%
Intra-group	312,062	0.4%	262,071	0.3%	49,991	19.1%
	20,290,688	**25.4%**	**18,921,027**	**24.3%**	**1,369,661**	**7.2%**
Vegetable-based products	1,135,048	**1.4%**	1,076,478	**1.4%**	**58,570**	**5.4%**

Intra-group	4,802	**0.0%**	5,345	**0.0%**	(543)	100%
	1,139,850	**1.4%**	**1,081,823**	**1.4%**	**58,027**	**5.4%**
Export	**3,415,231**	**4.3%**	**1,643,749**	**2.1%**	**1,771,482**	**107.8%**
Total	**79,732,406**	**100.0%**	**77,783,961**	**100.0%**	**1,948,445**	**2.5%**
Intra-group	**3,120,376**	**3.9%**	**2,417,114**	**3.1%**	**703,262**	**29.1%**

See the report on operations for the comment on the performance of the FY.

Breakdown of other revenue (2ene)

	2018		**2017**		**Change**	
Recoveries	330,353	22%	94,707	9%	235,646	249%
Recoveries from subsidiaries	323,152	21%	47,241	4%	275,911	584%
Capital gains on asset disposal	234,616	15%	228,983	21%	5,633	2%
Grants for current expenses	207,333	14%	126,649	12%	80,684	64%
Contingent assets	143,003	9%	335,207	31%	(192,204)	-57%
Other	120,633	8%	84,486	8%	36,147	43%
Contributions from suppliers	59,320	4%	84,381	8%	(25,061)	-30%
Sales of salvaged materials	53,831	4%	47,877	4%	5,954	12%
Rental income	35,169	2%	21,169	2%	14,000	66%
Indemnities	16,751	1%	5,849	1%	10,902	186%
Royalties	2,000	0%	931	0%	1,069	115%
Total	**1,526,161**	**100%**	**1,077,480**	**100%**	**448,681**	**42%**

Public contributions

Following the signing, on 22 December 2017, with the National Agency for Attracting Investments and Business Development S.p.A. – INVITALIA – of the Loan Contract offering special conditions pursuant to the Decree of 9 December 2014 of the Ministry of Economic Development as amended, Centrale del Latte d'Italia S.p.A. was granted a soft loan totalling € 8,197,945, of which € 745,267 in the form of a subsidy and € 7,452,678 at a special reduced rate.

During the year, the Company received and recognised in the Financial Statements the first instalment of both the subsidy of € 139,000 and of the soft loan, amounting to € 1,547,441.62.

Use of raw materials and consumables (4ene)

The costs for raw materials and consumables amounted to € 43,812,827 and include:

	2018		**2017**		**Change**	
Purchases of ingredients – sundry foodstuffs	22,949,422	52%	22,988,752	55%	(39,330)	0%
Goods for resale	9,584,500	22%	8,750,878	21%	833,622	10%

Packaging materials	5,523,733	13%	5,095,276	12%	428,457	8%
Consumables and ancillary material	519,819	1%	759,609	2%	(239,790)	-32%
Intra-group products	5,177,313	12%	4,444,900	11%	732,413	16%
Intra-group ancillary material	22,014	0%	63,692	0%	(41,678)	-65%
Intra-group purchases of ingredients	36,026	0%	-	0%	36,026	100%
Total	**43,812,827**	**100%**	**42,103,107**	**100%**	1,709,720	**4%**

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

Personnel costs totalled € 11,758,182, broken down as follows:

	2018		2017		Change	
Wages and salaries	8,098,147	69%	8,047,780	71%	50,367	1%
Social security charges	2,633,111	22%	2,571,401	23%	61,709	2%
Employee severance indemnity	568,855	5%	558,458	5%	10,397	2%
Other costs	458,070	4%	185,802	2%	272,268	147%
Total	**11,758,182**	**100%**	**11,363,441**	**100%**	**394,741**	**3%**

The employee severance indemnity accrued in 2018, of € 568,855, and part of the social security charges may be considered a defined-contribution plan, entirely paid to the INPS Treasury account or to other pension provisions.

The average workforce related to the plants in Turin and Rapallo (Ge) came to 196 at 31 December 2018 (206 at 31 December 2017).

Further to the sale of the *"Salads & Fruits" business unit*, located in Casteggio (PV), the workforce came to 176 at 31 December 2018 (204 at 31 December 2017).

	Hired	Resigned	Transferred	In service	Average workforce
Managers	-	-	-	9	**9**
Middle management	-	(1)	-	10	**11**
White-collar personnel	2	(8)	-	72	**77**
Blue-collar personnel	-	(23)	-	84	**99**
TOTAL	**2**	**(32)**	**-**	**175**	**196**

Amortisation and depreciation (9ene+10ene)

Depreciation of tangible assets was calculated and recognised in the total amount of € 1,927,539.

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

	2018		2017		Change	
Buildings	478,933	25%	498,678	25%	(19,745)	-4%
Plant and equipment	1,024,886	53%	1,074,991	54%	(50,105)	-5%
Industrial and commercial equipment	423,720	22%	413,807	21%	9,913	2%
Total	**1,927,539**	**100%**	**1,987,476**	**100%**	**(59,937)**	**-3%**

Services costs (12ene)

The costs for services amounted to € 21,437,920 and include:

	2018		2017		Change	
Transport for product distribution	9,205,929	43%	9,251,178	43%	(45,249)	0%
Administrative services	3,079,821	14%	2,934,001	13%	145,820	5%
Commercial and advertising services	2,212,447	10%	2,501,717	12%	(289,270)	-12%
Industrial services	2,102,793	10%	2,227,624	10%	(124,831)	-6%
Motive power and natural gas	1,740,943	8%	1,661,388	8%	79,555	5%
Purchase services	1,186,517	6%	1,377,239	6%	(190,722)	-14%
Maintenance services	819,905	4%	815,035	4%	4,870	1%
Free gifts with products	659,167	3%	701,357	3%	(42,190)	-6%
Insurance services	356,398	2%	219,746	1%	136,652	62%
Ico administrative services	74,000	0%	63,708	0%	10,292	16%
Total	**21,437,920**	**100%**	**21,752,993**	**100%**	**(315,073)**	**-1%**

Lease and rental costs (13ene)

Lease and rental costs, € 752,244, also include the external warehouses rented, necessary for the entire construction period of the new automated warehouse.

	2018		2017		Change	
Industrial leases	392,564	52%	327,979	75%	64,585	20%
Leases of premises and buildings	359,680	48%	109,106	25%	250,575	230%
Total	**752,244**	**100%**	**437,085**	**100%**	**315,160**	**72%**

Other operating expenses (14ene)

Sundry operating expenses amounted to € 640,054 Euro and include:

	2018		2017		Change	
Taxes other than income taxes	406,434	63%	427,372	51%	(20,938)	-5%
Membership fees	103,821	16%	110,757	13%	(6,936)	-6%
Contingent liabilities	94,065	15%	113,251	14%	(19,186)	-17%
Entertainment expenses	17,790	3%	28,250	3%	(10,460)	-37%
Fines and penalties	9,480	1%	7,331	1%	2,149	29%
Capital losses	4,522	1%	139,102	17%	(134,580)	-97%
Subscriptions to magazines and books	3,942	1%	5,633	1%	(1,691)	-30%
Total	**640,054**	**100%**	**831,696**	**100%**	**(191,642)**	**-23%**

Financial income and expenses (15ene+16ene)

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

	2018		2017		Change	
Financial income						
Interest from subsidiaries	87,972	72%	-	-	87,972	100%
Interest on VAT refunds	24,854	20%	26,872	78%	(2,018)	-8%
Interest from banking institutions	5,815	5%	2,770	8%	3,045	110%
Other	3,342	3%	4,957	14%	(1,615)	-33%
Total financial income	**121,982**	**100%**	**34,599**	**100%**	**87,383**	**253%**
Financial charges						
Interest on bond	363,749	53%	40,068	14%	323,681	808%
Interest on mortgages and loans	137,825	20%	162,021	57%	(24,196)	-15%
Performance bond expenses	84,417	12%	45,014	16%	39,403	88%
Financial charges on bond placement	66,448	10%	5,094	2%	61,354	1204%
Charges for employee severance indemnity discounting	19,412	3%	29,834	10%	(10,422)	-35%
Interest on current accounts	13,219	2%	2,144	1%	11,075	517%
Other	1,002	0%	1,388	0%	(386)	-28%
Finance lease interest	133	0%	35	0%	98	281%
Total financial expenses	**686,205**	**100%**	**285,598**	**100%**	**400,607**	**140%**

Taxes (20ene+21ene).

Income taxes amount to € 52,366, vs. € 146,362 in 2017.

On 15 October, 2018 Centrale del Latte d'Italia S.p.A. signed a preventive agreement with the Italian Revenue Agency to obtain access to the benefits of the Patent Box tax regime for the calculation of the income entitled to reduced taxation deriving from the use of its own brands for the 2015 tax year and for the following 4 years. The value of the tax benefit for the years 2015 to 2017 was equal to € 541,653, recognised in IRES and IRAP tax credits and in taxes of previous years. The value of the tax benefit related to 2018 was deducted from the taxable amount for the 2018 tax year.

For the settlement of the pending tax litigation referred to in the following chapter "Other risks", the Company posted tax payables of € 121,314 to taxes for previous FYs.

	2018		2017		Change	
IRES for the year 24%	-	-	(44,976)	31%	(44,976)	-100%
IRAP for the year 3.9%	(52,366)	100%	(101,386)	69%	49,020	48%
Total taxes	**(52,366)**	**100%**	**(146,362)**	**100%**	**93,996**	**64%**
(Deferred) prepaid taxes and previous years	627,359		102,379			
Net total taxes	**574,993**		**(43,983)**			

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

IRES (rate 24%)	Taxable base for IRES purposes	Notional IRES	Actual IRES
Net result	**487,009**	**116,882**	
Increases	1,411,242		
Decreases	**2,801,308**		
Taxable base	**(903,057)**		**-**
IRAP (rate 3.9%)	**IRAP taxable base**	**Notional IRAP**	**Actual IRAP**
EBIT	476,239	**18,573**	
Increases	14,362,949		
Decreases	13,020,225		
Taxable base	**1,342,724**		**52,366**

BREAKDOWN OF ASSETS

NON-CURRENT ASSETS

Tangible fixed assets (1ne)

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

TANGIBLE FIXED ASSETS	Land	Buildings	Plant and equipment	Industrial, commercial and other equipment	Total	Fixed assets under development	Total
Historical cost	2,571,148	17,695,834	31,637,188	9,059,179	59,888,358	3,424,899	63,313,257
Accumulated depreciation		(11,199,392)	(26,491,943)	(7,774,236)	(44,390,579)		(44,390,579)
Initial amount	**2,571,148**	**6,496,442**	**5,145,245**	**1,284,944**	**15,497,779**	**3,424,899**	**18,922,678**
Acquisitions	-	699,907	3,675,371	328,545	4,703,823	6,642,902	11,346,723
Transfers	-	8,000	1,884,222	4,000	1,896,222	(1,896,222)	-
Disposals and eliminations	-	-	(4,806,792)	(436,327)	(5,243,119)		(5,243,119)
Use of provisions	-	-	4,107,287	349,691	4,456,978	-	4,456,978
Depreciation	-	(478,933)	(1,024,886)	(423,720)	(1,927,539)	-	(1,927,539)
Final amount	**2,571,148**	**6,725,416**	**8,980,448**	**1,107,132**	**19,384,144**	**8,171,578**	**27,555,722**

During 2018, the Company started with its plan to make new investments in plant and equipment totalling € 11 million. Amongst others, these investments regard a building to be used as a garage (€ 320,000) as well as plants and machinery that are part of the Supply Chain Contract and the Development Contract project with Invitalia, for which the first progress payments have been made. Disposals and eliminations of fixed assets in plants, machinery and equipment include the amount, net of depreciation and equal to € 755,232, for the sale of the "Salads & Fruits" business unit in Casteggio (Pavia).

Following the signing, on 22 December 2017, with the National Agency for Attracting Investments and Business Development S.p.A. – INVITALIA – of the Loan Contract offering special conditions pursuant to the Decree of 9 December 2014 of the Ministry of Economic Development as amended, a soft loan totalling € 8,179,945 was granted, € 745,267 of which in the form of a subsidy on a no-return basis and € 7,452,678 at a special reduced rate. During the year, the Company received and recognised in the Financial Statements the first instalment of both the subsidy of € 139,000 and of the soft loan, amounting to € 1,547,442.

TANGIBLE FIXED ASSETS	Buildings	Plant and equipment	Industrial, commercial and other equipment	Total
Initial amount	**11,199,392**	**26,491,943**	**7,774,236**	**44,390,579**
Depreciation	478,933	1,024,886	423,720	1,927,540
Use of provisions	-	(4,107,287)	(349,691)	(4,456,978)
Final amount	**11,678,325**	**23,409,542**	**7,848,264**	**42,936,132**

Tangible fixed assets include the net book value of vehicles under finance lease contracts for € 11,600.

Intangible fixed assets (3ne)

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

INTANGIBLE FIXED ASSETS	Trademarks	Goodwill	Software	Total
Historical cost	19,516,057	350,078	837,125	20,703,260
Accumulated amortisation	(13,625,074)		(837,125)	(14,462,199)
Final amount	**5,890,983**	**350,078**	**-**	**6,241,061**

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

The brands with an indefinite useful life "Centro Latte Rapallo", "Latte Tigullio underwent an impairment test on 31 December 2018. The recoverable value of the brands is based on their fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (*premium price*). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.

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

- Mean price differential per litre (brand products vs. non-brand products): 98%
- Discount rate: 12.22%

The *premium price* mean income has not varied significantly during the five years' forecasts (2019-2023), and the terminal value has been prudently determined by assuming a growth rate of zero.

The recoverable value thus calculated exceeds the book value.

Finally, considering the importance of the terminal value used to calculate the fair value of the brand (amounting to about 50% of total value), a sensitivity analysis was carried out on the discount rate and the growth rate used, hypothesising a number of different risk scenarios. The outcomes of these analyses did not show risks of an impairment.

The estimated value of the Odilla brand has been calculated using the flows expected for the period 2019 – 2027 deriving from the royalties owed for the use of the brand, applying an annual sales increase rate of 1% and a discount rate of 14.33%. The recoverable value thus calculated exceeds the book value.

Financial fixed assets (4ne)

List of other financial equity investments

The equity investment in subsidiaries refers to Centrale del Latte della Toscana S.p.A. of Florence and to Centrale del Latte di Vicenza S.p.A. located in Vicenza.
Equity investments in other companies come to a collective total of € 2,279 and consist of interest held in credit guarantee and power supply consortia.

	Subsidiaries	Other companies
Initial amount	**52,028,328**	**2,279**
Increases	**-**	**-**
Decreases	-	-
Final amount	**52,028,328**	**2,279**

The recoverability of the value of the equity investment in the **subsidiary Centrale del Latte di Vicenza S.p.A.** was analysed at 31 December 2018 by comparing it with the Net Equity of the equity investment plus the capital gains implicit in the business of the subsidiary. Specifically, some studies were conducted by independent experts on some company assets (brand, land and buildings, systems and equipment) in order to obtain the fair value net of divestment costs. This fair value is classifiable under levels 2 and 3, based on the parameters used in the measurement techniques applied.

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

The recoverable value thus calculated is superior to the book value by approx. € 6.3 million.

The fair value of the systems, machinery and equipment belonging to Centrale del Latte di Vicenza was determined according to the cost method. This method is based on the hypothetical replacement of the asset to be estimated with a comparable new asset. This method makes it possible to calculate the "maximum value", identified as how much it would cost to replace the asset, either with the cost of exactly the same asset, or alternatively, if less expensive, with an asset that has compatible characteristics and production capacity. Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.

The recoverable value thus calculated is superior to the book value by approx. € 654 thousand.

The recoverable value of "Centrale del Latte di Vicenza" brand was calculated based on the fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (*premium price*). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.
The primary assumptions used in calculation of the recoverable value are indicated here below: The values assigned to the various assumptions reflect the company's assessment of the future performance of the main products dealt with, in terms of quantity and price, and are based both on internal (2018-2023 business plan) and external sources:

- Mean price differential per litre (brand products vs. non-brand products): 29%
- Discount rate: 13,21%

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

The recoverable value thus calculated is superior to the book value by approx. € 6 million.

The book value of the equity investment in Centrale del Latte della Toscana implicitly reflects the value of the asset with an indefinite useful life (Mukki trademark) recorded upon acquisition of the company for € 7,955 thousand. Therefore, for the purposes of assessing the value

of the equity investment recorded in the financial statements, the book value in the financial statements of the subsidiary must be then recovered, being it an asset with an indefinite useful life. The recoverable value of the Mukki trademark was calculated based on the fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (*premium price*). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.
The primary assumptions used in calculation of the recoverable value are indicated here below: The values assigned to the various assumptions reflect the company's assessment of the future performance of the main products dealt with, in terms of quantity and price, and are based both on internal (2018-2023 business plan) and external sources:

- Mean price differential per litre (brand products vs. non-brand products): 49%
- Discount rate: 13.21%

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

The recoverable value thus calculated exceeds the book value.

List of equity investments in subsidiaries

The figures presented below have been drawn from the subsidiaries' most recent financial statements, those for the year that ended on 31 December 2018:

	Share capital	Shareholders' Equity	Profit (loss) for the year	Share held	Amount of equity investment entered
Centrale del Latte della Toscana S.p.A.	24,830,000	25,799,153	533,930	**100%**	**24,830,000**
Via dell'Olmatello, 20 - Florence					
Centrale del Latte di Vicenza S.p.A.	29,162,303	21,651,904	(622,612)	**100%**	**27,198,328**
Via Faedo 60 - Vicenza					

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
Remuneration of directors	177,457	283,980	(177,457)	283,980
Amortisation and depreciation recovered further to tax audit	105,448	-	(6,832)	98,616
Tax recovery of depreciation of buildings	109,381	-	-	109,381

Prior-year losses	377,744	-	-	377,744
Income from Patent Box	-	946,720	-	946,720
	770,030	**1,230,700**	**(184,289)**	**1,816,441**

Deferred tax liabilities have been 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 3.9%. The following table illustrates the changes in deferred tax assets:

	Initial amount	Increases	Decreases	Final amount
Amortisation and depreciation recovered further to tax audit	29,784	-	(1,906)	27,878
Tax recovery of depreciation of buildings	30,529	-	-	30,529
Remuneration of directors	44,919	68,102	(44,919)	68,102
Prior-year losses	90,659	-	-	90,659
Income from Patent Box	-	264,135	-	264,135
	195,891	**332,237**	**(46,825)**	**481,302**

Financial receivables from subsidiaries (6ne)

The receivable corresponds to € 3,000,000 from the subsidiary Centrale del Latte di Vicenza S.p.A. and relates to two interest-bearing loans of € 1,500,000 each. Yearly rate: 3.35%. Expiry: 30 November 2024.

Financial receivables from affiliates (7ne)

Receivables amount to € 1,250 from Consorzio di Filiera Genoa, Turin and Vicenza.

CURRENT ASSETS

Inventories (7ne)

Inventories came to € 3,315,637 at 31 December 2018 and may be broken down as follows:

	Initial amount	Final amount	Change
Raw and ancillary materials and consumables	1,196,882	1,897,173	700,291
Finished products and goods	1,613,684	1,418,464	(195,220)
	2,810,566	**3,315,637**	**505,071**

Trade receivables (8ne)

Trade receivables, all of which were due within one year, came to € 11,857,521 at 31 December 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.

The net book value of trade receivables at 31 December 2018 was close to fair value.

The following table provides a breakdown of provisions for impaired receivables and changes in those provisions during 2018:

	Initial amount	Increases	Decreases	Final amount
Taxed provision for bad debts	362,239	188,200	-	550,439
0.5% provision for bad debts	524,908	59,349	51,978	532,279
	887,147	**247,549**	**51,978**	**1,082,718**

Receivables from Subsidiaries (9ne).

Receivables from subsidiaries amount to € 1,273,371 and refers to ordinary sales transactions occurred during the FY between the Company and the subsidiaries Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A.. For details, see the paragraph below, "Commercial dealings with other related parties".

Tax assets (11ne)

Tax assets include € 541,653 for the tax benefit related to 2015 to 2017, further to the preventive agreement signed with the Italian Revenue Agency to obtain access to the benefits of the Patent Box tax regime for the calculation of the income entitled to reduced taxation deriving from the use of its own brands. The recovery of the value of the tax benefit will be required through the tax returns during 2019.

	Initial amount	Final amount	Change
VAT receivable	3,711,705	5,949,983	2,238,278
Income taxes	2,172,145	2,919,470	747,325
Employee severance indemnity withholdings	25,463	25,463	-
Withholding taxes on interest receivable	1,610	3,177	1,567
Total tax assets	**5,910,923**	**8,898,093**	**2,987,170**

Receivables from others (12ne)

Receivables from others include:

	Initial amount	Final amount	Change
Miscellaneous	1,115,974	958,923	(157,051)
Accrued income and prepaid expenses	268,294	319,556	51,262
Advances to suppliers	234,820	301,811	66,991

Receivables from distributors	77,846	84,257	6,411
Deposits	69,674	69,708	34
Credits to be received	31,776	31,458	(318)
Receivables from social security institutions	19,743	-	(19,743)
Loans to employees	8,266	6,416	(1,850)
Total other receivables	**1,826,393**	**1,772,130**	**(54,263)**

Accrued income and prepaid expenses

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

	Initial amount	Final amount	Change
PREPAID EXPENSES			
VAT guarantee policies	67,395	45,707	(21,688)
Loan fees	66,345	70,478	4,133
Consulting costs	58,000	177,242	119,242
Maintenance fees	39,305	11,503	(27,802)
Insurance	14,760	3,090	(11,670)
Other costs	14,472	-	(14,472)
Leases	8,017	11,537	3,520
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	**268,294**	**319,556**	**51,263**

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

Cash and cash equivalents, all of which are freely available, came to € 8,654,155 and are presented in the schedule that illustrates the financial position in the analysis of financial payables.

BREAKDOWN OF LIABILITIES

SHAREHOLDERS' EQUITY

Share capital (16ne)

Share capital, fully subscribed and paid-up, came to € 28,840,041.20, divided into 14,000,020 shares with a par value of € 2.06.

Changes in equity are illustrated in a specific schedule of the Financial Statements closed at 31 December 2018.

Availability and eligibility for distribution of equity reserves

	31/12/2018	Nature	Use	Available	Eligible for distribution
Share capital	28,840,041				
Share premium account	14,324,577	Profits/capital	-	YES	NO
Merger premium reserve	3,096,015	Merger	-	YES	NO
Reserve from business combination ineligible for distribution	13,902,917	Profits/capital	-	NO	NO
Revaluation reserve	196,523	Profits/capital	-	YES	YES
Legal reserve	1,856,699	Profits/capital	-	YES	YES
Other reserves	10,522,192	Profits/capital	YES	YES	YES
IFRS first-time adoption reserve ineligible for distribution	1,265,967	Profits/capital	-	NO	NO
Profits (losses) carried forward	41,478	Profits/capital	-	NO	NO
Reserve for employee severance indemnity discounting	(44,155)		-	NO	NO
Merger deficit	(6,148,733)	Merger	-	NO	NO
Profit (loss) for the period	487,010	Profits/capital	-	YES	NO
Total shareholders' equity	**68,340,530**				

NON-CURRENT LIABILITIES

Financial payables (18ne+19ne+20ne)

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

Financial payables to banks and other lenders amounted to € 27,895,342, broken down as follows:

	Within 12 months	Within 5 years	Over 5 years	Total payables over 1 year	Total payables
Payables to banks for loans	**5,202,410**	**6,915,809**	**1,976,938**	**8,892,747**	**14,095,157**
Payables to other lenders	22,464	50,972	**-**	**50,972**	**73,436**
Placement of bonds 2017 - 2024	**-**	8,921,411	5,805,304	14,726,715	**14,726,715**
Total	**5,224,874**	**15,888,192**	**7,782,242**	**23,670,468**	**28,895,308**

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

Bond placement 2017 – 2024 (20ne).

	Within 12 months	Over one year, within 5 years	Over 5 years	Total
Placement of bonds: 2017 – 2024	-	8,921,411	5,805,304	14,726,715

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.

***Covenants* on bond placement 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.

At 31 December 2018, the parameters indicated above were complied with.

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

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees
Deutsche Bank S.p.A.	1,200,000	1,200,000	75,000	29/01/19	---
Euribor rate 3 months + 1.65%					
UBI Banca S.p.A.	3,000,000	3,000,000	191,606	25/02/19	---
Euribor rate 3 months + 1.10%					
Credito Emiliano S.p.A.	1,500,000	1,500,000	501,624	11/05/19	---
Euribor rate 3 months + 0.80%					
Banca Monte dei Paschi di Siena S.p.A.	1,000,000	1,000,000	1,000,000	31/10/19	---
Euribor rate 3 months +0.85%					
Intesa San Paolo S.p.A.	5,000,000	5,000,000	2,000,000	01/10/20	---
Euribor rate 3 months + 1.10%					
Unicredit S.p.A.	10,242	10,242	4,097	31/12/20	---
Unicredit S.p.A.	40,968	40,968	16,453	31/12/20	---
Rate: 3.05%					
Banca Popolare di Sondrio (SUISSE)	1,500,000	1,500,000	1,251,868	31/01/21	---

Euribor rate 6 months + 0.60%					
Banco BPM S.p.A.	1,500,000	1,500,000	897,279	31/12/21	---
Euribor rate 1 months + 0.70					
Banca CARIGE S.p.A.	1,000,000	1,000,000	754,838	31/12/21	---
Euribor rate 6 months + 1.3%					
Deutsche Bank	3,200,000	3,200,000	3,200,000	7/11/22	---
Euribor rate 3 months + 0.85%					
Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti	1,094,611	890,690	890,690	31/12/30	Mortgage on an owned property in Turin
Rate: 0.50%					
Unicredit S.p.A.	1,094,611	1,094,611	1,094,611	31/12/30	Mortgage on an owned property in Turin
Rate: 2.95%					
Invitalia S.p.A.	7,452,678	1,217,090	1,217,090	30/06/31	Mortgage on owned properties in Turin, Casteggio and Rapallo
Rate: 0.124%					

With reference to the loan granted by Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti and by Invitalia S.p.A., in application of IAS 39, the present value of the loan was determined at market rates. The differential compared to the face value of the loan is considered comparable to a contribution on the investments made by the Group, so the benefit will be in correlation with the depreciation schedule of the assets.

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

	Within 12 months	**Within 5 years**	**Over 5 years**	**Total**
Deutsche Bank S.p.A.	321,154	2,953,846	-	3,275,000
Intesa San Paolo S.p.A.	1,000,000	1,000,000	-	2,000,000
Banca Popolare di Sondrio (SUISSE)	498,498	753,370	-	1,251,868
Invitalia S.p.A	-	302,784	914,306	1,217,090
Unicredit S.p.A.	10,243	500,345	604,574	1,115,162
Banca Monte dei Paschi di Siena S.p.A.	1,000,000	-	-	1,000,000
Banca CARIGE S.p.A.	248,359	506,479	-	754,838
Banco BPM S.p.A.	429,062	468,218	-	897,279

Cassa Depositi e Prestiti	-	333,868	556,822	890,690
Credito Emiliano S.p.A.	501,624	-	-	501,624
UBI Banca S.p.A.	191,606	-	-	191,606
	4,200,546	**6,818,910**	**2,075,702**	**13,095,157**

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	22,464	50,972	**-**	**73,436**

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

Financial position

The following table contains an illustration of the Company's net financial position at 31 December 2018 in accordance with the requirements of CONSOB Notice No. DEM/6264293 of 28 July 2006 and the CESR's recommendations of 10 February 2005, CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004:

	31/12/2018	31/12/2017	Change
Cash and cash equivalents (13ne+14ne)	8,654,156	23,114,992	(14,460,836)
Total current financial assets	**8,654,156**	**23,114,992**	**(14,460,836)**
Payables to banks (25ne)	(1,000,000)	-	(1,000,000)
Short term portion of medium/long-term loans (26ne)	(4,200,546)	(7,576,136)	3,375,590
Short term portion of payables to other lenders (27ne)	(22,464)	(67,829)	45,365
Total current financial liabilities	**(5,223,010)**	**(7,643,965)**	**2,420,955**
Long-term loans (18ne)	(8,894,612)	(7,678,067)	(1,214,680)
Long-term loans to others(19ne)	(50,972)	-	(50,972)
Long term bonds (20ne)	(14,726,715)	(14,660,267)	(66,448)
Total non-current financial liabilities	**(23,672,299)**	**(22,338,334)**	**(1,333,965)**
Total financial liabilities	**(28,895,309)**	**(29,982,299)**	**1,086,990**
Net financial position	**(20,241,153)**	**(6,867,307)**	**(13,373,846)**

Worth noting is the € 5.950 million VAT rebate still to be paid out.

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, both set to mature on 31 December 2020, with an outstanding balance of € 1.9 million at 31 December 2018: at 31/12 of each year ratio between net financial debt and shareholders' equity lower than or equal to 1.5.

This covenant was satisfied at 31 December 2018.

Deferred taxes (21ne)

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

	Initial amount	Increases	Decreases	Final amount
Trademarks	5,603,482	-	-	5,603,482
Measurement of land	1,663,000	-	-	1,663,000
Tax items	95,817	-	(4,145)	91,672
Capital gains	-	465,820	(139,405)	326,415
	7,362,299	**465,820**	**(143,550)**	**7,684,569**

Deferred tax liabilities have been calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2017, by applying the IRES (corporate income tax) rate of 24% and the IRAP (regional production tax) rate of 3.9%. The following table illustrates the changes in deferred tax liabilities:

	Initial amount	Increases	Decreases	Final amount
Trademarks	1,563,371	-	-	1,563,371
Measurement of land	463,977	-	-	463,977
Tax items	20,613	-	(1,156)	19,457
Capital gains	-	129,964	(38,894)	91,070
	2,047,961	**129,964**	**(40,050)**	**2,137,875**

Long-term provisions

Employee severance indemnity (22ne)

At 31 December 2018 the severance indemnity amounted to € 2,117,837.

Initial amount	**2,251,874**

Interest cost	19,412
Decreases and uses	(91,953)
(Actuarial income) loss via OCI	(61,496)
Final amount	**2,117,837**

In the reference period, the actuarial reports drafted to determine the payable for employee severance indemnity have been revised compared to the previous FY, with reference to a number of input data, in order to adjust the liability shown to the current value at 31 December 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 1.13%
- annual inflation rate 1.50%
- annual rate of severance indemnity increase 2.63%

The Iboxx Eurozone Corporates AA 7-10 index was used as a reference for the value of the discount rate.

Sensitivity analysis

Reasonably possible variations in the actuarial assumptions at the closing date of the FY would have had the following effects on the defined benefit obligation:

31/12/2018	**Annual discounting rate**		**Annual inflation rate**		**Annual turnover rate**	
€/000	**0.25%**	**-0.25%**	**0.25%**	**-0.25%**	**2.00%**	**-2.00%**
Defined benefit obligation	2,039,927	2,200,505	2,141,112	2,094,905	2,100,124	2,136,782

Severance Directors' Indemnity at the end of their term in office (23ne).

The provision for indemnities for Directors at the end of their term in office amounted to € 381,709. 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	305,505	76,204	-	381,709

Provision for liabilities and charges (24ne)

The provision for liabilities and charges is broken down as follows:

	Initial amount	**Increases**	**Decreases**	**Final amount**
Provision for customer indemnities	153,748	5,075	82,282	76,540

TOTAL PROVISION FOR LIABILITIES AND CHARGES	**153,748**	**5,075**	**82,282**	**76,540**

CURRENT LIABILITIES

Payables to banks and current share of medium, long-term loans (25ne+26ne) amounted to a total of € 4,200,546

Current share of payables to other lenders (27ne) amounted to € 22,464.

Trade payables (28ne) amounted to € 17,790,278, all payable by year-end.

Payables to subsidiaries (29ne) amounted to € 1,896,795 and refer to ordinary sales transactions occurred during the FY between the Company and the subsidiaries Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A.. Payables to subsidiaries also include payables due to tax consolidation for € 401,015 owed to Centrale del Latte della Toscana S.p.A. e della Centrale del Latte di Vicenza S.p.A.. For details, see the paragraph below, "Commercial dealings with other related parties".

Tax liabilities (31ne) came to € 390,004 and comprise the following line items:

	Initial amount	**Final amount**	**Change**
Payables for income taxes	175,738	154,404	(21,334)
Payables for employees' withholding taxes	83,508	94,959	11,451
Withholdings payable on independent contractors' fees	39,040	34,897	(4,143)
Payables for other taxes	-	105,744	105,744
	298,286	**390,004**	**91,718**

Payables to social security authorities (32ne) consist of social-security contributions payable on wages and salaries and the contributions associated with the separate management of coordinated ongoing independent contractors in the total amount of € 552,184.

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

	Initial amount	**Final amount**	**Change**
Payables for wages and salaries	1,365,769	1,485,026	119,257
Accruals and deferrals	496,973	709,388	212,415
Payables for remuneration of Directors and Auditors	177,457	283,980	106,523
Other payables	20,301	22,271	1,970
Employee union withholdings	**1,460**	1,125	(335)
	2,061,960	**2,501,791**	**439,830**

Accrued liabilities and deferred income are broken down as follows:

	Initial amount	Final amount	Change
DEFERRED INCOME			
Grants for current expenses	52,732	213,659	160,927
Capital grants	-	100,815	100,815
Other	384,127	330,540	(53,587)
Total deferred income	**436,859**	**645,014**	**208,156**
ACCRUED LIABILITIES			
Interest on bank loans	16,335	11,787	(4,548)
Interest on ordinary current accounts	1,662	247	(1,415)
Other expenses	2,049	7,012	4,963
***Interest on b*ond placement: 2017- 2024**	40,068	45,328	5,260
Total accrued liabilities	**60,114**	**64,374**	**4,260**
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	**496,973**	**709,388**	**(212,415)**

COMMITMENTS AND OTHER CONTINGENT LIABILITIES

At 31 December 2018 there were no commitments and other contingent liabilities not shown in the financial statements, except for potential liabilities that could derive from the ENASARCO dispute, which are detailed under the heading "other risks".

Transactions with related parties

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 31/12/2018
Luigi LUZZATI	Chairman	166,395	-	-	166,395
Riccardo POZZOLI	Vice Chairman and Managing Director	55,125	-	-	55,125
Adele ARTOM	Director	(*) 5,845,996	(*) 74,100	-	(*) 5,920,096

Antonella FORCHINO	Director	(*) 142,517	(*) 3,335	-	(*) 145,852
Maurizio MACCHIAVELLO	Director	10,000	-	-	10,000

(*) also through directly controlled Companies

Commercial dealings with other related parties

The parent 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 following table presents the situation of dealings with related parties at 31 December 2018:

	Receivables	Payables	Costs	Revenue
Finanziaria Centrale del Latte di Torino S.p.A.				
Centrale del Latte d'Italia S.p.A.	-	-	-	11,385
	-	**-**	**-**	**11,385**
Centrale del Latte d'Italia S.p.A. :				
Finanziaria Centrale del Latte di Torino S.p.A.	-	-	11,385	-
Centrale del Latte di Vicenza S.p.A.	1,146,350	1,206,909	3,512,519	2,998,985
Centrale del Latte della Toscana S.p.A.	127,021	689,885	1,796,744	532,515
	1,273,371	**1,896,794**	**5,309,263**	**3,531,500**
Centrale del Latte di Vicenza S.p.A. :				
Centrale del Latte d'Italia S.p.A. – parent company	1,206,909	1,146,350	2,998,985	3,512,519
Centrale del Latte della Toscana S.p.A.	189,960	127,021	666,765	846,457
	1,396,869	**1,273,371**	**3,665,750**	**4,358,976**
Centrale del Latte della Toscana S.p.A.				
Centrale del Latte d'Italia S.p.A. – parent company	689,885	127,021	532,515	1,796,744
Centrale del Latte di Vicenza S.p.A.	127,021	189,960	846,457	666,765
	816,906	**316,981**	**1,378,972**	**2,463,509**
Total	**3,487,146**	**3,487,146**	**10,353,985**	**10,353,985**

Remuneration of Directors and Auditors.

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

FINANCIAL AND OPERATIONAL RISKS

Risks associated with the business activity

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

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

Financial risks.

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

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

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

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

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

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

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 order 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 order 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 order 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, when it was newly adjourned to 17 September 2019.

A third dispute arose 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. 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. The hearing held on 22 November 2018 postponed the hearing again to 21 March 2019.

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 order no. 1786/8/15, upheld the combined appeals. Agenzia delle Entrate appealed against this order for both tax periods. The Regional Taxation Commission rejected the appeal for 2008, with order 284/1/17 filed on 22 February 2017. For the tax year 2009, the appeal was rejected by the Regional Taxation Commission with order 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 order 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 order 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 order. The Regional Taxation Commission of Turin, with order no. 715/4/17 filed on 4 May 2017, rejected the appeal, ordering 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. On 18 June 2018, Agenzia delle Entrate brought an appeal before the Court of Cassation against order no. 1839/17 relating to the tax period 2018. The Company brought a cross appeal against this appeal within the deadline established.

With regard to the dispute with Agenzia delle Entrate for the years 2008 – 2009 -2010 – 2011 -2012 and 2013, the Company has decided to apply for the settlement concessions for pending tax litigation (so-called "tax amnesty") which, in the event both decisions (orders of the Regional Tax Commission, CTR) are favourable, allows for the settlement of the disputes with the payment of an amount equal to 5% of the higher tax assessed, with no interest or sanctions. The amount thus calculated totalled € 121,314, which was entered in the financial statements.

Regarding the tax inspection concerning FY 2004, please note that, following the order 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 pending.

FEES OWED TO THE AUDITING FIRMS

Article 149 duodecies of the Issuers' Regulations

DELOITTE & TOUCHE S.p.A. – Audit: € 51,607

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR. Subsequently to the close of the FY, the Parent Company has continued the programme of investments for the redevelopment and implementation of the operating offices in Turin. Specifically, construction work is under way on the new automated warehouse for the storage of finished products. The investment is part of the Development Contract with Invitalia.

BUSINESS OUTLOOK.

With the start of the new year, the Group confirmed its strong market position, with a 3% rise in turnover in the month of January, compared to the same period of the previous year. 2018 may be seen as a year of further consolidation, particularly focussing on the implementation of new organisational structures and the cost rationalisation.

ALLOCATION OF OPERATING RESULT

The € 487,010 profit or the year will be allocated as follows:

• to the legal reserve	€	24,350
• to the extraordinary reserve	€	462,660

Turin, 15 March 2019

Centrale del Latte d'Italia Group
Consolidated Financial Statements
at 31 December 2018

Consolidated accounting statements

Introduction

Notes:

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

CONSOLIDATED INCOME STATEMENT (amounts shown in Euros)

			2018	2017
1ec	**1ene**	**Revenue from sales**	**180,325,094**	**178,152,071**
2ec	**2ene**	Other revenue	2,946,167	3,144,291
		▪ *of which from affiliates*	-	-
3ec	3ene	Change in inventories of semi-finished and finished goods	(132,965)	886,397
		Total revenue from sales and services	**183,138,296**	**182,182,759**
4ec	4ene	Raw materials, supplies and consumables	(98,617,190)	(98,683,934)
		Personnel costs	**(26,505,255)**	**(26,295,820)**
5ec	5ene	➢ Wages and salaries	(18,651,320)	(18,444,926)
6ec	6ene	➢ Social security contributions	(6,193,205)	(6,180,304)
7ec	7ene	➢ Employee severance indemnity	(1,282,561)	(1,274,484)
8ec	8ene	➢ Other costs	(378,169)	(396,106)
		Depreciation, amortisation and write-downs	**(6,889,718)**	**(6,583,354)**
9ec	9ene	➢ Amortization of intangible fixed assets	(16,783)	(14,253)
10ec	**10ene**	➢ Amortization of tangible fixed assets	(6,593,795)	(6,366,980)
11ec	11ene	➢ Write-downs of current receivables	(279,140)	(202,121)
		Other operating costs	**(50,277,417)**	**(49,958,479)**
12ec	**12ene**	➢ Services	(45,079,284)	(45,292,876)
13ec	13ene	➢ Lease and rental costs	(3,443,296)	(2,807,808)
		▪ *of which from parent company and affiliates*	*(11,385)*	*(12,778)*
		Allowances for risks	(50,000)	
14ec	**14ene**	Sundry operating expenses	(1,704,837)	(1,857,795)
		EBIT	**848,716**	**661,174**
15ec	**15ene**	Financial income	192,702	191,461

16ec	16ene	Financial charges	(1,520,117)	(1,187,089)
17ec	17ene	**Adjustment to equity investments**	**74,329**	**106,937**
18ec	18ene	**Capital gain on equity investment disposal**	**-**	**10,705**
19ec	19ene	**Adjustment to financial asset**	**-**	**(91,744)**
		Pre-tax profit (loss)	**(404,370)**	**(308,556)**
21ec	21ene	Income taxes	(141,685)	(203,687)
22ec	22ene	(Deferred) prepaid taxes	944,381	250,833
		NET PROFIT (LOSS) (A)	**398,326**	**(261,410)**
		Parent Company's shareholders	**398,326**	**(261,410)**
		Number of shares in circulation	**14,000,020**	**14,000,020**
		Basic and diluted net profit (loss) per share	**0.028**	**(0.019)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME **(amounts shown in Euros)**

	2018	2017
NET PROFIT (LOSS) (A)	**398,326**	**(261,410)**
Items that will never be restated under profit/(loss) for the period		
Actuarial gains (losses)	128,026	(183,163)
TOTAL OTHER COMPREHENSIVE PROFITS (LOSSES) (B)	**128,026**	**(183,163)**
COMPREHENSIVE NET PROFIT (LOSS) (A+B)	**526,352**	**(444,573)**
Number of shares in circulation	**14,000,020**	**14,000,020**
Diluted net profit (loss) per share	**0.038**	**(0.020)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

(amounts shown in Euros)

		ASSETS	31/12/2018	31/12/2017	01/01/2017 reviewed
		NON-CURRENT ASSETS			
	1ne	**Tangible fixed assets**	**120,433,690**	**110,817,050**	**107,334,764**
1		Land	20,928,543	20,928,543	21,078,543
1		Buildings	35,709,969	36,149,486	36,909,363
1		Plant and equipment	51,956,100	45,658,248	43,747,380
1		Industrial, commercial and other equipment	3,664,805	4,054,017	3,919,249
2		Fixed assets under development and advances	8,174,272	4,026,757	1,680,229
	2ne	**Intangible fixed assets**	**19,643,624**	**19,520,757**	**19,484,010**
3		Trademarks	19,131,671	19,131,671	19,081,671
3		Goodwill	350,078	350,078	350,078
3		Software	161,875	39,008	48,261
3		**Fixed assets under development and advances**	-	**-**	**4,000**
		Financial fixed assets	**2,729,780**	**2,393,357**	**2,508,245**
4	3ne	Equity investments in affiliates	1,307,380	1,233,051	1,124,898
4	4ne	Other financial assets	625,411	526,443	533,454
5	**5ne**	**Deferred tax assets**	795,489	632,363	848,893
6	6ne	**Financial receivables from others**	1,500	1,500	1,000
		TOTAL NON-CURRENT ASSETS	**142,807,671**	**132,731,165**	**129,327,019**
		CURRENT ASSETS			
	7ne	**Inventories**	**9,971,336**	**9,114,280**	**7,790,822**
7		Raw materials, supplies and consumables	6,128,289	5,249,069	4,804,895
7		Finished products and goods	3,843,047	3,865,211	2,985,926
		Trade and other receivables	**44,468,198**	**44,022,094**	**43,145,471**

8	8ne	Trade receivables	30,113,629	31,448,847	28,005,584
9	9ne	Receivables from affiliates			110,000
10	10ne	Tax assets	11,651,436	9,966,086	11,741,394
11	11ne	Receivables from others	2,703,133	2,607,161	3,288,493
		Cash and cash equivalents	**13,028,130**	**25,474,767**	**9,520,961**
12	12ne	Bank and deposit	12,691,301	24,997,380	9,288,962
13	13ne	Cash and valuables on hand	336,828	477,387	231,999
		TOTAL CURRENT ASSETS	**67,467,666**	**78,611,141**	**60,457,254**
14	**14ne**	**Non-current assets held for sale**	**-**	**-**	445,710
		TOTAL ASSETS	**210,274,760**	**211,342,305**	**190,229,983**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – LIABILITIES

(amounts shown in Euros)

		LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2018	31/12/2017	01/01/2017 reviewed
15	**15ne**	**Share capital**	**28,840,041**	**28,840,041**	**28,840,041**
		Reserves	**34,881,297**	**34,257,042**	**34,466,345**
16		Share premium account	14,324,577	14,324,577	14,324,577
17		Merger premium reserve	3,096,015	3,096,015	3,096,015
18		Reserve from business combination ineligible for distribution	13,902,917	13,902,917	-
19		Revaluation reserve	196,523	196,523	196,523
20		Legal reserve	1,658,297	1,658,297	1,019,111
21		Other reserves	452,775	452,775	2,980,048
22		Consolidation reserve	1,845,380	1,845,380	1,845,380
23		IFRS first-time adoption reserve ineligible for distribution	134,886	134,886	134,886
24		Profits (losses) carried forward	(1,008,390)	(844,882)	(844,882)
25		Reserve for employee severance indemnity discounting	(120,010)	(248,036)	(64,874)
26		Profit (loss) for the period	398,327	(261,410)	12,014,833
	16ne	**GROUP SHAREHOLDERS' EQUITY**	**63,721,339**	**63,097,083**	**63,541,659**
		NON-CURRENT LIABILITIES			
27	17ne	Long-term loans	51,139,619	42,307,442	43,798,705
28	18ne	Long-term payables to other	329,155	655,819	1,360,174
29	19ne	Placement of bonds 2017 - 2024	14,726,715	14,660,267	-
30	20ne	Deferred taxes	6,159,892	6,108,268	6,146,641
		Provisions	**6,327,176**	**7,141,881**	**7,183,835**
31	21ne	Employee severance indemnity	5,818,927	6,457,628	6,580,176

32	22ne	Directors' severance indemnity	381,709	305,505	231,746
33	23ne	Provision for liabilities and charges	126,540	378,748	371,913
		TOTAL NON-CURRENT LIABILITIES	**78,682,557**	**70,873,677**	**58,489,355**
		CURRENT LIABILITIES			
		Financial payables	**20,630,675**	**30,233,768**	**24,592,036**
34	24ne	Payables to banks	3,500,000	4,962,779	8,000,000
35	25ne	Short-term portion of long-term loans	16,764,357	24,519,979	15,688,412
36	26ne	Short-term payables to other	366,318	751,010	903,624
		Trade and other payables	**47,240,189**	**47,137,777**	**43,606,933**
37	27ne	Trade payables	40,587,791	41,230,044	37,443,065
38	28ne	Payables to affiliates			16,636
39	29ne	Tax liabilities	964,158	914,467	697,431
40	30ne	Payables to social security authorities	1,384,708	1,335,570	1,253,524
41	31ne	Other payables	4,302,532	3,657,697	4,196,277
		TOTAL CURRENT LIABILITIES	**67,870,864**	**77,371,545**	**68,198,969**
		TOTAL EQUITY AND LIABILITIES	**210,274,760**	**211,342,305**	**190,229,983**

CONSOLIDATED STATEMENT OF CASH FLOWS (amounts shown in Euros)

	12/31/2018	12/31/2017
Net cash and cash equivalents at beginning of year	20,511,992	1,520,961
A. Cash flow generated /(absorbed) by operating activities		
Profit (loss) for the year	**398,327**	**(261,410)**
Amortization of intangible fixed assets	16,783	6,366,980
Amortization of tangible fixed assets	6,593,795	14,253
Total amortisation, depreciation and write-downs	**6,610,578**	**6,381,233**
Provision for employee termination indemnity accrued, net of amounts paid and OCI effect	(510,675)	(305,710)
Directors' Severance Indemnity	76,204	73,759
Change in deferred taxes	51,624	(38,373)
Change provisions for risks and charges	(252,208)	6,835
Total net allowances	**(635,055)**	**(263,489)**
Effect of equity method valuation on equity investments in associated company	(74,329)	(101,142)
Total non-cash flows	**(74,329)**	**(101,142)**
Change in net working capital		
Change in trade receivables and other receivables	1,335,797	(3,240,076)
Change in inventory	(857,057)	(1,416,646)
Change in other receivables	(1,944,450)	2,672,670
Change in trade payables	(641,266)	3,770,343
Change in other liabilities	693,935	(456,535)
Change in tax liabilities	49,691	217,036
Total change in net working capital	**(1,363,349)**	**1,546,792**
Operating cash flow	**4,936,172**	**7,403,126**

B. Cash flow generated /(absorbed) by investment activities		
Acquisitions of technical fixed assets	(16,210,436)	(9,849,267)
Financial (investments) divestments	(1,059)	-
(Investments) Write-downs of intangible assets	(140,230)	(51,000)
Change in non-current assets held for sale	-	445,710
Total cash flow from generated/(absorbed) by investment activities	**(16,351,725)**	**(9,454,577)**
Free cash flow	**(11,415,553)**	**(2,492,306)**
C. Cash flow generated (absorbed)from change in shareholders' equity		
Dividends paid	-	-
Total cash flow from change in shareholders' equity	**-**	**-**
D. Cash flow generated/(absorbed) by financing activities		
Change in medium/long-term financial debts	431,606	21,483,335
Total cash flow generated/ (absorbed) by financing activities	**431,606**	**21,483,335**
Total cash flows for the period	**(10,983,947)**	**18,991,029**
Net cash and cash equivalents at end of year (net of banks debts)	**9,528,037**	**20,511,992**
of which cash and cash equivalent	13,028,129	25,474,767
of which bank debts	(3,500,092)	(4,962,779)
Financial charges paid	-	986,237
Taxes paid		-

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

	At 01/01/2017	Result allocation	Dividend payment	Comprehensive net profit (loss)	Changes for the period	At 12/31/2017
Share capital	28,840,041	-	-	-	-	28,840,041
Share premium account	14,324,577	-	-	-	-	14,324,577
Merger premium reserve	3,096,015	-	-	-	-	3,096,015
Reserve from business combination ineligible for distribution	-	12,144,534	-	-	1,758,383	13,902,917
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	1,019,111	639,186	-	-	-	1,658,297
Other reserves	2,980,048	(768,887)	-	-	(1,758,383)	452,775
Consolidation reserve	1,845,380	-	-	-	-	1,845,380
IFRS first-time adoption reserve ineligible for distribution	134,886	-	-	-	-	134,886
Profits (losses) carried forward	(844,882)	-	-	-	-	(844,882)
Reserve for employee severance indemnity discounting	(64,873)	-	-	-	(183,163)	(248,036)
Profit (loss) for the period	12,014,833	(12,014,833)	-	(261,410)	-	(261,410)
Group Shareholders' equity	**63,541,659**	**-**	-	**(261,410)**	**(183,163)**	**63,097,083**

	At 01/01/2017	Result allocation	Dividend payment	Comprehensive net profit (loss)	Changes for the period	At 12/31/2017
Share capital	28,840,041	-	-	-	-	28,840,041
Share premium account	14,324,577	-	-	-	-	14,324,577
Merger premium reserve	3,096,015	-	-	-	-	3,096,015
Reserve from business combination ineligible for distribution	13,902,917	-	-	-	-	13,902,917
Revaluation reserve	196,523	-	-	-	-	196,523
Legal reserve	1,658,297	-	-	-	-	1,658,297
Other reserves	452,775	-	-	-	-	452,775

Consolidation reserve	1,845,380	-	-	-	-	1,845,380
IFRS first-time adoption reserve ineligible for distribution	134,886	-	-	-	-	134,886
Profits (losses) carried forward	(844,882)	(261,410)	-	-	97,900	(1,008,390)
Reserve for employee severance indemnity discounting	(248,036)			-	128,026	(120,010)
Profit (loss) for the period	(261,410)	261,410	-	398,326	-	398,326
Group Shareholders' equity	**63,097,083**			**398,326**	**225,928**	**63,721,339**

Centrale del Latte d'Italia Group

Consolidated Financial Statements at 31 December 2018

Notes to the Consolidated Financial Statements

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

The Group deals with the processing, transformation and sale of:

- milk and dairy products
- packaged products in the fresh and ultra-fresh segment
- fresh vegetables
- vegetable-based products.

The publication of the consolidated financial statements as at 31 December 2018 was authorised by the Board of Directors on 15 March 2019.

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 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 did not change compared to FY2017 and includes the financial statements of Centrale del Latte della Toscana S.p.A. and the financial statements of Centrale del Latte di Vicenza S.p.A. Consequently, the consolidated financial statements include the 2018 financial statements of Centrale del Latte d'Italia S.p.A. and of its 100% subsidiaries Centrale del Latte della Toscana S.p.A. – Via dell'Olmatello 20 – Florence and Centrale del Latte di Vicenza S.p.A. – Via Faedo 60 - Vicenza.
The financial statements was prepared in accordance with the same accounting standards.

Consolidation techniques

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

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

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

Structure and content of the accounting schedules

The financial statements at 31 December 2018 consist of the consolidated financial statements, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of cash flows, the statement of changes in consolidated net equity and the notes.

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

The consolidated financial statements at 31 December 2018, the accounting statements and the pertinent notes are in Euros.

Audit

The financial statements at 31 December 2018 are subject to audit by Deloitte & Touche S.p.A..

Accounting and assessment standards

The consolidated financial statements of Centrale del Latte d'Italia S.p.A. at 31 December 2018 were drafted in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and as required by the measures enforcing article 9 of Legislative Decree no. 38/2005. They were also drafted on a going concern basis. IFRS also include the International Accounting Standards (IAS), still in force, as well as all the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC), previously named Standing Interpretations Committee (SIC).

The accounting standards adopted are coherent with the recognition and assessment criteria used for the consolidated financial statements at 31 December 2017, which may be consulted for further details, with the exception of what is explained in the following paragraph.

For the purpose of an accurate comparison between the two periods, the data of the previous period, where appropriate, have been reclassified.

Accounting standards, amendments and IFRS interpretations effective from 01 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. Please note that as provided for in IAS 8, the Group also presented the balance sheets at 31 December 2017 and 1 January 2017: these statements, although indicated as "restated", do not differ in any way from the balance sheet data published, and approved, with reference to 31 December 2017 and 31 December 2016, because the adjustments deriving from the application of the standard are closely linked to the 2017 and 2018 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 2017 income statement showed a reduction in revenue compared to the consolidated financial statements at 31 December 2017: this reduction, € 5,295 thousand, is effectively equal and opposite to the reduction of costs, with no impact on the operating result for the period. Likewise, the 2018 income statement showed a fall in revenue of € 5,366 thousand, with no impact on EBIT for the period.

- On 24 July 2014 the IASB issued the final version of IFRS 9 – Financial Instruments: recognition and measurement. 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 changes to financial liabilities defined as non-substantial, 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.

Lastly, 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 was applied starting from 1 January 2018, although the impact of its application is entirely marginal, and limited to the adjustment of the fair value of the other equity interests entered in the financial statements (overall impact to the initial net equity of € 98 thousand).

- On 12 September 2016 the IASB issued the document "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". For entities whose business is predominantly made up of insurance, the aim of the amendments is to clarify the concerns deriving from the application of the new IFRS 9 (from 1 January 2018) to financial assets, before the current IFRS 4 is replaced with the standard IFRS 17 Insurance Contracts, based on which financial liabilities are carried.
  The amendment has been applied since 1 January 2018. Also considering the fact that the Group does not operate in the insurance sector, the adoption of this amendment did not have any effects on the Group's consolidated financial statements.

- On 20 June 2016, the IASB issued the amendment 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. Considering the fact that the Group has no outstanding instruments that fall within the scope of IFRS 2, the adoption of this amendment had no effects on the Group's consolidated financial statements.

- On 08 December 2016, the IASB issued the document "Annual Improvements to IFRSs: 2014-2016 Cycle", 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.

- On 8 December 2016, the IASB issued the amendment to IAS 40 "Transfers of Investment Property". These changes clarify the prerequisites necessary to transfer a property to or from an 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 already occurred, 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.

- On 8 December 2016, the IASB issued the interpretation "Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)". The aim of the interpretation is to provide guidelines for transactions conducted in foreign currency where non-monetary advances or deposits (contra entry to the received/paid consideration) 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:
  - the date on which the full or partial advance consideration paid is entered in the financial statements of the entity; and
  - 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 Group has no foreign currency transactions, so the adoption of this interpretation had no effects on the Group's consolidated financial statements.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, not yet mandatorily applicable and not early adopted by the Group at 31 December 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 lease contracts for the lessee, which requires the object under lease, including operating lease, to be posted to the assets, offset by a financial liability. The Standard does not comprise significant amendments regarding lessors.

The standard applies from 1 January 2019, though earlier application is permitted.

The Company is finalizing the preliminary assessment programme of the potential impacts of the application of the new standard at the transaction date (1 January 2019). This process has taken place in several stages, including the complete mapping of contracts potentially suitable for containing a lease and an analysis of the contracts in order to understand the main clauses pertinent for the purpose of IFRS 16.

The Company chose to apply the standard retrospectively, but posted the cumulative effect deriving from the application of the standard to net equity at 1 January 2019, as contemplated in paragraphs C7 – C13 of IFRS 16. Specifically, regarding the lease contracts previously classified as operative, the Company will record:

c) a financial liability, equal to the current value of remaining future payments at the transition date, discounted, for each contract, using the incremental borrowing rate applicable at the transition date;

d) a right of use equal to the value of the financial liability at the transition date, net of any accrued income and prepaid expenses/accrued liabilities and deferred income referring to leases and recorded in the balance sheet at the date of closure of these financial statements.

With the adoption of IFRS 16, the Company intends to use the exemption granted in paragraph 5 (a) of IFRS 16 regarding short-term leases for the following types of assets.

Likewise, the Company intends to use the exemption granted in paragraph 5 (b) of IFRS 16 regarding lease contracts for which the underlying asset is considered as a low-value asset (i.e. the assets underlying the contract do not exceed € 5.00 when new). The contracts the exemption has been applied to mainly come under the following categories:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Furniture and furnishings.

For these contracts, the introduction of IFRS 16 will not involve the recognition of the financial liability of the lease and the pertinent right of use, but the lease payments will be recognised in the income statement on a straight-line basis for the duration of the respective contracts.

In addition, with reference to the rules governing transition, the Company intends to use the following practical measures in the event the modified retrospective transition method is chosen:

- Classification of contracts that expire within 12 months of the transition date as short-term leases; For these contracts, the lease payments will be posted to the income statement on a straight-line basis;
- Exclusion of initial direct costs from the measurement of right of use at 1 January 2019;
- Use of the information present at the transition date to determine the lease term, with particular reference to exercising the extension and early closure options.

An initial estimate indicates that the application of the standard will result in an increase of approx. € 3 million in financial debt (substantially aligned with the per lease commitment pursuant to IAS 17), offset by a significant improvement in EBITDA.

Accounting standards, amendments and IFRS interpretations not yet approved by the European Union

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

- 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. The directors do not expect the adoption of this standard 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. The directors do not expect the adoption of these amendments to have a significant impact on the Group's consolidated financial statements.

- On 7 February 2018, the IASB issued the document "Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)". 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. At the moment, the directors are assessing the possible effects of the introduction of these amendments on the Group's consolidated financial statements.

- On 22 October 2018, the IASB issued the document "Definition of a Business (Amendments to IFRS 3)". The document clarifies a number of points regarding the definition of business for the purpose of applying IFRS 3 correctly. Specifically, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business where an integrated set of activities/processes and assets is present. However, for the definition of a business, an integrated set of activities/processes and assets must include at least an input and a substantial process that together make a significant contribution to the ability to create outputs. To this end, the IASB has replaced the term " ability to create outputs" with "ability to contribute to the creation of outputs", in order to clarify that a business can exist even without the presence of all the inputs and processes necessary to create an output.

  The amendment also introduced a "concentration test", optional for the entity, to determine whether a set of activities/processes and assets purchased is not a business. If the result of the test is positive, the set of activities/processes and assets purchased is not a business, and the standard requires no further verification. If the result of the test is negative, the entity must conduct further analyses on the activities/processes and assets purchased to identify the presence of a business. To this end, the amendment has added numerous examples to IFRS 3 in order to illustrate the practical application of the new definition of a business in specific cases. The modifications apply to all the business combinations and acquisitions of assets after 1 January 2020, but early application is permitted. Considering that this amendment will be applied to new acquisition transactions completed starting from 1 January 2020, any effects will be recorded in the consolidated financial statements closed after that date.

- On 31 October 2018, the IASB issued the document "Definition of Material (Amendments to IFRS 1 and IAS 8)". The document has introduced a change to the definition of "significant" contained in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The aim of this amendment is to offer a more specific definition of "significant" and to introduce the concept of "obscured information" in addition to the concepts of omitted or erroneous information already present in the two amended standards. The amendment clarifies that an information is "obscured" if the effect it has on the primary readers of a set of financial statements is similar to the effect of said information being omitted or erroneous.

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.

Business Combinations

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

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

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

If the initial values of a business combination are incomplete at the date of closure of the financial statements for the year in which the business combination occurred, the Group recognises the provisional values in its consolidated financial statements, so recognition cannot be concluded. These provisional values are adjusted during the measuring period, to take account of the new information obtained on the events and circumstances already in existence at the date of acquisition, which, if known, would have had an effect on the assets and liabilities recognised at that date.
Business combinations that took place before 1 January 2010 have been recognised in accordance with the previous version of IFRS 3.

Use of Estimates
In drafting the consolidated Financial Statements for FY 2009 at 31 December 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 Company concern the assessments to show provisions for bad debts, amortization and depreciation, write-downs of assets, employee benefits, taxes, and provisions for liabilities and charges.

In addition, a number of assessment processes, in particular those more complex processes such as the determination of any impairment losses on non-current assets, are generally carried out exhaustively only for the drafting of the yearly Financial Statements, once all the necessary information is available, except for those cases in which there are impairment indicators requiring an immediate assessment of any impairment losses.

In consideration of a number of disclosure obligations, the Directors identify the fair value of financial assets with an indefinite useful life.

Pursuant to the provisions of IAS 36, indications are provided regarding the changes to fair value on the basis of a hierarchy (IFRS 13) that reflects the significance of the input used in determining said fair value (Level 1: reference listed prices in active markets for the assets or liabilities being measured; Level 2: input data other than listed prices, which are observable either directly or indirectly; Level 3: input data not based on observable market data).

The accounting standards and assessment criteria are illustrated below.

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. Amortization 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%- 3% -4 %
• Light constructions	4% - 10%
• General plants	5% - 10%
• Specific plants	4% - 5% - 10% - 16%
• Equipment	10% - 20%
• Office furniture and ordinary equipment	5% - 12%- 10%
• Electronic equipment	15% - 20%
• Motor vehicles and internal means of transport	20%
• Motor vehicles	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 both 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 costs to sell) 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.

Financial liabilities

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

Inventories

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

Trade receivables

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

Discontinued operations

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

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

Employee benefits – Employee severance indemnity

Employee severance indemnity is compulsory for Italian companies under Law 297/1982. 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 past accruals. In particular, workers may allocate new accruals to specific pension plans or keep them with their employers (in which case the Company pays employee severance indemnity accruals into a treasury account with the INPS). The amendment of the law has resulted in the transformation of the nature of the employee severance indemnity from a defined-benefit plan to a defined-contribution plan for accruals, whereas it continues to be regarded as defined-benefit plans for accruals prior to 31 December 2006.

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

Provision for liabilities and charges

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

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

In the event of merely remote events, i.e. events that are highly unlikely to occur, no provision is recognised, nor is any relevant information provided.

Provisions are presented at the current amount of expected outlays where the discount effect is material.

Revenue

Revenue is recognised to the extent it is probable that the Group will receive economic benefits and that the amount thereof may be reliably determined. Revenue is carried net of any discounts, refunds, credits, and bonuses.

Revenue from the sale of an asset is recognised when the entity has substantially transferred all risks and rewards of ownership of that asset to the buyer.

In application of IFRS 15 (first application with reference to the consolidated financial statements at 31 December 2018), the Group recognised as a reduction in revenue the promotional contributions (based on annual contracts signed with large-scale retailers), since in the context of the analysis of the standard, they are not considered a separate performance obligation from the performance obligation "transfer of assets".

Revenue from services rendered is recognised when the degree of completion of the transaction at the reporting date for the financial statements may be reliably determined according to the date of accrual of the service.

Public contributions

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

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

Law 124 of 4 Agust 2017 (so-called Annual law for the market and competition) introduced new disclosure obligations regarding the transparency of public contributions received and granted. The reporting criterion to be followed is the "cash-based method". Information regarding the contributions received during FY (referred to in Law no. 124 del 4 August 2017) is illustrated in the Notes on Other Revenue and Financial Payables.

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 amortization 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.

Borrowing Costs

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

Taxes

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

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

The Companies that joined the tax consolidation regime are the Parent Company Centrale del Latte d' Italia S.p.A., 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 will close at 31 December 2017.
For the purpose of an accurate comparison between the two financial years, the data of the previous year, 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.

Earnings per Share

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 year 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 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):

	2018		2017		Change	
Fresh milk + ESL	68,674,929	38.1%	70,814,926	39.7%	(2,139,997)	-3.02%
UHT milk	40,670,858	22.6%	40,708,750	22.9%	(37,892)	-0.09%
Yoghurt	8,823,413	4.9%	8,345,319	4.7%	478,094	5.73%
Fresh vegetables	5,962,646	3.3%	6,219,260	3.5%	(256,614)	-4.13%
Bulk milk and cream	3,888,943	2.2%	3,965,953	2.2%	(77,010)	-1.94%
Other packaged products	45,951,100	25.5%	43,805,206	24.6%	2,145,894	4.90%
Vegetable-based products	2,882,246	1.6%	2,648,909	1.5%	233,337	8.81%
Export	3,470,959	1.9%	1,643,749	0.9%	1,827,210	111.16%
Total	**180,325,094**	**100.0%**	**178,152,071**	**100.0 %**	**2,173,022**	**1.22%**

Other revenue (2ene)

	2018		2017		Change	
Recoveries	1,173,244	40%	165,887	5%	1,007,357	607%
Contingent assets	417,203	14%	525,605	17%	(108,402)	-21%
Contributions from suppliers	333,135	11%	21,169	1%	311,966	1474%
Sales of salvaged materials	268,761	9%	71,778	2%	196,983	274%
Gains on disposal of assets	247,954	8%	1,096,998	35%	(849,044)	-77%
Grants for current expenses	237,105	8%	155,881	5%	81,224	51%
Other	206,616	7%	473,046	15%	(266,430)	-56%
Rental income	35,169	1%	931	-%	34,238	3678%
Indemnities	24,980	1%	367,298	12%	(342,318)	-93%
Royalties	2,000	0%	-	-	2,000	100%
Subcontracting revenue	-	0%	265,698	8%	(265,698)	-100%
Total	**2,946,167**	**100%**	**3,144,291**	**100%**	**(200,124)**	**-6%**

Public contributions

Following the signing, on 22 December 2017, with the National Agency for Attracting Investments and Business Development S.p.A. – INVITALIA – of the Loan Contract offering special conditions pursuant to the Decree of 9 December 2014 of the Ministry of Economic Development as amended, Centrale del Latte d'Italia S.p.A. was granted a soft loan totalling € 8,197,945, of which € 745,267 in the form of a subsidy on a no-return basis and € 7,452,678 at a special reduced rate.

During the year, the Company received and recognised in the Financial Statements the first instalment of both the subsidy of € 139,000 and of the soft loan, amounting to € 1,547,441.62.

For the part regarding the soft loan, see Non-current Liabilities – Financial Payables in the following chapter.

During 2018, Centrale del Latte di Vicenza S.p.A. received a contribution for current expenses of € 200,00 following acceptance of application no. 3509007 of 22.12.2016 presented to AVEPA – Agenzia Veneta per i Pagamenti in Agricoltura (Veneto Region Agency for Payments in Agriculture) and regarding the investment measure for the processing and sale of agricultural and livestock products referred to in the Veneto Region Rural Development Programme – EU Reg. no. 1305/2013 Public Announcement of Regional Council Resolution no. 1937 of 23 December 2015.

Use of raw materials and consumables (4ene)

The costs for raw materials and consumables amounted to € 98,617,10 and include:

	2018		2017		Change	
Purchases of ingredients – sundry foodstuffs	62,001,310	63%	63,383,464	64%	(1,382,154)	-2%
Goods for resale	19,314,652	20%	17,991,059	18%	1,323,593	7%
Packaging materials	14,758,449	15%	14,515,516	15%	242,933	2%
Consumables and ancillary material	2,542,779	3%	2,793,909	3%	(251,130)	-9%
Total	**98,617,190**	**100%**	**98,683,948**	**100%**	**(66,758)**	**-0.1%**

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

Personnel costs amounted to € 26,505,255. A breakdown is provided below:

	2018		2017		Change	
Wages and salaries	18,651,320	70%	18,444,926	70%	206,395	1%
Social security charges	6,193,205	23%	6,180,304	24%	12,901	0%
Employee severance indemnity	1,282,561	5%	1,274,484	5%	8,077	1%
Other costs	378,169	1%	396,106	2%	(17,936)	-5%
Total	**26,505,255**	**100%**	**26,295,820**	**100%**	**209,436**	**1%**

The employee severance indemnity accrued in 2018 may be considered a defined-contribution plan in the amount of € 1,282,561, entirely paid to the INPS Treasury account or to other pension provisions.

	Hired	Resigned	Transferred	In service	Average workforce
Managers	1	-	-	19	19
Middle management	-	2	1	22	23
White-collar personnel	9	15	-	188	192
Blue-collar personnel	7	33	-	184	199
TOTAL	**17**	**50**	**1**	**413**	**433**

Amortization and depreciation (9ene + 10ene)

Amortization of intangible assets was calculated and recognised in the total amount of € 16,783. Amortization of tangible assets was calculated and recognised for a total amount of € 6,593,795 million.

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

	2018		2017		Change	
Software	16,783	100%	14,253	100%	2,530	18%
Total	**16,783**	**100%**	**14,253**	100%	**2,530**	18%
Buildings	1,278,095	19%	1,293,512	20%	(15,417)	-1%
Plant and equipment	4,064,727	62%	3,934,393	62%	130,334	3%
Industrial and commercial equipment	1,250,973	19%	1,139,075	18%	111,897	10%
Total	**6,593,795**	**100%**	**6,366,980**	**100%**	**226,815**	**4%**

Write-downs of current receivables(11ene)

The allocation to the provision for bad debts amounts to € 279,140.

Costs for services (12ene)

The costs for services amounted to € 45,079,284 and include:

	2018		2017		Change	
Transport for product distribution	19,308,029	43%	19,191,416	42%	116,613	1%
Commercial and advertising services	4,673,416	10%	5,026,765	11%	(353,349)	-7%
Industrial services	4,512,459	10%	4,441,684	10%	70,775	2%

Administrative services	4,309,681	10%	4,170,971	9%	138,710	3%
Motive power and natural gas	4,267,856	9%	4,347,114	10%	(79,258)	-2%
Maintenance services	2,894,921	6%	2,636,159	6 %	258,762	10%
Purchase services	2,645,128	6%	2,816,004	6%	(170,876)	-6%
Other	1,130,676	3%	1,399,091	3%	(268,415)	-19%
Free gifts with products	726,169	2%	755,348	2%	(29,179)	-4%
Insurance services	610,949	1%	508,324	1%	102,625	20%
Total	**45,079,284**	**100.0%**	**45,292,876**	**100%**	**(213,592)**	**-0.5%**

Lease and rental costs (13ene)

Lease and rental costs amounted to € 3,343,296. Rents currently regard industrial buildings, warehouses and vehicle parking areas.

	2018		**2017**		**Change**	
Industrial leases	2,768,208	80%	2,387,528	85%	380,680	16%
Leases of premises and buildings	631,452	18%	408,280	15%	223,172	55%
Royalties	43,635	1%	12,000	0%	31,636	264%
Total	**3,443,296**	**100%**	**2,807,808**	**100%**	**635,488**	**23%**

Sundry operating expenses (14ene)

Sundry operating expenses amounted to € 1,704,837 and include:

	2018		**2017**		**Change**	
Taxes other than income taxes	1,102,006	65%	1,135,031	61%	(33,025)	-3%
Contingent liabilities	263,233	15%	242,906	13%	20,327	8%
Membership fees	181,499	11%	187,861	10%	(6,362)	-3%
Other	83,094	5%	74,427	4%	8,667	12%
Entertainment expenses	29,054	2%	33,467	2%	(4,413)	-13%
Fines and penalties	23,341	1%	23,193	1%	148	1%
Subscriptions to magazines and books	18,087	1%	21,808	1%	(3,721)	-17%
Capital losses	4,522	0%	139,102	7%	(134,580)	-97%
Total	**1,704,837**	**100%**	**1,857,795**	**100%**	**(152,958)**	**-8%**

Financial income and charges (15ene + 16ene)

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

	2018		2017		Change	
Financial income						
Other	151,049	78%	154,111	80%	(3,062)	-2%
Interest on VAT refunds	27,172	14%	26,872	14%	300	1%
Interest from banking institutions	6,236	3%	5,443	3%	793	15%
Dividends from equity investment	8,246	4%	5,035	3%	3,211	64%
Total financial income	**192,702**	**100%**	**191,461**	**100%**	**1,241**	**1%**
Financial charger						
Interest on mortgages and loans	866,969	57%	928,911	78%	(61,942)	-7%
Charges for employee severance indemnity discounting	65,434	4%	94,877	8%	(29,443)	-31%
Other	47,405	3%	58,085	5%	(10,680)	-18%
Performance bond expenses	87,382	6%	47,892	4%	39,490	82%
Interest on bond placement: 2017- 2024	363,749	24%	40,068	3%	323,681	808%
Financial charges on bond placement	66,448	4%	-	0%	66,648	100%
Finance lease interest	8,207	1%	13,962	1%	(5,755)	-41%
Interest on current accounts	14,523	1%	3,294	0%	11,229	341%
Total financial expenses	**1,520,117**	**100%**	**1,187,089**	**100%**	**333,028**	**28%**

Adjustments to equity investments (17ene)

Adjustments to equity investments are positive for € 74,329 and regard the increase of the 24.90% equity investment in the affiliate Mercafir S.c.p.a. to the pertinent Net Equity value.

The equity interest in the Company Futura s.r.l., posted to other financial assets, was measured at fair value, thus adjusting its value to the positive amount of € 97,700.

Taxes (21ene + 22ene).

On 15 October, 2018 Centrale del Latte d'Italia S.p.A. signed a preventive agreement with the Italian Revenue Agency to obtain access to the benefits of the Patent Box tax regime for the calculation of the income entitled to reduced taxation deriving from the use of its own brands for the 2015 tax year and for the following 4 years. The value of the tax benefit for the years 2015 to 2017 was equal to € 541 thousand, recognised in prepaid taxes and taxes of previous years.

Income taxes for tax consolidation amounted to € 141,684 and a recovery of € 911,150 in deferred and prepaid taxes was recorded.

	2018	2017	Change	
IRES for the period - 24%	(12,115)	(44,976)	32,861	73%
IRAP for the period - 3.90%	(129,569)	(158,711)	29,142	18%
TOTAL TAXES	**(141,684)**	**(203,687)**	**62,003**	**30%**
Deferred/prepaid taxes	911,150	250,833	660,317	
NET TOTAL TAXES	**769,466**	**47,146**	**722,320**	

At 31.12.2018, the Group had no tax loss carryforwards.

BREAKDOWN OF ASSETS

NON-CURRENT ASSETS

Tangible fixed assets (1ne)

Changes in tangible fixed assets and the pertinent provisions at 31 December 2018 are broken down in the tables below:

TANGIBLE FIXED ASSETS	Land	Buildings	Plant and equipment	Industrial and Commercial equipment	Total	Fixed assets under constr.	Total
Historical cost	**20,928,543**	**56,154,573**	**82,495,630**	**12,734,521**	**172,313,267**	**4,026,757**	**176,340,024**
Accumulated amortization		(20,005,087)	(36,837,383)	(8,680,505)	(65,522,975)	-	(65,522,975)
Initial amount	**20,928,543**	**36,149,486**	**45,658,247**	**4,054,017**	**106,790,291**	**4,026,757**	**110,817,048**
Acquisitions	-	830,578	9,177,862	968,852	10,977,292	6,645,596	17,622,888
Transfers	-	8,000	1,884,222	4,000	1,896,222	(2,498,080)	(601,858)
Disposals and eliminations	-	-	(4,806,792)	(818,088)	(5,624,880)	-	(5,624,880)
Use of provisions	-	-	4,107,288	706,996	4,814,284	-	4,814,284
Amortization	-	(1,278,095)	(4,064,727)	(1,250,973)	(6,593,795)	-	(6,593,795)
Final amount	**20,928,543**	**35,709,969**	**51,956,100**	**3,664,805**	**112,259,415**	**8,174,272**	**120,433,689**

TANGIBLE FIXED ASSETS	Buildings	Plant and equipment	Industrial and Commercial equipment	Total
Initial amount	**20,005,087**	**56,001,143**	**14,511,602**	**90,517,833**
Use of provisions	-	(4,107,287)	(706,997)	(4,814,284)
Amortization	1,278,095	4,064,727	1,250,973	6,593,795
Final amount	**21,283,182**	**55,958,583**	**15,055,578**	**92,297,345**

During 2018, the Parent Company started with its plan to make new investments in plant and equipment for € 11 million. Amongst others, these investments regard a building to be used as a garage (€ 320,000) as well as plants and machinery that are part of the Supply Chain Contract and the Development Contract project with Invitalia, for which the first progress payments have been made. Disposals and eliminations of fixed assets in plants, machinery and equipment include the amount, net of depreciation and equal to € 755,232, for the sale of the "Salads & Fruits" business unit in Casteggio (Pavia).

Tangible fixed assets include the net book value of machinery under finance lease contracts for € 5,188 million.

A first mortgage on the buildings belonging to Centrale del Latte di Vicenza S.p.A. was posted as a guarantee for securing the loan received, as indicated in the comment on financial payables.

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

The recoverable value thus calculated is superior to the book value by approx. € 764 thousand.

The recoverable value of plant and equipment belonging to Centrale del Latte di Vicenza S.p.A. was determined on the basis of the fair value, net of disposal costs estimated according to the cost method. This method is based on the hypothetical replacement of the asset to be estimated with a comparable new asset. This method makes it possible to calculate the "maximum value", identified as how much it would cost to replace the asset, either with exactly the same asset, or alternatively, if less expensive, with an asset that has characteristics and parameters used in the appraisal techniques used.

The recoverable value thus calculated is superior to the book value by approx. € 655 thousand.

Intangible fixed assets (2ne)

Variations in intangible fixed assets and the respective provisions are illustrated in the table below:

INTANGIBLE FIXED ASSETS	Trademarks	Goodwill	Software	Under constr.	Total
Historical cost	40,738,813	350,078	890,805	-	41,979,696
Accumulated amortization	(21,607,145)	-	(851,797)	-	(22,458,942)
Initial amount	**19,131,671**	**350,078**	**39,008**	**-**	**19,520,754**
Acquisitions			139,650	-	139,650
Amortization for the period			(16,783)	-	(16,783)
Final amount	**19,131,671**	**350,078**	**161,875**	**-**	**19,643,624**

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

The brands with an indefinite useful life "Centro Latte Rapallo", "Latte Tigullio" underwent an impairment test on 31 December 2018. The recoverable value of the brands is based on their fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (premium price). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.

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

- Mean price differential per litre (brand products vs. non-brand products): 98%
- Discount rate: 12.22%

The premium price mean income has not varied significantly during the five years' forecasts (2019-2023), and the terminal value has been prudently determined by assuming a growth rate of zero.

The recoverable value thus calculated exceeds the book value.

The value of the "MUKKI" brand, owned by Centrale del Latte della Toscana S.p.A. is based on the fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (premium price). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.

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

- Mean price differential per litre (brand products vs. non-brand products): 49%
- Discount rate: 13.21%

The premium price mean income has not varied significantly during the five years' forecasts (2019-2023), and the terminal value has been prudently determined by assuming a growth rate of zero.

The recoverable value thus calculated exceeds the book value.

The recoverable value of "Centrale del Latte di Vicenza" brand was calculated based on the fair value net of divestment costs, estimated using the differential results method, i.e. calculating the income the company would have to forego without the intangible asset, or the income the company could obtain from third parties for the use of the intangible asset (premium price). Fair value has been classified as Level 3, based on the parameters used in the measurement techniques applied.
The primary assumptions used in calculation of the recoverable value are indicated here below: The values assigned to the various assumptions reflect the company's assessment of the future performance of the main products dealt with, in terms of quantity and price, and are based both on internal and external sources:

- Mean price differential per litre (brand products vs. non-brand products): 29%
- Discount rate: 13.21

The premium price mean income has not varied significantly during the five years' forecasts (2019-2023), and the terminal value has been prudently determined by assuming a growth rate of zero.

The recoverable value thus calculated exceeds the book value.

Lastly, considering the importance of the terminal value used to calculate the fair value of the brands (amounting to about 50% of total value), a sensitivity analysis was carried out on the discount rate and the growth rate used, hypothesising a number of different risk scenarios. The outcomes of these analyses did not show risks of an impairment.

The estimated value of the "Odilla" brand has been calculated using the flows expected for the period 2019 – 2027 deriving from the royalties owed for the use of the brand, applying an annual sales increase rate of 1% and a discount rate of 14.33%. The recoverable value thus calculated exceeds the book value.

Equity investments in affiliates (3ne)

Equity investments in affiliates – for € 1,307,380 – are broken down in the table below:

	Mercafir S.c.p.a.	**Filat**
Initial amount	1,228,896	**4,155**
Increases	74,329	-
Decreases	-	-
Final amount	**1,303,225**	**4,155**

Other financial assets (4ne)

Equity investments in other companies amounted to € 619,487 and mainly regard the 0.52% interest held by Centrale del Latte della Toscana S.p.A. in Società Finanziaria Futura S.r.l., amounting to € 617,900; the remaining amount refers to interests held in collateral security and energy supply consortia. In application of IFRS 9, the carrying value of the equity investment in Futura S.r.l. was adjusted to the fair value, with an impact of approx. € 98 thousand on the equity reserve. The value of the other (non-significant) equity interests held is considered representative of the fair value of the interest (these are mainly consortium interests).

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 provision for bad debts	873,774	-	(67,930)	805,844
Taxed risk provision	530,000	50,000	(225,000)	355,000
2016 tax loss	176,201	-	(177,457)	-
Remuneration of directors	180,186	290,700	(179,586)	293,429
Amortization recovered further to audit	105,448	-	(6,832)	98,616
Listing	54,519		(32,360)	22,159
Tax recovery of depreciation of buildings	109,382	-	-	109,382
Trademarks	68,824	-	(16,005)	52,819
Membership fees	1,611	-	-	1,611
Unpaid taxes	540	-	-	540
Losses due to tax consolidation	377,744	-	-	377,744
Recovery from Patent Box	-	946,720	-	946,720
Total	**2,478,229**	**1,287,420**	**(701,785)**	**3,063,864**

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	147,870	12,000	(62,777)	97,093
Taxed provision for bad debts	209,706	-	(16,303)	193,403
2016 tax loss	43,249	-	(43,248)	-
Amortization recovered further to audit	29,783	-	(1,906)	27,877
Remuneration of directors	45,576	69,768	(46,430)	68,914
Listing	15,209	-	(9,028)	6,181
Tax recovery of depreciation of buildings	30,529	-	-	30,529
Trademarks	19,203	-	(4,465)	14,738
Membership fees	449	-	-	449

Unpaid taxes	131	-	(131)	-
Losses due to tax consolidation	90,659	-	-	90,659
Recovery from Patent Box		264,135	-	264,135
Total	**632,363**	**345,903**	**(182,775)**	**795,489**

Financial receivables from others (6ne).

Financial receivables from others refer to the receivables owed by Consorzio di Filiera Genova, Torino e Vicenza, amounting to € 1,250.

CURRENT ASSETS

Inventories (7ne)

Inventories are broken down as follows:

	Initial amount	Final amount	Change
Raw materials, sullies and consumables	5,249,069	6,128,289	879,220
Finished products and goods	3,865,211	3,843,047	(22,164)
Total	**9,114,280**	**9,971,336**	**857,056**

Trade receivables (8ne)

Trade receivables, all of which were due within one year, amounted to € 30,113,048 at 31 December 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.

The following table provides a breakdown of provisions for bad debts and changes in those provisions at 31 December 2018:

	Initial amount	Increases	Decreases	Final amount
Taxed provision for bad debts	658,201	90,940	115,973	633,178
Provision for bad debts	1,437,953	188,200	67,930	1,558,223
Total	**2,096,154**	**279,404**	**184,105**	**2,191,391**

Tax assets (10ne)

	Initial amount	Final amount	Change
VAT receivable	7,221,756	8,355,795	1,134,039
Income taxes	2,698,811	3,230,322	531,511
Employee severance indemnity withholdings	25,463	25,463	-
Withholding taxes on interest receivable	1,662	3,248	1,586
Litigation	18,394	36,608	18,214
Total tax assets	**9,966,086**	**11,651,436**	**1,685,350**

Other receivables (11ne). Receivables from others include

	Initial amount	Final amount	Change
Miscellaneous	1,134,825	1,054,436	(80,389)
Accrued income and prepaid expenses	816,234	974,963	158,729
Advances to suppliers	285,620	335,651	50,031
Deposits	114,022	150,235	36,213
Receivables from distributors	83,447	84,257	810
Loans to employees	72,547	6,598	(65,949)
Credits to be received	72,151	35,808	(36,343)
Receivables from social security institutions	24,366	54,884	30,518
Advances on salaries	3,950	6,300	2,350
Total receivables from others	**2,607,161**	**2,703,133**	**95,971**

Accrued income and prepaid expenses

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

	Initial amount	Final amount	Change

Other costs	231,549	242,613	11,064
Loan fees	147,044	202,812	55,768
Insurance	121,805	105,983	(15,822)
Maintenance fees	88,359	58,908	(29,452)
VAT guarantee policies	70,436	46,825	(23,611)
Advertising costs	61,729	77,578	15,849
Remuneration of directors	58,000	177,242	119,242
Leases	37,312	63,004	25,692
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	**816,234**	**974,964**	**158,730**

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

Cash and cash equivalents, all of which are freely available, amounted to € 13,028,129, of which € 12,691,300 in bank accounts and € 336,829 of which 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 (15ne)

Share capital, fully subscribed and paid-up, amounts to € 28,848,041.20, made up of 14,000,020 shares with a par value of € 2.06 each.

Changes in equity are illustrated in a specific schedule of the financial statements at 31 December 2018.

	12/31/2018	**Nature**	**Use**	**Available**	**Eligible for distribution**
Share capital	28,840,041				
Share premium account	14,324,577	Profits/capital	-	YES	NO
Merger premium reserve	3,096,015	Merger	-	YES	NO
Reserve from business combination ineligible for distribution	13,902,917	Merger	-	NO	NO
Revaluation reserve	196,523	Profits/capital	-	YES	YES

Legal reserve	1,658,297	Profits/capital	-	YES	YES
Other reserves	452,775	Profits/capital	YES	YES	YES
Consolidation reserve	1,845,380		-	NO	NO
IFRS first-time adoption reserve ineligible for distribution	134,886	Profits/capital	-	NO	NO
Profits (losses) carried forward	(1,008,390)	Profits/capital	-	NO	NO
Reserve for employee severance indemnity discounting	(120,010)		-	NO	NO
Profit (loss) for the period	398,327	Profits/capital	-	YES	NO
	63,721,339				

	Result for the period	**Shareholders' Equity**
Balances of the accounting schedules of Centrale del Latte d'Italia S.p.A. at 31 December 2018	**487,009**	**68,340,531**
EBIT and Shareholders' Equity Centrale del Latte della Toscana S.p.A.	533,930	25,799,153
EBIT and Shareholders' Equity Centrale del Latte di Vicenza S.p.A.	(622,612)	21,651,904
Derecognition of equity investments in companies within the scope of consolidation	-	(52,028,328)
Other consolidation adjustments	-	(41,923)
Balances as consolidated accounting schedules at 31 December 2018	**398,327**	**63,721,339**

NON-CURRENT AND CURRENT LIABILITIES

Financial payables (17ne+18ne+24ne+25ne+26ne)

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

	Payables within year-end	**Over one year Within 5 years**	**Over 5 Over 5 years**	**Total payables over one year**	**Total payables Total**
Payables to banks for loans	16,764,357	37,505,921	13,633,698	51,139,619	67,903,977
Payables to other lenders	366,318	306,783	22,372	329,155	695,473

Placement of bonds 2017 - 2024	-	8,921,411	5,805,304	14,726,715	14,726,715
Total	**17,130,675**	**46,670,431**	**19,521,555**	**66,191,985**	**83,326,165**

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

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees in favour of subsidiaries
Deutsche Bank S.p.A. Euribor rate 3 months + 1.65%	1,200,000	1,200,000	75,000	01/29/19	---
UBI Banca S.p.A. Euribor rate 3 months + 1.10%	3,000,000	3,000,000	191,606	02/25/19	---
Credito Emiliano S.p.A. Euribor rate 3 months + 0.80%	1,500,000	1,500,000	501,624	05/11/19	---
BNL BNP Paribas Group Euribor rate 6 months + 3.3%	6,000,000	6,000,000	600,000	06/30/19	---
Credito Emiliano S.p.A. Rate: 1%	1,000,000	1,000,000	335,497	05/11/19	Patronage from parent company
Banca Monte dei Paschi di Siena S.p.A. Euribor rate 3 months + 1.10%	1,000,000	1,000,000	1,000,000	10/31/19	---
Credito Emiliano S.p.A. Euribor rate 12 months + 1.05%	1,000,000	1,000,000	430,604	08/02/19	Patronage from parent company
Cassa di Risparmio di Bra S.p.A. Actual rate: 0.90%	800,000	800,000	253,099	03/21/20	Patronage from parent company
ChiantiBanca Credito Cooperativo s.c. Euribor rate 6 months + 1.35%	4,000,000	4,000,000	1,524,329	06/21/20	---
BPER Banca S.p.A. Euribor rate 3 months + 1%	2,000,000	2,000,000	1,173,943	07/28/20	---
Intesa San Paolo S.p.A. Euribor rate 3 months + 0.85%	5,000,000	5,000,000	2,000,000	10/01/20	---
UBI Banca S.p.A. Rate: 0.85%	1,000,000	1,000,000	503,191	06/07/20	Patronage from parent company

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees in favour of subsidiaries
UBI Banca S.p.A. **Euribor rate 3 months + 0.85%**	1,000,000	1,000,000	669,492	10/16/20	Patronage from parent company
BNL BNP Paribas Group Euribor rate 6 months + 2.20%	6,000,000	6,000,000	1,137,766	11/30/20	---
Unicredit S.p.A.	10,242	10,242	4,097	12/31/20	---
Unicredit S.p.A.	40,968	40,968	16,453	12/31/20	---
Banca CARIGE S.p.A. Euribor rate 6 months + 1.3%	1,000,000	1,000,000	670,977	12/31/20	---
Banca Popolare di Sondrio (Suisse) Euribor rate 6 months + 0.60%	1,500,000	1,500,000	1,251,868	01/31/21	---
Intesa San Paolo S.p.A. Euribor rate: 3 months + 1.30%	2,000,000	2,000,000	1,136,782	03/31/21	Patronage from parent company
Deutsche Bank S.p.A. Euribor rate 3 months + 1.10%	2,000,000	2,000,000	1,250,000	06/30/21	---
Intesa San Paolo S.p.A. Euribor rate: 3 months + 1%	3,000,000	3,000,000	1,764,706	06/30/21	Patronage from parent company
Banco BPM S.p.A. Euribor rate: 1 month + 0.7%	1,500,000	1,500,000	843,307	06/30/21	Patronage from parent company
Banca del Centro Veneto Cred. Coop. S.c. Euribor rate 3 months + 1.7%	2,500,000	2,500,000	2,295,928	07/30/21	Patronage from parent company
Unicredit S.p.A. Euribor rate 6 months + 1.5%	3,000,000	3,000,000	3,000,000	10/31/21	Patronage from parent company
Banco BPM S.p.A. Euribor rate: 3 months + 1.2%	1,500,000	1,500,000	897,279	12/31/21	---
Banca CARIGE S.p.A. Euribor rate 6 months + 1.3%	1,000,000	1,000,000	754,838	12/31/21	---
Credit Agricole CARIPARMA	1,500,000	1,500,000	1,315,275	05/29/22	Patronage from parent company

Issuer	Amount granted	Amount paid	Residual debt	Last deadline	Guarantees in favour of subsidiaries
Euribor rate 3 months +0.85%					
Credit Agricole CARIPARMA Euribor rate 3 months + 1%	500,000	500,000	500,000	05/29/22	Patronage from parent company
Unicredit Banca d'Impresa S.p.A. Rate: 1%	1,500,000	1,500,000	1,315,595	05/31/22	Patronage from parent company
Deutsche Bank	3,200,000	3,200,000	3,200,000	11/07/22	---
Banco BPM S.p.A. Euribor rate 3 months + 1%	3,000,000	3,000,000	3,000,000	12/31/22	Patronage from parent company
Banca Passadore S.p.A. Euribor rate 3 months + 1.5%	2,000,000	2,000,000	2,000,000	01/01/23	Patronage from parent company
Banca di Credito Cooperativo di Cambiano S.c.p.a. Euribor rate 3 months +1.35%	4,000,000	4,000,000	4,000,000	07/01/23	---
Banco BPM Euribor rate 3 months + 1.2%	1,500,000	1,500,000	1,500,000	06/30/24	Patronage from parent company
Unicredit S.p.A. Euribor rate 6 months + 2.75%	3,000,000	3,000,000	1,300,000	06/30/25	Mortgage on an owned property in Vicenza for € 20 million
Unicredit S.p.A. Euribor rate 6 months + 1.80%	10,000,000	10,000,000	3,714,286	06/30/25	Mortgage on an owned property in Vicenza for € 20 million
MPS Capital Services Banca per le Imprese S.p.A. Euribor rate 6 months + 1.75%	28,300,000	28,300,000	17,916,789	07/03/28	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 Rate: 0.50% - Discounted rate: 2.95%	1,094,611	890,690	890,690	12/31/30	Mortgage on an owned property in Turin
Unicredit S.p.A.	1,094,611	1,094,611	1,094,612	12/31/30	Mortgage on an owned property in Turin

Rate: 2.95%					
Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti Rate: 0.50% - Discounted rate: 2.95%	2,400,000	294,532	294,532	12/31/30	Mortgage on an owned property in Vicenza
Unicredit S.p.A. Rate: 2.95%	2,400,000	362,772	362,772	12/31/30	Mortgage on an owned property in Vicenza
Invitalia S.p.A. Rate: 0.124%	7,452,678	1,217,090	1,217,090	06/30/31	Mortgage on owned properties in Turin, Casteggio and Rapallo

Following the signing, on 22 December 2017, with the National Agency for Attracting Investments and Business Development S.p.A. – INVITALIA – of the Loan Contract offering special conditions pursuant to the Decree of 9 December 2014 of the Ministry of Economic Development as amended, Centrale del Latte d'Italia S.p.A. was granted a soft loan totalling € 8,197,945, of which € 745,267 in the form of a subsidy on a no-return basis and € 7,452,678 at a special reduced rate.

During the year, the Company received and recognised in the Financial Statements the first instalment of both the subsidy on a no-return basis of € 139,000 and of the soft loan, amounting to € 1,547,441.

For the part regarding the subsidy, see the previous chapter Revenue – Breakdown of other revenue.

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.	2,138,207	6,826,509	385,714	9,350,431
BNL BNP Paribas Group	1,168,883	568,883	-	1,737,766
Intesa San Paolo S.p.A.	2,207,337	2,694,101	-	4,901,438
Credito Emiliano S.p.A.	1,267,725	-	-	1,267,725
Credito Cooperativo Centroveneto	823,967	1,471,962	-	2,295,929
Banca Monte dei Paschi di Siena S.p.A.	1,000,000	-	-	1,000,000
	Within 12 months	**Within 5 years**	**Over 5 years**	**Total**
UBI Banca S.p.A.	859,680	504,608	-	1,364,289
MPS Capital Services Banca per le Imprese S.p.A.	1,324,311	5,832,410	10,760,068	17,916,789

Chianti Banca Credito Cooperativo s.c.	1,012,945	511,384	-	1,524,329
Deutsche Bank S.p.A.	821,154	3,703,846	-	4,525,000
Banco BPM S.p.A.	1,028,557	2,212,030	-	3,240,587
BPER Banca S.p.A.	1,090,489	3,083,454	-	4,173,943
Banca CARIGE S.p.A.	581,674	844,141	-	1,425,815
Banca Popolare di Sondrio (Suisse)	498,498	753,370	-	1,251,868
Banca di Credito Cooperativo di Cambiano S.c.p.a.	243,732	3,756,268	-	4,000,000
Cassa di Risparmio di Bra	202,252	50,848	-	253,099
Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti	-	416,464	768,758	1,185,222
	Within 12 months	**Within 5 years**	**Over 5 years**	**Total**
Unicredit S.p.A. Filiera contract	-	652,531	804,852	1,457,383
Invitalia	-	302,784	914,306	1,217,090
Credit Agricole Cariparma	494,946	1,320,328	-	1,815,274
Banca Passadore S.p.A	-	2,000,000	-	2,000,000
	16,767,357	**37,505,921**	**13,633,698**	**67,903,976**

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	366,318	306,783	22,372	695,473

Finance lease payables refer to leases of plant and equipment.

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

Bond amounted to € 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	-	8,921,411	5,805,304	14,726,715

Covenants on bond placement 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.

These covenants were satisfied at 31 December 2018.

Financial position.

The Group's net debt at 31 December 2018 amounted to € 73,798,127.

	31/12/2018	31/12/2017	Change
Cash and cash equivalents (12ne+13ne)	13,028,129	25,474,767	(12,446,638)
Total current financial assets	**13,028,129**	**25,474,766**	**(12,446,638)**
Payables to banks (21ne)	(3,500,092)	(4,962,779)	1,462,687
Short-term portion of medium/long-term loans (22ne)	(16,764,357)	(24,519,979)	7,755,622
Short-term portion of payables to other (23ne)	(366,318)	(751,010)	384,692
Total current financial liabilities	**(20,630,767)**	**(30,233,768)**	**9,603,001**
Long-term loans (15ne)	(51,139,619)	(42,307,442)	(8,832,177)
Long-term payables to other (16ne)	(329,155)	(655,819)	326,664
Long-term Bonds	(14,726,715)	(14,660,267)	(66,448)
Total non-current financial liabilities	**(66,195,489)**	**(57,623,528)**	**(8,571,961)**
Total financial liabilities	**(86,826,256)**	**(87,857,296)**	**1,031,040**
Net financial debt	**(73,798,127)**	**(62,382,530)**	**(11,415,598)**

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 31 December 2018: at 12/31 of each year ratio between net financial debt and shareholders' equity lower than or equal to 1.5.
- Unsecured loan issued granted by Deutsche Bank S.p.A. to Centrale del Latte d'Italia S.p.A., set to mature on 07 November 2022, with an outstanding balance of € 3.2 million at 31 December 2018: at 12/31 of each year, ratio between EBITDA and consolidated financial charges higher than 5 – Ratio between net financial position and EBITDA not higher than 6 – Ratio between net financial position and consolidated net equity not higher or equal to 1.
- 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 € 3.714 million at 31 December 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 € 1.500 million at 31 December 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 2011 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 € 1.1 million at 31 December 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 € 0.6 million at 31 December 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 BNL Gruppo BNP Paribas to Centrale del Latte della Toscana S.p.A., set to mature on 31 March 2021, with an outstanding balance of € 1.1 million at 31 December 2018: at 31/12 of each year ratio between EBITDA and financial charges lower than or equal to 1 – No losses for two consecutive fiscal years.
- 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 € 1.7 million at 31 December 2018: at 12/31 of each year, ratio between EBITDA and financial charges 4.5 or lower – Ratio between net financial position and EBITDA 6.50 or higher (not complied with) – Ratio between net financial position and net equity 2 or higher.

At 31 December 2018, the parameters indicated above were all complied with.

Deferred taxes (20ne)

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

	Initial amount	Increases	Decreases	Final amount
Trademarks	18,293,852	-	-	18,293,852
Elimination of tax interference – accelerated amortization	2,074,536	-	(141,388)	1,933,148
Measurement of land	1,663,000	-	-	1,633,000
Equity investments	402,436	-	-	102,436
Capital gains	-	465,820	(139,405)	326,415
	22,433,824	**465,820**	**(280,793)**	**22,618,851**

The following table illustrates the changes in deferred tax liabilities:

	Initial amount	Increases	Decreases	Final amount
Trademarks	5,104,345	-	-	5,104,345

Elimination of tax interference – accelerated amortization	572,757	-	(39,446)	494,938
Measurement of land	463,977	-	-	463,977
Equity investments	5,562	-	-	5,562
Capital gains	-	129,967	(38,894)	91,703
	6,146,641	**129,967**	**(78,340)**	**6,159,892**

Long-term provisions

Employee severance indemnity (21ne)

At 31 December 2018 the severance indemnity amounted to € 5,818,927.

Initial amount	**6,457,628**
Interest cost	54,343
Decreases and uses	(565,018)
Actuarial (income) loss via OCI	(128,026)
Final amount	**5,818,927**

In the reference period, the actuarial reports drafted to determine the payable for employee severance indemnity have been revised compared to the previous year, with reference to a number of input data, in order to adjust the liability shown to the current value at 31 December 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 1.13%
- annual inflation rate 1.50%
- annual rate of severance indemnity increase 2.63%

The Iboxx Eurozone Corporates AA 7-10 index was used as a reference for the value of the discount rate.

Sensitivity analysis

Reasonably possible variations in the actuarial assumptions at the closing date of the year would have had the following effects on the defined benefit obligation:

12/31/2018	Annual discounting rate		Annual inflation rate		Annual turnover rate	
	0.25%	-0.25%	0.25%	-0.25%	2.0%	-2.0%
Defined benefit obligation	5,672,782	5,972,257	5,875,453	5,763,165	5,789,016	5,853,831

Directors' severance indemnity (22ne)

The provision for indemnities for Directors at the end of their term in office amounted to € 381,709. The methods of calculation used are set out in the Report on Corporate Governance.

	Initial amount	Increases	Decreases	Final amount
Directors' Severance Indemnity	305,505	76,204	-	381,709

Provision for liabilities and charges (23ne)

	Initial amount	Increases	Decreases	Final amount
Provision for future capital losses	225,000	50,000	225,000	50,000
Provision for customer indemnities	153,748	5,075	82,282	76,540
	378,748	**55,075**	**307,282**	**126,540**

CURRENT LIABILITIES

Short-term payables to banks (24ne+25ne) totalled € 21,267,987 and related to uses of credit lines and current shares for loans and mortgages. This is broken down under financial payables.

Short-term payables to other (25ne) amounted to € 366,318. This is broken down under financial payables.

Trade payables (26ne) at 31 December 2018 amounted to € 40,587,791, all payable by year-end.

Tax liabilities (29ne) include the following line items:

	Initial amount	Final amount	Change
Payables for income taxes	228,132	176,910	(51,222)
Payables for employees' withholding taxes	596,986	585,442	(11,544)
Withholdings payable on independent contractors' fees	89,349	96,033	6,684
Payables for other taxes	-	105,773	105,773

Total tax liabilities	**914,467**	**964,158**	**49,691**

Payables to social security authorities (30ne) - € 1,384,708 – consist of social-security contributions payable on wages and salaries and the contribution associated with the separate management of coordinated ongoing independent contractors.

Other payables (31ne) includes:

	Initial amount	Final amount	Change
Payables for wages and salaries	2,479,359	2,603,050	123,691
Accrued liabilities and deferred income	916,230	1,323,352	407,122
Payables for remuneration of directors and auditors	180,186	302,643	122,457
Other payables	76,279	68,422	(7,857)
Employee union withholdings	5,643	5,027	(616)
Total other payables	**3,657,697**	**4,302,494**	**644,797**

Accrued liabilities and deferred income are broken down as follows:

	Initial amount	Final amount	Change
DEFERRED INCOME			
Grants for current expenses	306,891	640,266	333,375
Other	384,127	330,540	(53,587)
Contributions from suppliers	-	100,815	100,815
Total deferred income	**691,017**	**1,071,621**	**380,604**
ACCRUED LIABILITIES			
Interest on bank loans	181,434	197,871	16,437
Interest on bank current accounts	1,662	1,519	143
Other	2,049	7,012	(4,963)
Interest on bond placement: 2017- 2024	40,068	45,328	(5,260)
Total accrued liabilities	**225,213**	**251,730**	**26,517**
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	**916,230**	**1,323,351**	**407,521**

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 31/12/2018
Luigi LUZZATI	Chairman	166,395	-	-	166,395
Riccardo POZZOLI	Vice Chairman and Managing Director	55,125	-	-	55,125
Adele ARTOM	Director	(*) 5,845,996	(*) 74,100	-	(*) 5,920,096
Antonella FORCHINO	Director	(*) 142,517	(*) 3,335	-	(*) 145,852
Maurizio MACCHIAVELLO	Director	10,000	-	-	10,000

(*) also through directly controlled Companies

Commercial dealings with other related parties.

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

The table below illustrates the situation regarding dealings with related parties at 31 December 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. :				
Centrale del Latte d'Italia S.p.A. - Subsidiary	-	-		11,385
Centrale del Latte d'Italia Group :				
Finanziaria Centrale del Latte di Torino S.p.A. - parent company	-	-	11,385	-
Total	-	-	**11,385**	**11,385**

FINANCIAL AND OPERATIONAL RISKS

Risks associated with the business activity

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

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

Financial risks.

The financial instruments of the Group comprise bank loans, sight and short-term bank deposits and a bond. These instruments aim 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.

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

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

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 order 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 order 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 order 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, when it was newly adjourned to 17 September 2019.

A third dispute arose 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. 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. The hearing held on 22 November 2018 postponed the hearing again to 21 March 2019.

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 order no. 1786/8/15, upheld the combined appeals. Agenzia delle Entrate appealed against this order for both tax periods. The Regional Taxation Commission rejected the appeal for 2008, with order 284/1/17 filed on 22 February 2017. For the tax year 2009, the appeal was rejected by the Regional Taxation Commission with order 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 order 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 order 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 order. The Regional Taxation Commission of Turin, with order no. 715/4/17 filed on 4 May 2017, rejected the appeal, ordering 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. On 18 June 2018, Agenzia delle Entrate brought an appeal before the Court of Cassation against order no. 1839/17 relating to the tax period 2018. The Company brought a cross appeal against this appeal within the deadline established.

With regard to the dispute with Agenzia delle Entrate for the years 2008 – 2009 -2010 – 2011 -2012 and 2013, the Company has decided to apply for the settlement concessions for pending tax litigation (so-called "tax amnesty") which, in the event both decisions (orders of the Regional Tax Commission, CTR) are favourable, allows for the settlement of the disputes with the payment of an amount equal to 5% of the higher tax assessed, with no interest or sanctions. The amount thus calculated totalled € 121,314, which was entered in the financial statements.

Regarding the tax inspection concerning FY 2004, please note that, following the order 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 pending.

FEES OWED TO THE AUDITING FIRMS

Article 149 duodecies of the Issuers' Regulations

DELOITTE & TOUCHE S.p.A. - Audit of the Group € 104,000 and audit for other services for € 2,900.

EVENTS FOLLOWING THE CLOSE OF THE FINANCIAL YEAR. Subsequently to the close of the fiscal year, the Parent Company has continued the programme of investments for the redevelopment and implementation of the operating offices in Turin. Specifically, construction work is under way on the new automated warehouse for the storage of finished goods. The investment is part of the Development Contract with Invitalia.

BUSINESS OUTLOOK.

The difficult situation regarding domestic consumption continues in 2019. The Group's aim will be to consolidate sales to customers and consumers on the Italian market, also with the launch of new, innovative products, and to support further exports, also to new markets. The simplification of the Group's organisational structures and the on-going rationalisation of costs will also continue during 2019.

Turin, 15 March 2019

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Centrale del Latte d'Italia S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Centrale del Latte d'Italia S.p.A. and its subsidiaries (the "Centrale del Latte d'Italia Group" and/or the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Centrale del Latte d'Italia Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Centrale del Latte d'Italia S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Recoverability of intangible asset with indefinite useful life	
Description of the key audit matter	At 31 December 2018 the Group includes in the consolidated financial statements intangible asset with indefinite useful life for Euro 19,132 thousand, mainly related to the trademarks Mukki (Euro 7,955 thousand), Centro Latte Rapallo – Latte Tigullio (Euro 5,603 thousand) and Centrale del Latte di Vicenza (Euro 5,286 thousand). As required by IAS 36, the indefinite useful life assets are not depreciated, but, at least on a yearly basis, specific impairment has to be performed. The Group operates in a mature industry with low level of profitability. Considering this matter the Management performs the impairment test using the fair value method, based on the appraisal prepared by independent experts. In particular, the recoverable amount of the trademarks is determined using the method of the differential results, meaning the income that the Company would have to give up if it deprived itself of the intangible asset, or the income that the Company could obtain from third parties for the use of the intangible asset (the so-called "*premium price*"). The differential results are determined on the basis of the average price differential per liter between "label" and "no-label" products over the 2019 - 2023 time horizon, net of brand support costs. In consideration of the relevance of the value of the trademarks, of the market environment in which the Group operates and the evaluation process used to obtain the appraisals prepared by independent experts appointed by Management and the need to involve our experts to conclude, we evaluated that the impairment test represents a key audit matter of the consolidated financial statements. The "Intangible fixed assets (2ne)" note shows the recorded trademarks disclosures, including the sensitivity analysis with evidence of the consequences caused by changes to key assumptions used by performing the impairment test.
Audit procedures performed	As part of our audit procedures we have, among others, performed the following procedures, also with the input of experts of the Deloitte network: • Understanding of the process to define the fair value of the recorded trademarks, using the methodology and the assumptions adopted by independent expert involved in the preparation of the appraisals; • Recognitions of the main controls executed by the Group on the impairment test procedures; • Assessment of competencies, of capabilities and objectivity of the expert involved by Management in order to prepare the appraisals; • Analysis of the differences between the actual figures and the forecast data used to prepare the appraisals (differential results, volumes, costs to sustain the trademarks), in order to evaluate the accuracy of the process with reference to forecast data;

- Analysis of the reasonableness of the assumptions considered in the appraisals with reference to the variation of the above mentioned data in the period 2019 – 2023;
- Verification of the mathematical accuracy of the calculation model used to determine the evaluated trademarks fair value;
- Verification of the sensitivity analysis prepared by Management;
- Analysis of the disclosures provided by the Group.

Recoverability of the tangible asset related to the business located in Vicenza	
Description of the key audit matter	At 31 December 2018 the Group includes in the consolidated financial statements tangible assets, related to the business located in Vicenza (Euro 39,878 thousand) and plant, machinery, industrial and commercial equipment (Euro 14.882 thousand). The negative economic performances recorded by Centrale del Latte di Vicenza, partially related to the fact that the subsidiary does not work using the full production capacity, represent indicators of impairment, consequently, as indicated in IAS 36, the Management performed an impairment test to verify the recoverability of the recorded asset value. The evaluation process adopted by the Management represents the definition of the recoverable amount of the above mentioned tangible assets using the fair value method (defined as fair value less cost to sell) and the comparison with the corresponding carrying amount. In detail, to define the fair value of lands and buildings the Management used the method of market comparable data considering the area market, with the comparison with similar real estate portion for use and location, and the method of cost of replacement (based on the hypothetical substitution of the estimated asset with a similar one) with reference to plant, machinery and industrial and commercial equipment. In consideration of the relevance of the value of the tangible asset related to the business located in Vicenza, the negative economic performances of Centrale del Latte di Vicenza, the evaluation process used to obtain the appraisals prepared by independent experts appointed by Management and the need to involve our expert to conclude, we evaluated that the recoverability of the tangible asset related to the business located in Vicenza represents a key audit matter of the consolidated financial statements. The “Tangible fixed assets (1ne)” note includes the impairment test disclosures related to tangible assets of the business located in Vicenza.
Audit procedures performed	As part of our audit procedures we have, among others, performed the following procedures, also with the input of experts of the Deloitte network: • Understanding of the process to define the fair value of the recorded tangible assets, analyzing the methodology and the assumptions adopted by independent experts involved in the preparation of the appraisals; • Recognitions of the main controls executed by the Group on the impairment test procedures;

- Assessment of competencies, capabilities and objectivity of the experts involved by Management in order to prepare the appraisals;
- Analysis of the appraisals and reasonableness of the parameters used by independent experts in order to define the fair values;
- Analysis of the disclosures provided by the Group.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Centrale del Latte d'Italia S.p.A. (formerly Centrale del Latte di Torino & C. S.p.A.) has appointed us on 28 April 2015 as auditors of the Company for the years from 31 December 2015 to 31 December 2023.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Centrale del Latte d'Italia S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Centrale del Latte d'Italia Group as at 31 December 2018, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Centrale del Latte d'Italia Group as at 31 December 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Centrale del Latte d'Italia Group as at 31 December 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Santo Rizzo
Partner

Turin, Italy
29 March, 2019

This report has been translated into the English language solely for the convenience of international readers.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Centrale del Latte d'Italia S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Centrale del Latte d'Italia S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of intangible asset with indefinite useful life	
Description of the key audit matter	At 31 December 2018 the Company includes in the consolidated financial statements intangible asset with indefinite useful life for Euro 5,603 thousand, mainly related to the trademark Centro Latte Rapallo – Latte Tigullio. As required by IAS 36, the indefinite useful life assets are not depreciated, but, at least on a yearly basis, specific impairment has to be performed. The Company operates in a mature industry with low level of profitability. Considering this matter the Management performs the impairment test using the fair value method, based on the appraisal prepared by an independent expert. In particular, the recoverable amount of the trademark is determined using the method of the differential results, meaning the income that the Company would have to give up if it deprived itself of the intangible asset, or the income that the Company could obtain from third parties for the use of the intangible asset (the so-called "*premium price*"). The differential results are determined on the basis of the average price differential per liter between "label" and "no-label" products over the 2019 - 2023 time horizon, net of brand support costs. In consideration of the relevance of the value of the trademark, of the market environment in which the Company operates and the evaluation process used to obtain the appraisals prepared by an independent expert appointed by Management and the need to involve our experts to conclude, we evaluated that the impairment test represents a key audit matter of the separate financial statements. The "Intangible fixed assets (3ene)" note shows the recorded trademark disclosures, including the sensitivity analysis with evidence of the consequences caused by changes to key assumptions used by performing the impairment test.
Audit procedures performed	As part of our audit procedures we have, among others, performed the following procedures, also with the input of experts of the Deloitte network: • Understanding of the process to define the fair value of the recorded trademark, using the methodology and the assumptions adopted by independent expert involved in the preparation of the appraisals; • Recognitions of the main controls executed by the Company on the impairment test procedures; • Assessment of competencies, of capabilities and objectivity of the expert involved by Management in order to prepare the appraisal; • Analysis of the differences between the actual figures and the forecast data used to prepare the appraisal (differential results, volumes, costs to sustain the trademarks), in order to evaluate the accuracy of the process with reference to forecast data; • Analysis of the reasonableness of the assumptions considered in the appraisal with reference to the variation of the above mentioned data in the period 2019 – 2023;

- Verification of the mathematical accuracy of the calculation model used to determine the evaluated trademark fair value;
- Verification of the sensitivity analysis prepared by Management;
- Analysis of the disclosures provided by the Company.

Recoverability of the value of the investments in subsidiaries	
Description of the key audit matter	At 31 December 2018 the Company includes in the statutory financial investment in subsidiaries for totally Euro 52,028 thousand, related to the totally owned subsidiaries Centrale del Latte della Toscana (Euro 24,830 thousand) and Centrale del Latte di Vicenza S.p.A. (Euro 27,198 thousand). The investment in subsidiaries are accounted using the cost method and eventually impaired when the recoverable amount results lower than the respective carrying amount, with impairment reversal if the reasons of the impairment there are no more. Considering the negative economic performances recorded by the subsidiary Centrale del Latte di Vicenza, the material difference between the carrying amount of the subsidiary and the correspondent owned equity, and the fact that the subsidiary owns an intangible asset with indefinite useful life (the trademark Centrale del Latte di Vicenza) for which no depreciation has been accounted, the Management, as requested by IAS 36, performed the impairment test to verify the recoverability of the carrying amount of the mentioned subsidiary. Similarly, the Company verified the recoverability of the carrying amount of the subsidiary Centrale del Latte della Toscana S.p.A., which owns the trademark with indefinite useful life Mukki for which no depreciation has been accounted. The impairment test has been performed using a process based firstly on the verification of the recoverability of the carrying amounts of the intangible assets with indefinite useful life owned by the subsidiaries and the recoverability of carrying amount of the tangible assets related to the business located in Vicenza, as consequence of some impairment indicators identified; and then the verification of the carrying amount of each subsidiaries as a whole. The estimate of the recoverable amounts of the trademarks Centrale del Latte di Vicenza and Mukki, recorded in the separate financial statements of each subsidiary, has been performed using the fair value method, based on the appraisal prepared by independent experts and determined using the method of the differential results, by analogy with the methodology adopted to verify the recoverability of the carrying amount of the trademark at subsidiary level. The evaluation process to verify the recoverability of the carrying amount, of the tangible assets located in Vicenza and recorded in the separate financial statement of Centrale del Latte di Vicenza S.p.A. has been performed using the fair value method with reference to lands and buildings adopting the method of market comparable data considering the area market, with the comparison with similar real estate portion for use and location, and the method of cost of replacement (based on the hypothetical substitution of

the estimated asset with a similar one) with reference to plant, machinery and industrial and commercial equipment.
In consideration of the relevance of the carrying amount of the investment in subsidiaries and the evaluation process used to obtain the appraisals prepared by independent experts appointed by Management and the need to involve our expert to conclude, we evaluated that the recoverability of the investment in subsidiaries represent a key audit matter of the separate financial statements.
The "Equity Investment in subsidiaries (4ene)" note includes the accounting policy used and the methodology adopted to perform the impairment tests with reference to the investment in subsidiaries.

Audit procedures performed

As part of our audit procedures we have, among others, performed the following procedures, also with the input of experts of the Deloitte network:

- Analysis of the performance of each subsidiary;
- Understanding of the process adopted by Management to define the fair value of the trademarks recorded by each subsidiary, analyzing the methodology and the assumptions adopted by independent experts involved in the preparation of the appraisals;
- Recognitions of the main controls executed by the Management on the impairment test procedures to verify the recoverability of the carrying amount of the investment in subsidiaries;
- Assessment of competencies, capabilities and objectivity of the experts involved by Management in order to prepare the appraisals related to trademarks owned by each subsidiary and related to the tangible assets related to the business located in Vicenza;
- Analysis of the differences between the actual figures and the forecast data used to prepare the appraisals (differential results, volumes, costs to sustain the trademarks), in order to evaluate the accuracy of the process with reference to forecast data;
- Analysis of the reasonableness of the assumptions considered in the appraisal with reference to the variation of the above mentioned data in the period 2019 – 2023;
- Verification of the mathematical accuracy of the calculation model used to determine the evaluated trademark fair value and verification of the sensitivity analysis prepared by Management;
- Understanding of the process to define the fair value of the recorded tangible assets, analyzing the methodology and the assumptions adopted by independent experts involved in the preparation of the appraisals;
- Review of the analysis performed by Management in order to verify the recoverability of the carrying amount of each investment in subsidiaries (as a whole);
- Analysis of the disclosures provided by the Company with reference to the analysis performed about the recoverability of the carrying amount of the investment in each subsidiary.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Centrale del Latte d'Italia S.p.A. (formerly Centrale del Latte di Torino & C. S.p.A.) has appointed us on 28 April 2015 as auditors of the Company for the years from 31 December 2015 to 31 December 2023.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Centrale del Latte d'Italia S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Centrale del Latte S.p.A. as at 31 December 2018, including their consistency with the related financial statements and their compliance with the law.

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We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Centrale del Latte d'Italia S.p.A. as at 31 December 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Centrale del Latte d'Italia S.p.A. as at 31 December 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Santo Rizzo
Partner

Turin, Italy
29 March, 2019