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

**HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## at 30 June 2020

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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. |
|---|---|---|---|---|---|---|---|
| ● | | | **Angelo Mastrolia** Chairman | | | | |
| ● | | | **Giuseppe Mastrolia** Vice Chairman | | | | |
| ● | | | **Edoardo Pozzoli** Chief Executive Officer | | | | |
| | ● | | **Stefano Cometto** Director | ● | | ● | |
| | ● | | **Benedetta Mastrolia** Director | | ● | | |
| | ● | ● | **Anna Claudia Pellicelli** Director | ● | ● | ● | ● |
| | ● | ● | **Valeria Bruni Giordani** Director | ● | ● | ● | ● |

E.D. = Executive Director
N.E.D. = Non-executive Director
I.D. = Independent Director
Parties
I.D.C. = Independent Directors' Committee

A.R.C. = Audit and Risk Committee
R.C. = Directors' Remuneration Committee
C.R.P. = Committee for Dealings with Related

### INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A. Turin

### BOARD OF STATUTORY AUDITORS

Deborah Sassorossi Chairperson
Francesco Fino Statutory Auditor
Giovanni Rayneri Statutory Auditor

### EXECUTIVE IN CHARGE

Giuseppe Bodrero CFO and IR

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

# HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS at 30 June 2020

## Interim Report on operations

# INTERIM REPORT ON OPERATIONS AT 30 June 2020

## Economic Management of the Group

**Performance in the first half period 2020**

The economic operations of the first half period 2020 show a positive pre-tax result of € 3,511 and a total Net Result of € 2,383 thousand. The result highlighted above is a clear improvement on both the recently approved Business Plan and the consolidated figure for the same period of the previous fiscal year.

The analysis of performance for the first half period must necessarily consider the effects of the pandemic that involves the lives of people worldwide. In these circumstances, the Company has confirmed its capability to manage the crisis, and has consistently guaranteed high levels of supply, in terms of both quantity and quality.
Starting from April, the Company was able to count on new financial resources, and on the relevant potential for growth determined by entry into the Newlat Food Group.
This positive trend – albeit with more limited figures – had already appeared clear from first quarter: the next three months confirmed and indeed boosted the positive company performance, which was able to benefit from all the cost containment activities already included in the Business Plan. This positive trend also included the synergies with Newlat Food Group, which had a considerable impact already in the second quarter, and which will continue to bring benefits throughout the year.
The factors that led to such a significant result can substantially be divided into two groups.
On the one hand, the pandemic, which – especially during the months of March and April – continued to create an extraordinary, emergency situation throughout the country and in much of its economic and social fabric: as far as we – and the whole sector we belong to – were concerned, we were among those who continued to work, investing significant organisational and economic effort and managing to satisfy all the demands posed by our customers and consumers.
This significant commitment led to a considerable increase in both volumes and turnover.
The period under examination can be divided into two different phases:

- Although performance was on the whole positive, the month of January and the first part of February saw a number of customers in difficulty, in many cases having trouble selling stocks accumulated due to the negative performance of sales during the Christmas period, in line with the difficulties evident in Italy as a whole.
- The rest of February, as well as the months of March and April, marked by the gradually, constant worsening health situation, saw a significant increase in the purchase of food products, especially those with a longer shelf life. Performance stabilised during May and June, remaining substantially positive.

Concerning corporate management, there was a sharp fall in costs for the supply of goods and services, primarily regarding raw material and packaging costs, with a change in contracts. There was a significant improvement in personnel costs, due to the retirement of a number of employees, which has not been followed, for the moment, by the recruitment of new employees.
It appears clear that the speculative phase with regard to farm-gate raw milk prices – which marked the whole of 2019 – has now been overcome, also thanks to the synergies developed at group level stating from the second quarter; these synergies also regarded other supplies.
To sum up very briefly, the key aspects that have marked the six months may be summarised as follows.

1) The objective of the Business Plan was to overcome the difficulties experienced in 2019 by making the most of the projects embarked upon during that year and by inaugurating new projects aimed at satisfying the consumers needs; by innovating, with the introduction of products with a focus on health, including organic, lactose-free and functional products; by increasing profits with the entry into force of the new price list for customers, and by streamlining many operating costs. The comparison with the plan highlights a very positive trend that has exceeded expectations, thanks to the further boost provided by the entry into the Newlat Food group.

2) The comparison with the same period of the previous year is extremely positive, mainly due to two specific factors: raw material prices, which finally fell to a sustainable level in 2020; and the average sale price, which improved thanks to the new price list that came into force at the end of last year.
3) As the tourist season continued, the low level of activity in the Ho.Re.Ca Sector became evident; the more traditional trade channel continued to experience a general situation of weakness in management and economic terms; the consumption of fresh milk fell significantly, while sales of ESL and in particular long-life products rose as never before; volume and turnover of products sold increased, thanks to a wider use of such products in the home, particularly in the case of mozzarella, butter and eggs; subcontracting activity for large-scale distribution and industry decreased.
4) Concerning the market, the consumption of the various types of milk, which has been falling constantly for years, reported a negative figure during the period considered in the entire fresh milk segment, despite the rise in the consumption of ESL products, and a positive trend in the long-life sector.

In a highly unstable situation, and in general with a very weak domestic market, it must be noted that Centrale del Latte d'Italia was able to tackle this period with considerable determination, obtaining excellent results. Consolidated turnover reached € 93,037 thousand (up 5.8% compared to € 87,955 thousand). The first six months of 2020 closed with an EBITDA of € 9,654 thousand (10.2% on the value of production), versus € 2,174 thousand in the same period of 2019 (2.4% on the value of production). EBIT amounted to € 4,244 thousand, a significant improvement compared to the first six months of 2019, amounting to € -2,969 thousand. The first six months of 2020 closed with a net profit after tax of € 2,383 thousand, including Amortization and depreciation for € 5,114 thousand, compared to a loss of € -3,604 thousand at 30 June 2019.

Illustrated below are the main indicators and the turnover compared to the figures recorded at 30 June 2019.

| (€/000) | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| Revenue from sales and services | 93,037 | | 87,955 | | 5,082 | 5.8% |
| Value of production | 94,565 | | 89,940 | | 4,625 | 5.1% |
| Ebitda (*) | 9,654 | 10.2% | 2,174 | 2.4% | 7,480 | 344.1% |
| Ebit | 4,244 | 4.5% | (2,969) | -3.3% | 7,213 | 242.9% |
| Pre-tax profit/(loss) | 3,511 | 3.7% | (3,728) | -4.1% | 7,239 | 194.2% |
| Net profit/(loss) after taxes | 2,383 | 2.5% | (3,604) | -4.0% | 5,987 | 166.1% |

(*) EBITDA is calculated as the sum in absolute value of the operating result (€ 4,244 thousand), Amortizations and depreciations (€ 5,114 thousand) and write-downs (€ 296 thousand).

| (€/000) | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| Fresh milk + ESL | 32,794 | 35.2% | 36,813 | 41.9% | (4,019) | -10.92% |
| UHT milk | 24,567 | 26.4% | 17,848 | 20.3% | 6,719 | 37.65% |
| Yoghurt | 4,434 | 4.8% | 3,880 | 4.4% | 554 | 14.28% |
| Fresh vegetables | 1,838 | 2.0% | 2,854 | 3.2% | (1,016) | -35.60% |
| Bulk milk and cream | 1,990 | 2.1% | 1,712 | 1.5% | 277 | 16.18% |
| Other packaged products | 22,547 | 24.2% | 21,226 | 24.1% | 1,321 | 6.22% |
| Plant-based products | 2,245 | 2.4% | 1,305 | 1.5% | 940 | 72.03% |
| Export | 2,622 | 2.8% | 2,316 | 2.6% | 306 | 13.21% |
| **Total** | **93,037** | **100.0%** | **87,955** | **100.0%** | **5,082** | **5.78%** |

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

**Financial Position**

Mainly as a result of the rise in profits and the decrease in the need for working capital, the net financial position went from € 77.3 million at 31 December 2019 to € 69.4 million at the end of first half period 2020, an increase of € 7.9 million.

Please note that at the end of July, a new loan of € 31.5 million was granted by MPS and Deutsche Bank, which will be used for the repayment of maturing loans and for the early redemption of the Bond Loan.

A programme of investments to support industrial investments has also been set out, which can be summed up as follows:

- Invitalia (Turin), € 4.2 million already disbursed, € 3.3 million pending disbursement subject to progress
-Supply chain (Vicenza), € 4.8 disbursed (completed)
-Supply chain (Turin), € 5.3 million already disbursed, € 1.8 million pending disbursement subject to progress

| (€/000) | 06/30/2020 | 12/31/2019 | Change |
|---|---|---|---|
| Cash and cash equivalents | 21,819 | 18,951 | 2,868 |
| Pooled cash deposits | 5,108 | - | 5,108 |
| **Total current financial assets** | **26,927** | **18,951** | **7,976** |
| Payables to banks | (10,904) | (8,090) | (2,814) |
| Short-term portion of medium/long-term loans | (21,207) | (24,335) | 3,128 |
| Short-term bonds | (3,414) | (2,931) | (483) |
| Short-term portion of payables to other | (1,948) | (317) | (1,631) |
| **Total current financial liabilities** | **(37,473)** | **(35,673)** | **(1,800)** |
| Long-term loans | (45,673) | (44,358) | (1,315) |
| Long-term payables to other | (10) | (10) | 0 |
| Long-term bonds | (9,923) | (11,872) | 1,949 |
| **Total non-current financial liabilities** | **(55,606)** | **(56,239)** | **633** |
| **Total financial liabilities** | **(93,080)** | **(91,912)** | **(1,168)** |
| **Net financial debt before IFRS 16** | **(66,153)** | **(72,961)** | **6,809** |
| Current lease liabilities | (1,685) | (2,052) | 367 |
| Non-current lease liabilities | (1,604) | (2,284) | 680 |
| **Net financial debt after IFRS 16** | **(69,442)** | **(77,297)** | **7,855** |

For each of the paragraphs considered hitherto, and for the other ones regarding revenue and costs for the period closed at 30 June 2020, statements illustrating the figures and comparing them with the previous financial year have been drawn up and published in the notes to the condensed consolidated interim financial statements.

**FINANCIAL AND OPERATIONAL RISKS OF THE COMPANY AND THE GROUP**

**Risks associated with the business activity**

The main risk related to the Group's specific industrial activity regards fluctuations in milk raw material prices. The Company contains this risk by drawing up quarterly agreements with milk producers and periodically determining the purchase price, save for particular circumstances in which agreements may be reached on a different basis.

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

**Financial Risks**

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

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

**Interest rate risk**

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

**Liquidity risk**

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

**Credit risk**

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

**Turnover concentration risk**

The Group's turnover is not concentrated on a small number of subjects. The Group has a variety of customers, belonging both to large-scale and traditional small-scale retail channels.

**Other risks**

Concerning 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 and then further adjourned to June 2020. On 23 June 2020, the Court of Appeal of Rome (Employment section) rejected the appeal, confirming that Centrale del Latte d'Italia spa acted correctly.

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 the 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. On 21 March 2019, the Court of Rome, Employment Section 1, issued a sentence revoking the injunction requested by the Enasarco Foundation regarding the dispute over contributions from the 2011 to 2013, upholding the appeal filed by the Company.

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

The stock of Centrale del Latte d'Italia - listed on the STAR segment of Borsa Italiana - performed particularly well in the first half period 2020, both in absolute terms (up 7.02%) and in relative terms, +17.2% compared to the STAR segment index (-10.18% from 1/1/2020 to 30/6/2020). Compared with the general Mid-Cap index of the Italian stock market (-18.17% from 1/1/2020 to 30/6/2020), Centrale del Latte d'Italia stock performance rose by +25.19% compared to the same reference period. In terms of absolute value, Central del Latte d'Italia shares closed trading on 30/6/2020 at a price of € 2.58, around 3% below the maximum level recorded during the first half of the year (€ 2.66), and well above the minimum recorded during the same reference period (up 44% from € 1.79).

**Information on the Subsidiaries included in the scope of consolidation.**

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

The 100% subsidiary Centrale del Latte della Toscana S.p.A. closed first half period 2020 with revenue from sales, gross of inter-company sales, of € 41.2 million, +10.2% compared to 30 June 2019. EBITDA equalled € 4.9 million (12.0% on the value of production), versus € 1.9 million (5.0% on the value of production) recorded at the end of 1H 2019. EBIT was positive for € 2.1 million, compared to a negative net operating result of € 624 thousand recorded in the same period of last year. Finally, the net result after tax was positive for € 1.5 million, compared to a negative result after tax of € 783 thousand at the end of first half period of last year.

The net financial position at 30 June 2020 was negative to the tune of € 25.8 million up compared to € 34.4 million of 31 December 2019, largely due to the strong increase in margins and the reduction of payables for right of use.

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

The 100% subsidiary Centrale del Latte di Vicenza S.p.A. closed first half period 2020 with revenue from sales, gross of inter-company sales, of € 20 million, +24.6% compared to 30 June 2019. EBITDA equalled € 934 thousand (4.9% on the value of production), versus € 180 thousand (1.1% on the value of production) recorded at the end of first half period 2019. EBIT was positive for € 9 thousand, compared to a negative result of € -778 thousand recorded in the same period of last year. Finally, the net result after tax was negative for € -157 thousand, compared to a net loss after tax of € -805 thousand at the end of first half period of last year.

The net financial position at 30 June 2020 was negative for € 16.7 million, basically stable compared to € 16.5 million at 31 December 2019.

**Events Subsequent to 30 June 2020**

- The merger by incorporation of the companies Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. into Centrale del Latte d'Italia S.p.A. became effective on 20 July. The merger by incorporation has retroactive tax and accounting effects from 1 January 2020.
- On 9 July, the BoD resolved to convene the bondholders' meeting for 9 September 2020, to amend the regulations and to resolve upon early redemption.
- On 1 July Centrale del Latte d'Italia obtained a loan of € 31.2 million from MPS, set to mature on 30 June 2026, to be used for repaying existing indebtedness, including the early redemption of the Bond.
- On 1 July BPM resolved upon a loan of € 5 million, guaranteed by CDP.
- On 16 July, Ms. Anna Claudia Pellicelli was co-opted onto the Board as an Independent Director, following the resignation of Antonella Mansi, tendered on 29 June.

**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 yearly report on Corporate Governance and the Self-Discipline Code (the latter in its latest version approved by the Board of Directors on 30 October 2015 and effective from 1 January 2016) are available on the company's website:

## Code of Practice 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.

**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.

**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. from being committed. no. 231/2001.

The adoption and spread of the model are 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 approved by the Board of Directors on 1 March 2018 and is available on the Company's website.

**Intercompany dealings and dealings with related parties**

As regards operations carried out with related parties and occurred during first half period, including intercompany 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.

**Corporate Offices**

Registered, administrative and production office: Turin

Via Filadelfia 220

Secondary office: Florence Via dell'Olmatello 20
Production and distribution facility: Vicenza Via Faedo 60
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. Because the merger of the Companies became effective during 2020, renewal will no longer be necessary.

**Treasury shares**

The Parent Company does not hold treasury shares or shares of the ultimate parent company. The Parent Company did not sell or purchase treasury shares or shares of the ultimate parent company during the year.

**Stock Option Plans**

There were no outstanding stock option plans at 30 June 2020.

**BUSINESS OUTLOOK**

Since the beginning of the pandemic, the Group has proved ready to cope with this particular situation, offering adequate responses in terms of services and products to the needs that emerged, especially following the various phases in the evolution of the period, from the lockdown to the gradual reopening. The same consideration should be made for the activities carried out consistent with the need to manage and strengthen liquidity and the careful management of trade receivables and operating costs, with satisfying customers and employees remaining, in any case, the main priority. All this has allowed the Group – as can be seen from the results - to achieve excellent results in terms of profit margins and in value creation for its shareholders. This trend also continued during the months of July and August.

In this area, we believe it is worth highlighting that both the sales force and the production system played a fundamental role in accompanying and assisting customers.

This approach places the end consumer at the centre of the Group's policies and guidelines, and at the same time strengthens the link with our brands.

On this positive basis, despite the significant, persistent uncertainty regarding how the Coronavirus phenomenon may evolve in the future, the Management of Centrale del Latte d'Italia continues to have full confidence in the continued implementation of the Business Plan.

That said, at the date of drafting of this report, it is not possible to predict when the spread of the epidemic will be halted, or whether national governments will adopt any further restrictive measures regarding manufacturing and commercial activity, movement of citizens and any possible developments in consumption in households.

For the above reasons, the Group is unable to predict to what extent the aforementioned events are likely to have significant repercussions on the Company's prospects for the year 2020. Finally, the Directors believe, based on the information available at the date of drafting of this report, that it is reasonable to exclude any significant negative impacts attributable to COVID-19.

It is considered possible that milk raw material prices may experience a slight rise during the coming quarters, which will not have a significant effect on the Company's profits.

Despite the major instability affecting the economic situation of the period and the market, which can only lead to increased caution on the part of the consumer, we believe that the objectives set out in the Business Plan will be achieved and improved upon also in the coming months. We have seen evidence that the ability to serve all distribution channels with a wide-ranging portfolio of products gives us a competitive edge that will allow us to make the most of all the opportunities we will be presented with.

Centrale del Latte d'Italia S.p.A. will continue with all the cost containment measures already provided for, and will also continue the process of integration with the Newlat Food Group in order to make the most of the opportunities this offers.

Belonging to a large group allows us to fully exploit both internal and external resources, in order to achieve and improve on the results estimated in the Business Plan, as in the first part of the year.

Turin, 7 September 2020 The Chairman of the Board of Directors Mr. Angelo Mastrolia

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

Turin, 7 September 2020

Mr. Giuseppe Bodrero,
Executive in charge of drafting
corporate accounts

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

# Half-yearly condensed consolidated Financial statements at 30 June 2020

## Directors' Interim Report – Annexes

## 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 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 Amortization and depreciation, write-downs, financial income and charges.
- **Ebit:** the operating result as indicated in the income statement.

**RECLASSIFIED CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE**

| | 1H 2020 | 1H 2019 |
|---|---|---|
| Revenue from sales and services | 93,037 | 87,954 |
| Change in inventories | 180 | 254 |
| Other revenue and income | 1,348 | 1,731 |
| **Value of production** | **94,565** | **89,940** |
| Service costs | (21,898) | (22,599) |
| Consumption of raw materials | (49,058) | (50,455) |
| Other operating costs | (1,261) | (1,365) |
| **Added value** | **22,348** | **15,521** |
| Personnel expenses | (12,694) | (13,347) |
| **EBITDA** | **9,654** | **2,174** |
| Allowance for bad debts | (296) | (342) |
| Amortization of tangible fixed assets | (5,071) | (4,760) |
| Amortization of intangible fixed assets | (43) | (41) |
| **EBIT** | **4,244** | **(2,969)** |
| Financial income | 160 | 95 |
| Financial charges | (897) | (943) |
| Effect valuation of investments under equity method | 4 | 89 |
| **Pre-tax profit (loss)** | **3,511** | **(3,728)** |
| Income taxes from tax consolidation | (716) | (105) |
| (Deferred) prepaid taxes | (412) | 229 |
| **Net profit (loss) for the year** | **2,383** | **(3,604)** |

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

| | 1H 2020 | 1H 2019 |
|---|---|---|
| **Total net profit (loss)** | **2,383** | **(3,604)** |
| Actuarial gains (losses) | (48) | (157) |
| **Total other comprehensive profits (losses)** | **(48)** | **(157)** |
| **Comprehensive net profit (loss)** | **2,335** | **(3,761)** |

**RECLASSIFIED CONSOLIDATED BALANCE SHEET**

| | 06/30/2020 | 12/31/2019 |
|---|---|---|
| **Fixed assets** | | |
| Tangible fixed assets | 110,650 | 112,524 |
| Tangible fixed assets in progress | 11,668 | 10,797 |
| Intangible fixed assets | 19,639 | 19,630 |
| Intangible fixed assets in progress | 0 | 25 |
| Write-down of land and buildings | (1,041) | (1,041) |
| Equity investments and securities | 2,057 | 2,053 |
| **Total fixed assets** | **142,973** | **146,070** |
| **Working capital** | | |
| Trade receivables | 21,048 | 21,465 |
| Inventories | 11,277 | 10,755 |
| Other receivables | 11,310 | 13,509 |
| Trade payables | (38,186) | (39,159) |
| Other payables | (7,453) | (5,464) |
| Tax liabilities | (985) | (799) |
| **Net working capital** | **(2,989)** | **307** |
| **LIABILITIES AND EQUITY** | **139,984** | **146,377** |
| **Long-term liabilities and provisions** | | |
| Employee severance indemnity | 5,012 | 5,514 |
| Other provisions | 66 | 65 |
| Directors' Severance Indemnity | 0 | 342 |
| Provision for deferred taxes | 6,059 | 6,089 |
| **Total long-term liabilities and provisions** | **11,136** | **12,010** |
| **Financial position** | | |
| Cash and cash equivalents | (24,135) | (18,951) |
| Pooled cash deposits | (2,792) | - |
| Payables to banks | 10,904 | 8,090 |
| Short-term portion of medium/long-term loans | 21,207 | 24,335 |
| Short-term portion of payables to other | 1,948 | 277 |
| Long-term payables to other | 10 | 49 |
| Short-term bonds | 3,414 | 2,931 |
| Long-term loans | 45,673 | 44,358 |
| Long-term bonds | 9,924 | 11,872 |
| **Net financial position before IFRS 16** | **66,153** | **72,961** |
| Current lease liabilities | 1,685 | 2,052 |
| Non-current lease liabilities | 1,604 | 2,283 |
| **Net financial position after IFRS 16** | **69,442** | **77,297** |
| **Shareholders' Equity** | | |
| Share capital | 28,840 | 28,840 |
| Reserves | 28,183 | 34,741 |
| Net profit/(loss) | 2,383 | (6,511) |
| **Total Shareholders' Equity** | **59,406** | **57,070** |
| **LIABILITIES AND EQUITY** | **139,984** | **146,377** |

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

## Half-yearly condensed consolidated Financial statements at 30 June 2020

## Condensed Consolidated Interim Financial Statements – Accounting Statements

**CONSOLIDATED INCOME STATEMENT**

| €/000 | 1H 2020 | 1H 2019 |
|---|---|---|
| Revenue from contracts with customers | 93,037 | 87,955 |
| *of which from related parties* | *417* | - |
| Cost of sales | (66,225) | (66,446) |
| *of which from related parties* | *(177)* | - |
| **Gross operating profit/(loss)** | **26,812** | **21,509** |
| Sales and distribution costs | (16,016) | (17,702) |
| Administrative costs | (6,499) | (6,952) |
| Net write-downs of financial assets | (295) | (342) |
| Other revenue and income | 1,353 | 1,732 |
| Other operating costs | (1,111) | (1,214) |
| **EBIT** | **4,244** | **(2,969)** |
| Financial income | 164 | 234 |
| Financial expenses | (897) | (992) |
| **Profit/(loss) before taxes** | **3,511** | **(3,728)** |
| Income taxes | (1,128) | 124 |
| **Net profit/(loss)** | **2,383** | **(3,604)** |
| | | |
| Number of shares in circulation | 14,000,020 | 14,000,020 |
| Basic and diluted net profit/(loss) per share | 0.170 | (0.257) |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | | |
|---|---|---|
| **Net result (A)** | **2,383** | **(3,604)** |
| Actuarial profits/(losses) | -48 | -157 |
| **Total of other items of comprehensive income not be subsequently reclassified to the income statement** | **-48** | **-157** |
| **Total overall net result (A)+(B)** | **2,335** | **(3,761)** |
| | | |
| Number of shares with voting rights | 14,000,020 | 14,000,020 |
| Basic and diluted net profit/(loss) per share | 0.170 | (0.257) |

**CONSOLIDATED FINANCIAL STATEMENT**

| €/000 | 06/30/2020 | 12/31/2019 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | 118,011 | 120,058 |
| Right-of-use-assets | 3,266 | 4,304 |
| Intangible fixed assets | 19,639 | 19,655 |
| Equity investments in associates | 1,401 | 1,397 |
| Non-current financial assets measured at fair value through profit or loss | 691 | 657 |
| Deferred tax assets | 882 | 1,664 |
| **Total non-current assets** | **143,889** | **147,735** |
| **Current assets** | | |
| Inventories | 11,277 | 10,755 |
| Trade receivables | 21,123 | 21,465 |
| *of which from related parties* | *458* | - |
| Current tax assets | 2,781 | 2,497 |
| Other receivables and current assets | 7,539 | 9,349 |
| Cash and cash equivalents | 26,927 | 18,951 |
| *of which from related parties* | *5,108* | - |
| **Total current assets** | **69,647** | **63,015** |
| **TOTAL ASSETS** | **213,536** | **210,750** |
| **Shareholders' Equity** | | |
| Share capital | 28,840 | 28,840 |
| Reserves | 28,183 | 34,741 |
| Net proft/(loss) | 2,383 | (6,511) |
| **Total shareholders' equity** | **59,406** | **57,070** |
| **Non-current liabilities** | | |
| Employee severance indemnity | 5,012 | 5,514 |
| Provisions for liabilities and charges | 66 | 407 |
| Deferred tax liabilities | 6,059 | 6,089 |
| Non-current financial liabilities | 55,606 | 56,239 |
| Liabilities for non-current finance leases | 1,604 | 2,284 |
| **Total non-current liabilities** | **68,347** | **70,533** |
| **Current liabilities** | | |
| Trade payables | 38,186 | 39,159 |
| *of which from related parties* | *184* | - |
| Current financial liabilities | 37,472 | 35,673 |
| Liabilities for current financial leases | 1,685 | 2,052 |
| Current tax liabilities | 986 | 799 |
| Other current liabilities | 7,454 | 5,464 |
| **Total current liabilities** | **85,783** | **83,147** |
| **TOTAL LIABILITIES AND NET EQUITY** | **213,536** | **210,750** |

**CONSOLIDATED STATEMENT OF CASH FLOWS**

| €/000 | 06/30/2020 | 06/30/2019 |
|---|---|---|
| **Net cash and cash equivalents at beginning of year** | **10,858** | **9,528** |
| **A. Cash flow generated /(absorbed) by operating activities** | | |
| **Profit (loss) for the year** | **2,383** | **(3,604)** |
| Amortization of intangible fixed assets | 43 | 41 |
| Amortization of tangible fixed assets | 3,809 | 3,601 |
| Amortization of assets on financial lease | 350 | 1,159 |
| **Total Amortization, depreciation and write-downs** | **4,202** | **4,801** |
| Provision for employee termination indemnity accrued, net of amounts paid and OCI effect | (549) | (137) |
| Directors' Severance Indemnity | (342) | 38 |
| Change in deferred taxes | (31) | (40) |
| Change provisions for risks and charges | - | (19) |
| **Total net allowances** | **(922)** | **(159)** |
| Effect of equity method valuation on equity investments in associated company | (4) | (89) |
| **Total non-cash flows** | **(4)** | **(89)** |
| Change in net working capital | | |
| Change in trade receivables and other receivables | 343 | 1,380 |
| Change in inventory | (522) | (358) |
| Change in other receivables | 2,273 | (1,265) |
| Change in trade payables | (974) | (1,879) |
| Change in other liabilities | 1,989 | 1,032 |
| Change in tax liabilities | 187 | (360) |
| **Total change in net working capital** | **3,296** | **(1,449)** |
| **Operating cash flow** | **8,955** | **(499)** |
| **B. Cash flow generated /(absorbed) by investment activities** | | |
| Acquisitions of technical fixed assets | (1,200) | (4,016) |
| Financial (investments) divestments | (1) | (78) |
| Rights of use (IFRS 16) | (26) | (6,328) |
| **Total cash flow generated/(absorbed) by investment activities** | **(1,227)** | **(10,422)** |
| **Free cash flow** | **7,728** | **(10,921)** |
| **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 | (1,645) | 6,047 |
| Lease payment (IFRS 16) | (919) | 5,219 |
| **Total cash flow generated/ (absorbed) financing activities** | **(2,564)** | **11,266** |
| **Total cash flows for the period** | **5,165** | **345** |
| **Net cash and cash equivalents at end of year (net of banks debts)** | **16,023** | **9,877** |
| of which cash and cash equivalent | 26,927 | 15,477 |
| of which bank debts | (10,904) | (5,600) |
| Financial charges paid | 890 | 943 |
| Taxes paid | - | - |

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**

| *(€/000)* | Share capital | Reserves | Net profit/(loss) | Shareholders' equity attributable to the Group | Shareholders' equity attributable to minority interests | Total |
|---|---|---|---|---|---|---|
| **At 31 December 2019** | **28,840** | **34,741** | **(6,511)** | **57,070** | **-** | **57,070** |
| Allocation of net profit/(loss) for the previous year | | (6,511) | 6,511 | **-** | | |
| Net profit/(loss) | | | 2,383 | **2,383** | | **2,383** |
| Actuarial gains/(losses) net of the related tax effect | | (48) | | **(48)** | | **(48)** |
| **Total comprehensive net profit/(loss) for the year** | **-** | **(6,559)** | **8894** | **2,335** | **-** | **2,335** |
| **At 30 June 2020** | **28,840** | **28,182** | **2,383** | **59,405** | **-** | **59,405** |

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

# Consolidated Interim Financial Report at 30 June 2020

# Condensed Consolidated Interim Financial Statements - Notes

**The Group**

At 30 June 2020 Centrale del Latte d'Italia S.p.A. - domiciled in Italy with registered office in Turin, Via Filadelfia 220 – was 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.

At the date of drafting of this interim report, the merger by incorporation of the subsidiaries Centrale del Latte di Vicenza S.p.A. e Centrale del Latte della Toscana S.p.A. was effective (from 20 July 2020).

The economic, financial and equity information presented in this consolidated interim report, regarding the

six-month period that ended on 30 June 2020, was prepared by consolidating the economic, financial and equity situations of the individual Companies that made up the Group at the date of reference.

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

- milk and dairy products
- packaged products in the fresh and ultra-fresh segment
- fresh vegetables
- drinks of plant origin.

The publication of the consolidated half-yearly report, including the interim report and the condensed consolidated interim financial statements at 30 June 2020, was authorised by the Board of Directors on 7 September 2020.

**Scope of consolidation.**

| Name | Registered office | Value date | Share capital at 31 December 2019 | Percent ownership at 30 June 2020 |
|---|---|---|---|---|
| Centrale del Latte d'Italia S.p.A. | Via Filadelfia 220, 10137 Turin | EUR | 28,840,041.20 | Parent company |
| Centrale del Latte Toscana S.p.A. | Via dell'Olmatello, 20 - Florence | EUR | 24,830,000 | 100% |
| Centrale del Latte di Vicenza S.p.A. | Via Faedo 60 Vicenza | EUR | 27,132,965 | 100% |

The line-by-line method is applied to the consolidation of equity investments in operating companies in which the Group holds a direct or indirect interest and controls the majority of voting rights or has the power to determine their financial and management policies in order to obtain the benefits of their activities.

The scope of consolidation includes Centrale del Latte d' Italia S.p.A., Centrale del Latte della Toscana S.p.A. and Centrale del Latte di Vicenza S.p.A..

The stake held by the affiliate Mercafir S.c.p.a., amounting to 24.7% of the share capital, is shown using the equity method.

The merger by incorporation of the companies Centrale del Latte di Vicenza

S.p.A. and Centrale del Latte della Toscana S.p.A. into Centrale del Latte d'Italia became effective on 20 July. The merger by incorporation has retroactive tax and accounting effects from 1 January 2020.

**Consolidation techniques.**

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

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

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

**Structure and content of the accounting schedules.**

The condensed consolidated financial statements at 30 June 2020 consist of the consolidated statement of financial and equity position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the statement of changes in consolidated shareholders' equity and the notes.

The consolidated statement of comprehensive income is posted separately from the income statement, and from this document onwards is drafted based on the classification of costs by function; consequently, in application of IAS 1, paras. 41, 45 and 46, comparative data have been reposted in accordance with the new criteria adopted.

The consolidated cash flow statement is presented using the indirect method.

As is known, on 1 April, the Group was the object of a capital transaction that resulted in a change of control, with consequent impacts on governance and on the reporting structure, the basis of the analyses and management strategies of the Group as a whole, as a result of which the presentation of the income statement with costs classified by function was deemed more appropriate.

The economic, financial and equity information presented in this consolidated interim report, regarding the six-month period that ended on 30 June 2020, was prepared by consolidating the economic, financial and equity situations of the individual Companies that made up the Group at the date of reference.

The condensed consolidated interim financial statements at 30 June 2020 and the notes are in thousands of Euros.

Please note that following the acquisition of Centrale del Latte d'Italia Group by Newlat Food SpA, the reporting formats of the new parent company are presented.

**Audit**

These condensed consolidated interim financial statements at 30 June 2020 are subject to limited audit by Deloitte & Touche S.p.A..

**Accounting and assessment standards**

The condensed consolidated interim financial statements at 30 June 2020 were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union, and as required by the measures enforcing article 9 of Legislative Decree no. 38/2005. They were drafted on a going concern basis. IFRS also include the International Accounting Standards (IAS), still in force, as well as all the interpreting documents issued by the International Financial Reporting Interpretations Committee (IFRIC), previously named Standing Interpretations Committee (SIC).

These condensed consolidated interim financial statements were drafted according to the requirements of the international accounting standard concerning Interim Financial Reporting (IAS 34).

These notes are provided in summary form, in order to avoid the duplication of information already published, as required by IAS 34. Specifically, please note that the comments refer exclusively to those elements in the income statement and the balance sheet whose composition or the variation in which in terms of amount or nature, or because said composition or variation is unusual, are instrumental to a proper understanding of the economic, financial and equity situation of the Group.

The accounting standards adopted are coherent with the recognition and assessment criteria used for the consolidated financial statements at 31 December 2019, 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.

**IFRS ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION AND APPLIED BY THE GROUP AS OF 1 JANUARY 2020**

The following accounting standards, amendments and IFRS interpretations have been applied for the first time by the Group since 1 January 2020:

- 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 a piece of 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 adoption of this amendment had no effect on the Group's consolidated financial statements.

- On 29 March 2018, the IASB issued an amendment to "**References to the Conceptual Framework in IFRS Standards**". The amendment is effective for the periods starting from 1 January 2020 or later, although earlier application is permitted. The Conceptual Framework defines the fundamental concepts for financial reporting, and guides the Board in the development of the IFRS standards. The document helps ensure the Standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders and other creditors. The Conceptual Framework supports companies in the development of accounting standards when none of the IFRS standards is applicable to a particular transaction, and, more generally, helps the parties concerned to understand and interpret the Standards.

- On 26 September 2019, the IASB issued the amendment named "**Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**". The same is an amendment to IFRS 9 - Financial Instruments and IAS 39 - Financial Instruments: Recognition and Measurement, as well as IFRS 7 - Financial Instruments: Disclosures. Specifically, the amendment modifies a number of the requisites required for the application of hedge accounting, providing for temporary dispensations from the same, in order to mitigate the impact deriving from the uncertainty of the reform of the IBOR (still under way) on future cash flows in the period preceding its completion. The amendment also requires companies to provide further information in their financial statements regarding their hedge relationships that are directly affected by the uncertainties generated by the reform and to which the aforementioned dispensations apply.
The adoption of this amendment had no effect 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. 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 has also introduced an optional concentration test that can be used to exclude a business if the price paid substantially refers to a single activity or group of activities. The modifications apply to all the business combinations and acquisitions of assets after 1 January 2020, but early application is permitted.
The adoption of this amendment had no effect on the Group's consolidated financial statements.

**ACCOUNTING STANDARDS, AMENDMENTS AND IFRS AND IFRIC INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION, NOT YET MANDATORILY APPLICABLE AND NOT EARLY ADOPTED BY THE GROUP AT 30 JUNE 2020**

At 30 June 2020 there were no issues of accounting standards, amendments and IFRS and IFRIC interpretations approved by the European Union but not compulsorily applicable at 30 June 2020.

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

As at the reference date of this document, 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:

- o the estimates and hypotheses of future cash flows are always the current ones;
- o the measurement reflects the time value of money;
- o the estimates provide for an extensive use of information that can be observed on the market;
- o there is a current, explicit measurement of risk;
- o the profit expected is deferred and aggregated into groups of insurance contracts upon initial recognition, and
- o 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 2023, 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 23 January 2020, the IASB issued an amendment named "***Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current***". The aim of the document is to clarify how to classify payables and other short or long-term liabilities. The amendments come into force on 1 January 2022, but the IASB has issued an exposure draft to postpone the entry into force until 1 January 2023; earlier application is, however, permitted. The directors do not expect the adoption of these amendments to have a significant impact on the Group's consolidated financial statements.
- On 14 May 2020, the IASB published the following amendments named:
  - o Amendments to IFRS 3 Business Combinations: the purpose of the amendments is to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without this requiring amendments to the measures set out in standard IFRS 3.
  - o Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of the asset. Therefore, this sales revenue and the pertinent costs will be recorded in the income statement.
  - o Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in estimating the possible onerousness of a contract, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all the costs the business cannot avoid because it has entered into the contract (such as, for example, the share of personnel expenses and the depreciation of machinery used to fulfil the contract).

- Annual Improvements 2018-2020: the amendments regarded IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All the amendments will become effective on 1 January 2022. The directors do not expect the adoption of these amendments to have a significant impact on the Group's consolidated financial statements.

- On 28 May 2020, the IASB issued an amendment named "***Covid-19 Related Rent Concessions (Amendment to IFRS 16)***". The document gives lessees the option to recognise the reductions in rents related to Covid-19 without having to determine, by analysing the contracts, whether the definition of lease modification of IFRS 16 has been complied with. Therefore, lessees applying this option will recognise the effects of rent reductions directly in the income statement on the effective date of the reduction. Although this amendment is applicable to financial statements beginning on June 1, 2020, with the possibility for companies to opt for early application to financial statements beginning on January 1, 2020, it has not yet been approved by the European Union, and has not therefore been applied by the Group at June 30, 2020. The directors do not expect the adoption of these amendments to have a significant impact on the Group's consolidated financial statements.

- On 28 May 2020, the IASB issued an amendment named **"Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)"**. The amendments allow for the temporary exemption from the application of IFRS 9 until 1 January 2023. The amendments will become effective on 1 January 2021. The directors do not expect the adoption of these amendments to have a significant impact on the Group's consolidated financial statements.

**Business Combinations**

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

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

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

If the initial values of a business combination are incomplete at the date of closure of the financial statements for the year in which the business combination occurred, the Group recognises the provisional values in its consolidated financial statements, so recognition cannot be concluded. These provisional values are adjusted during the measuring period, to take account of the new information obtained on the events and circumstances already in existence at the date of acquisition, which, if known, would have had an effect on the assets and liabilities recognised at that date.
Business combinations that took place before 1 January 2010 have been recognised in accordance with the previous version of IFRS 3.

**Use of Estimates**

In drafting the condensed consolidated interim financial statements at 30 June 2020, a number of assessments, estimates and hypotheses were formulated that have an impact on the application of the accounting standards and on the amounts of the assets, liabilities, costs and revenue indicated in the financial statements. The estimates and assumptions are based on previous experience and on other factors considered reasonable in the relevant cases, and were adopted in order to estimate the book value of assets and liabilities that could not readily be deduced from other sources. It should be noted, however, that these are estimates and therefore the final figures may differ from the estimated figures. The main estimates used by the Group concern the assessments to show provisions for bad debts, Amortization and depreciation, write-downs of assets, employee benefits, taxes, and provisions for liabilities and charges. Income tax is also recognised based on the best estimate of the weighted average rate expected for the whole FY from each consolidated company.
In addition, a number of assessment processes, in particular those more complex processes such as the determination of any impairment losses on non-current assets, are generally carried out exhaustively only for the drafting of the yearly Financial Statements, once all the necessary information is available, except for those cases in which there are impairment indicators requiring an immediate assessment of any impairment losses.
In the current economic situation, characterised not only by recurring and in a sense foreseeable macro-economic phenomena, but also by the impacts of the COVID-19 pandemic, the Directors believe, based on the information available and the results obtained for the period, that it is reasonable to exclude any significant negative impacts attributable to the latter event. Nevertheless, the Group's Management has paid attention to the management of trade receivables risk, and has made a series on considerations on the question, with reference to the procedures to verify the recoverability of the assets recognised, concluding that the conditions were no different or worse compared to the situation at the time of approval of the Group's consolidated financial statements at 31 December 2019.
With specific reference to this matter, the Management considered that:

- it was not necessary to prepare expert reports to verify the values of the assets with an indefinite useful life recognised when drafting the Half-Yearly Financial Report, because the reference framework and the input data that would have been used would not have been more negative than those used for preparing such a report with reference to the annual consolidated financial statements.
- it has made specific considerations regarding possible impairment indicators, concluding that the operating and economic situation of the Group has improved since 31 December 2019, also as a result of improvements in the performance of the individual companies.

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

The depreciation period begins from the financial year in which the asset is available for use. Land is not depreciated, as it is presumed to have an indefinite useful life.

The value of the land on which the Group's facilities stand represents the current value, specifically determined by independent experts during the transition to international accounting standards.

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

**Leases**

The newly-adopted IFRS 16 standard introduced both a new standard providing for a new definition of lease and 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 of the lease: 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.

Upon the first-time adoption of the standard (reflected in the comparative data), the Group chose to apply the standard retrospectively, in accordance with the provisions of paragraph IFRS 16:C7-C13. Specifically, regarding the lease contracts previously classified as operative, the Company has recorded:

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.

The incremental borrowing rate used is representative of the cost of indebtedness of the individual Companies in the Group, and varies from 2.95% to 1.6%.

The Company used the exemption granted in paragraph 5(a) of IFRS 16 regarding short-term leases.

Likewise, the Company used 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 USD 5 thousand when new.)

When preparing the half-yearly financial report, the Management of the Group, considering the new Group structure, rengotiated lease contracts for the fresh and UHT milk packaging machines, signing annual contracts. The considerations regarding the lease term were made preliminarily in alignment with the duration of the contracts, taking into consideration the strategic context that had not been defined at the date on which the Interim Report was drafted.

The assets held through lease contracts, through which the Group substantially acquires the right of use of the asset that is the object of the lease contract, are recognised as Group assets at the current value of the payments owed for the lease. The corresponding liability towards the lessor is shown among financial debts. The assets are amortised by applying the measures set out in IFRS 16 illustrated above.

**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. Profits and losses deriving from changes in fair value are charged directly to net equity (fair value reserve) until they are transferred or become impaired; in which case overall profits and losses are charged to the income statement for the period.

**Financial liabilities**

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

**Inventories**

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

**Trade receivables**

Trade receivables are recognised at their face value, which, except in the case of significant deferments granted to the customers, corresponds to the value calculated by applying the amortised cost criterion. At the end of the period, their value is adjusted to the presumable realisable value, and written down in the event of impairment, calculating expected losses by considering a period of 12 months without evidence of a significant increase in credit risk.

**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 accruals. In particular, workers may allocate new accruals to specific pension plans or keep them with their employers (in which case the Company pays employee severance indemnity accruals into a treasury account with the INPS). The amendment of the law has resulted in the transformation of the nature of the employee severance indemnity from a defined-benefit plan to a defined-contribution plan for accruals, whereas it continues to be regarded as defined-benefit plans for accruals prior to 31 December 2006.

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

**Provision for liabilities and charges**

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

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

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

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

**Revenue**

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

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

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

As previously illustrated, due to the application of IFRS 15, the Group has reclassified the promotional expenses previously entered (in application of IAS 18) under costs for services to a reduction in revenue for the period, since the analysis of the case and the supporting contracts have shown a direct correlation of the cost sustained with sales transactions with large-scale retail customers.

**Public contributions**

Contributions are entered into the financial statements only when it is reasonably certain that the company will comply with the conditions set for receiving the contribution and that those contributions will effectively be received. Public contributions for plants are entered as deferred revenue and are systematically charged as income to the income statement during the useful life of the asset they refer to.

Contributions for current expenses are carried to the income statement in the financial year in which the conditions exist for their recognition.

**Costs**

Costs comprise the production and purchase cost of products and goods sold - including all material and processing costs and overheads directly associated with production. These include depreciation of property, plant and equipment, as well as the 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.

**Financial charges**

Interest expense is stated on an accrual basis deriving from the amount financed and the applicable actual interest rate.

**Taxes**

Taxes payable for the period are determined in accordance with the current fiscal regulations.

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

**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**

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

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

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

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

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

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

**Transactions deriving from atypical and/or unusual operations**

Pursuant to Consob Communication no. DEM/6064296 of 28 July 2006, please note the during first half period 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**

Revenue at 30 June 2020 amounted to € 93,037 thousand (€ 87,955 thousand at 30 June 2019). A significant rise in sales of UHT milk and of all the other products, and with a significant fall in the sales of fresh milk and fresh salads. Shown below is the breakdown of sales per segment of turnover, as monitored by the management:

| (€/000) | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| Fresh milk + ESL | 32,794 | 35.2% | 36,813 | 41.9% | (4,019) | -10.92% |
| UHT milk | 24,567 | 26.4% | 17,848 | 20.3% | 6,719 | 37.65% |
| Yoghurt | 4,434 | 4.8% | 3,880 | 4.4% | 554 | 14.28% |
| Fresh vegetables | 1,838 | 2.0% | 2,854 | 3.2% | (1,016) | -35.60% |
| Plant-based products | 2,245 | 2.4% | 1,305 | 1.9% | 940 | 72.08% |
| Other packaged products | 22,547 | 24.2% | 21,226 | 24.1% | 1,321 | 6.22% |
| Bulk milk and cream | 1,990 | 2.1% | 1,713 | 1.9% | 277 | 16.17% |
| Export | 2,622 | 2.8% | 2,316 | 2.6% | 306 | 13.21% |
| **Total** | **93,037** | **100.0%** | **87,955** | **100.0%** | **5,082** | **5.78%** |

Breakdown of sales by sales channel:

| (€/000) | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| Large-scale distribution | 54,703 | 59% | 47,683 | 54.21% | 7,021 | 14.72% |
| *B2B partners* | 5,715 | 6.1% | 6,321 | 7.19% | (607) | -9.60% |
| *Normal trade* | 22,773 | 24.5% | 23,887 | 27.16% | (1,114) | -4.66% |
| *Private label* | 4,223 | 4.5% | 5,015 | 5.70% | (792) | -15.79% |
| *Food service* | 3,001 | 3.2% | 2,733 | 3.11% | 268 | 9.81% |
| Export | 2,622 | 2.7% | 2,316 | 2.63% | 306 | 13.21% |
| **Total** | **93,037** | **100.0%** | **87,955** | **100.0%** | **5,082** | **5.78%** |

**Operating costs**

During the first half period, the results of the cost saving activities were clear in all areas of operating costs. The table below shows the operating costs as they appear in the consolidated income statement:

| | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| Cost of sales | 66,225 | 75% | 66,446 | 73% | (221) | 0.3% |
| Sales and distribution expenses | 16,016 | 18% | 17,702 | 19% | (1,686) | 9.5% |
| Administrative expenses | 6,499 | 7% | 6,952 | 8% | (453) | -6.5% |
| **Total** | **88,740** | **100%** | **91,100** | **100%** | **(2,360)** | **2.6%** |

Operating costs are broken down by nature as follows:

| | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| Raw materials and finished products | 44,449 | 50.1% | 46,317 | 50.8% | (1,868) | -4.0% |
| Personnel costs | 12,587 | 14.2% | 13,276 | 14.6% | (689) | -5.2% |
| Fees on sales | 7,559 | 8.5% | 7,558 | 8.3% | 1 | 0.0% |
| Packaging | 5,174 | 5.8% | 4,540 | 5.0% | 634 | 14.0% |
| Amortisation and depreciation | 5,114 | 5.8% | 4,801 | 5.3% | 313 | 6.5% |
| Transport | 3,441 | 3.9% | 3,317 | 3.6% | 124 | 3.7% |
| Utilities | 2,728 | 3.1% | 2,910 | 3.2% | (182) | -6.3% |
| Maintenance and repairs | 1,846 | 2.1% | 1,731 | 1.9% | 115 | 6.6% |
| Consulting and professional services | 1,179 | 1.3% | 365 | 0.4% | 814 | 223.0% |
| Advertising and promotions | 884 | 1.0% | 1,402 | 1.5% | (518) | -36.9% |
| Porterage and warehousing | 844 | 1.0% | 759 | 0.8% | 85 | 11.2% |
| Chairman and directors remuneration | 777 | 0.9% | 1,024 | 1.1% | (247) | -24.1% |
| Lease and rental costs | 734 | 0.8% | 652 | 0.7% | 82 | 12.6% |
| Other minor costs | 577 | 0.7% | 1,534 | 1.7% | (957) | -62.4% |
| Insurance | 394 | 0.4% | 309 | 0.3% | 85 | 27.5% |
| Patrolling and cleaning | 293 | 0.3% | 466 | 0.5% | (173) | -37.1% |
| Audit firm remuneration | 129 | 0.1% | 108 | 0.1% | 21 | 19.4% |
| Auditors remuneration | 31 | 0.0% | 31 | 0.0% | 0 | 0.0% |
| **Total** | **88,740** | **100%** | **91,100** | **100%** | **(2,360)** | **-2.6%** |

**Other revenue and income**

Other revenue and income amounted to € 1,353 thousand (€ 1,732 at 30 June 2019). During the first half period, fewer contingent assets and fewer refunds and compensation were recorded compared to last year. Other revenue and proceeds are broken down in the table below:

| | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| Contingent assets | 203 | 15% | 582 | 34% | (379) | -65% |
| Refunds and indemnities | 359 | 27% | 532 | 31% | (173) | -33% |
| Provider contribution | 123 | 9% | 186 | 11% | (63) | -34% |
| Other minor revenue | 522 | 39% | 278 | 16% | 244 | 88% |
| Grants for current expenses | 115 | 8% | 97 | 6% | 18 | 19% |
| Leases as lessor | 16 | 1% | 36 | 2% | (20) | -56% |
| Capital gains on asset disposal | 15 | 1% | 21 | 1% | (6) | -29% |
| **Total** | **1,353** | **100%** | **1,732** | **100%** | **-379** | **-22%** |

**Other operating costs**

Other operating costs amounted to € 1,111 thousand (€ 1,214 at 30 June 2019). Fewer contingent liabilities were recorded during 1H compared to last year. Other operating costs are broken down in the table below:

| | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| Contingent liabilities | 434 | 39% | 505 | 42% | (71) | -14% |
| Stamps, duties and local taxes | 409 | 37% | 424 | 35% | (15) | -4% |
| Capital losses | 94 | 8% | 40 | 3% | 54 | 135% |
| Corporate canteen | 93 | 8% | 118 | 10% | (25) | -21% |
| Charity contributions and membership fees | 67 | 6% | 105 | 9% | (38) | -36% |
| Other minor costs | 13 | 1% | 21 | 2% | -8 | -38% |
| **Total** | **1,111** | **100%** | **1,214** | **100%** | **(103)** | **-8%** |

**Personnel costs**

Personnel costs amounted to € 12,694 thousand (€ 13,347 thousand at 30 June 2019). Personnel costs fell significantly due to a number of employees retiring and not being replaced. A breakdown is provided below:

| | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| Wages and salaries | 9,001 | 71% | 9,314 | 70% | (313) | -3% |
| Social security charges | 2,978 | 23% | 3,274 | 25% | (296) | -9% |
| Employee severance indemnity | 587 | 5% | 583 | 4% | 4 | 1% |
| Other costs | 128 | 1% | 176 | 1% | (48) | -27% |
| **Total** | **12,694** | **100%** | **13,347** | **100%** | **(653)** | **-5%** |

The employee severance indemnity accrued in first half period 2020 may be considered a defined-contribution plan in the amount of € 587 thousand, entirely paid to the INPS Treasury account or to other pension provisions.

| | Hired | Resigned | Transferred | In service | Average Employees |
|---|---|---|---|---|---|
| Managers | - | 2 | - | 16 | 17 |
| Middle management | - | 1 | - | 19 | 20 |
| White-collar personnel | - | 10 | - | 175 | 178 |
| Blue-collar personnel | - | 4 | - | 182 | 184 |
| **Total** | **-** | **13** | **-** | **392** | **399** |

**Amortization and depreciation**

Amortization and depreciation 30 June 2020 amounted to € 5,114 thousand (€ 4,801 thousand at 30 June 2019). Amortization of intangible fixed assets amounted to a total of € 43 thousand.

Depreciation of tangible fixed assets amounted to € 5,071 thousand, of which € 912 thousand regarding depreciation of fixed assets deriving from the application of IFRS 16. Provisions are summarised below:

| | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| **Amortization of intangible fixed assets** | | | | | | |
| Software | 43 | 1% | 41 | 1% | 2 | 5% |
| **Amortization of tangible fixed assets** | | | | | | |
| Land | - | - | - | - | - | - |
| Buildings | 641 | 13% | 639 | 13% | 31 | 5% |
| Plant and equipment | 2,906 | 57% | 2,285 | 48% | 621 | 28% |
| Industrial and commercial equipment | 613 | 12% | 678 | 14% | (67) | 10% |
| **Amortization right of use** | | | | | | |
| Land | 19 | 0.3% | 3 | - | 16 | 533% |
| Buildings | 170 | 3% | 182 | 4% | (12) | -7% |
| Plant and equipment | 389 | 8% | 645 | 14% | (256) | -397% |
| Industrial and commercial equipment | 334 | 7% | 328 | 7% | 16 | 5% |
| **Total Amortization and depreciation** | **5,114** | **100%** | **4,801** | **100%** | **313** | **7%** |

**Financial income and expenses**

Financial income and expenses amounted to € 164 thousand (€ 234 thousand at 30 June 2019) and € 897 thousand (€ 992 thousand at 30 June 2019) respectively. Financial income and expenses are broken down in the table below:

| | 1H 2020 | | 1H 2019 | | Change | |
|---|---|---|---|---|---|---|
| **Financial income** | | | | | | |
| Other | 89 | 54% | 131 | 56% | (42) | -32% |
| Investment Income | 75 | 46% | - | - | 75 | - |
| Adjustment of equity investments | - | - | 89 | 38% | (89) | -100% |
| Interest on VAT refunds | - | - | 13 | 6% | (13) | -100% |
| Interest from banking institutions | - | - | 1 | - | (1) | -100% |
| **Total financial income** | **164** | **100%** | **234** | **100%** | **(70)** | **-30%** |
| Interest on mortgages and loans | 544 | 61% | 558 | 56% | (14) | -3% |
| Interest on bond | 46 | 5% | 171 | 17% | (125) | -73% |
| Performance bond expenses | 51 | 6% | 36 | 4% | 15 | 42% |
| Financial charges for employee severance indemnity discounting | 5 | 1% | 16 | 2% | (11) | -69% |
| Financial charges on bond placement | 24 | 3% | 46 | 5% | (22) | -48% |
| Other | 171 | 19% | 106 | 11% | 65 | 61% |
| Interest on finance lease | 9 | 1% | 3 | 0% | 6 | 200% |
| Interest for application of IFRS 16 | 47 | 5% | 56 | 6% | (9) | -16% |
| **Total Financial Expenses** | **897** | **100%** | **992** | **100%** | **(95)** | **10%** |

**BREAKDOWN OF ASSETS**

**NON-CURRENT ASSETS**

**Buildings, plant, machinery, and right-of-use assets**

Work is continuing for the completion of the automated warehouse at the Turin factory, and during the first half of the year, new equipment lease contracts were entered into for the factory in Florence. Changes in buildings, plant and machinery and the pertinent provisions at 30 June 2020 are broken down in the tables below:

| TANGIBLE FIXED ASSETS | Land | Buildings | Plant and Machinery | Industrial and commercial equipment | TOTAL | Fixed assets under development | TOTAL |
|---|---|---|---|---|---|---|---|
| Historical cost | **20,072** | **59,462** | **113,497** | **20,873** | **213,904** | **10,797** | **224,701** |
| Accumulated depreciation | (37) | (22,900) | (61,284) | (16,118) | (100,339) | - | (100,339) |
| **Initial amount** | **20,035** | **36,562** | **52,213** | **4,755** | **113,565** | **10,797** | **124,362** |
| Acquisitions | - | 122 | 4,496 | 185 | 4,803 | 929 | 5,733 |
| Contract amendments | - | (4) | (5,089) | (184) | (5,277) | (58) | (5,336) |
| Use of provisions | - | 2 | 1,450 | 137 | 1,589 | - | 1,589 |
| Depreciation | (18) | (811) | (3,295) | (947) | (5,071) | - | (5,071) |
| **Final amount** | **20,017** | **35,871** | **49,775** | **3,946** | **109,609** | **11,668** | **121,276** |

Of which regarding fixed assets deriving from the application of IFRS 16:

| TANGIBLE FIXED ASSETS | Land | Buildings | Plant and Machinery | Industrial and commercial equipment | TOTAL | Fixed assets under development | TOTAL |
|---|---|---|---|---|---|---|---|
| Historical cost | **185** | **1,594** | **2,588** | **2,077** | **6,444** | **-** | **6,444** |
| Accumulated amortisation | (37) | (339) | (1,111) | (652) | (2,140) | - | (2,140) |
| **Initial amount** | **147** | **1,255** | **1,477** | **1,424** | **4,304** | **-** | **4,304** |
| Acquisitions | - | 21 | 3,316 | 113 | 3,450 | - | 3,450 |
| Contract amendments | - | - | (4,931) | (119) | (5,050) | - | (5,050) |
| Use of provisions | - | - | 1,393 | 80 | 1,473 | - | 1,473 |
| Amortisation period | (18) | (170) | (389) | (334) | (912) | - | (912) |
| **Final amount** | **130** | **1,106** | **866** | **1,164** | **3,266** | **-** | **3,266** |

**Intangible fixed assets**

Changes in intangible fixed assets and the respective provisions are illustrated in the table below:

| TANGIBLE FIXED ASSETS | Trademarks | Goodwill | Software | F.A under develop. | Total |
|---|---|---|---|---|---|
| Historical cost | 40,739 | 350 | 1,073 | 25 | 42,187 |
| Accumulated amortisation | (21,607) | 0 | (925) | - | (22,532) |
| **Initial amount** | **19,132** | **350** | **148** | **25** | **19,655** |
| Write-offs | - | - | - | (25) | (25) |
| Acquisitions | - | - | 52 | - | 52 |
| Amortisation period | - | - | (43) | - | (43) |
| **Final amount** | **19,132** | **350** | **157** | **0** | **19,639** |

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

The brands with an indefinite useful life "Centro Latte Rapallo", "Latte Tigullio", "Centrale del Latte di Vicenza" and "Mukki" did not undergo any impairment tests at 30 June 2020. The management of the Group, at the date of reference of the half-yearly financial report, considered possible changes to the assumptions made at the closing of the financial statements at 31 December 2019: no significant impacts were detected.

**Equity investments in affiliates**

Equity investments in affiliates – € 1.401 million – are broken down in the table below:

| | Mercafir S.c.p.a. | Filat |
|---|---|---|
| **Initial amount** | **1,393** | **4** |
| Additions | 4 | 0 |
| Decreases | 0 | 0 |
| **Final amount** | **1,397** | **4** |

**Non-current financial assets measured at fair value through profit or loss**

Equity investments in other companies amounted to € 691 thousand and mainly regard interest held by Centrale del Latte della Toscana S.p.A. in the company Società Finanziaria Futura Srl in Pistoia, amounting to € 646 thousand; the remaining amount refers to interests held in collateral security and energy supply consortia.

**Deferred tax assets**

Deferred tax assets amounted to € 882 thousand (€ 1,664 thousand at 31 December 2019). The following table illustrates the changes in the temporary differences that gave rise to deferred tax assets:

| | Initial amount | Additions | Decreases | Final amount |
|---|---|---|---|---|
| Taxed risk provision | 313 | 0 | 0 | 313 |
| Amortization recovered further to audit | 92 | 0 | (3) | 88 |
| Tax recovery of depreciation of buildings | 109 | 0 | 0 | 109 |
| Directors remuneration | 380 | 6 | (375) | 11 |
| Membership fees | 2 | 0 | 0 | 2 |
| Taxed provision for bad debts | 727 | 0 | (13) | 714 |
| Trademarks | 38 | 0 | (10) | 29 |
| Prior-year losses | 5,183 | 0 | (2,862) | 2,321 |
| **Total** | **6,843** | **6** | **(3,263)** | **3,587** |

Deferred tax assets were calculated on temporary differences for the year and the final amount of those differences, net of amounts recovered in 2020, by applying the IRES (corporate income tax) rate of 24% and the IRAP (regional production tax) rate of 3.90%.

| | Initial amount | Additions | Decreases | Final amount |
|---|---|---|---|---|
| Taxed risk provision | 87 | 0 | 0 | 87 |
| Amortization recovered further to audit | 26 | 0 | (1) | 25 |
| Tax recovery of depreciation of buildings | 31 | 0 | 0 | 31 |
| Remuneration of directors | 91 | 2 | (90) | 3 |
| Taxed provision for bad debts | 174 | 0 | (3) | 171 |
| Prior-year losses | 1,244 | 0 | (687) | 557 |
| Trademarks | 11 | 0 | (2) | 9 |
| **Total** | **1,664** | **2** | **(783)** | **883** |

## CURRENT ASSETS

### Inventories

Inventories amounted to € 11,277 thousand (€ 10,755 thousand at 31 December 2019). Inventories are broken down as follows:

| | Initial amount | Final amount | Change |
|---|---|---|---|
| Raw materials, supplies and consumables | 6,492 | 7,124 | 632 |
| Finished products and goods | 4,263 | 4,153 | (111) |
| **Total** | **10,755** | **11,277** | **522** |

### Trade receivables

Trade receivables at 30 June 2020 amounted to € 21,123 thousand (€ 21,465 thousand at 31 December 2019). Trade receivables, all of which were due within one year, derive from normal commercial sales transactions and have been presented net of the associated provision 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.

Provision for bad debts, amounting to € 2,484 thousand (€ 2,188 thousand at 31 December 2019) increased by € 296 thousand, mainly due to higher allowances made by the Group in view of the pandemic that affected the country during the first half period 2020 and which is still under way, and as a result of which the amount of bad debts is expected to be higher than in the past.

The changes in the provision for bad debts at 30 June 2020 are broken down in the table below:

| | Initial amount | Additions | Decreases | Final amount |
|---|---|---|---|---|
| Provision for bad debts | 2,188 | 728 | (432) | 2,484 |
| **TOTAL PROVISION FOR BAD DEBTS** | **2,188** | **728** | **(432)** | **2,484** |

### Current tax assets

Current tax assets amounted to € 2,781 thousand (€ 2,497 thousand at 31 December 2019). Current tax assets are broken down in the table below:

| | Initial amount | Final amount | Change |
|---|---|---|---|
| Income taxes | 2,070 | 1,793 | (277) |
| Other tax credits | 398 | 963 | 565 |
| Employee severance indemnity withholdings | 25 | 25 | - |
| Withholding taxes on interest income | 4 | 0 | (4) |
| **TOTAL TAX ASSETS** | **2,497** | **2,781** | **284** |

### Other current receivables and assets

Other current receivables and assets amounted to € 7,539 thousand (€ 9,349 thousand at 31 December 2019). Other current receivables and assets are broken down in the table below:

| | Initial amount | Final amount | Change |
|---|---|---|---|
| VAT receivable | 7,497 | 5,450 | (2,047) |
| Accrued income and prepaid expenses | 854 | 1,115 | 261 |
| Other receivables | 502 | 448 | (54) |
| Advances | 383 | 414 | 31 |
| Deposits | 113 | 112 | (1) |
| **TOTAL OTHER CURRENT RECEIVABLES AND ASSETS** | **9,349** | **7,539** | **(1,810)** |

First half period 2020 saw a refund of the VAT from previous years that had been blocked as a result of a dispute brought by the Enasarco foundation. Following the positive outcome, also at the appeal stage, of one of the administrative proceedings and the adherence to the tax amnesty in 2019, the amounts have been refunded in full.

**Cash and cash equivalents**

| | Initial amount | Final amount | Change |
|---|---|---|---|
| Cash pooling bank accounts | - | 5,108 | 5,108 |
| Bank and deposits | 18,720 | 21,400 | 2,680 |
| Cash and valuables on hand | 231 | 419 | 188 |
| **Total cash and cash equivalents** | **18,951** | **26,927** | **7,976** |

Cash and cash equivalents, entirely free from restrictions, amounted to € 26,927 thousand (€ 18,951 thousand at 31 December 2019).
€ 5.108 thousand refer to Deposits in cash pooling systems.
For details of the net financial position, see the section on financial liabilities in these Notes.

**BREAKDOWN OF LIABILITIES ITEMS - GROUP SHAREHOLDERS' EQUITY**

**Share capital**

Share capital, fully subscribed and paid-up, amounts to € 28,848,041.20, made up of 14,000,020 shares without a par value.
Changes in equity are illustrated in a specific schedule of the financial statements at 30 June 2020.

| | 06/30/20 | Nature | Use | Available | Eligible for distribution |
|---|---|---|---|---|---|
| Share capital | 28,840 | | | | |
| Share premium account | 14,325 | Profits/capital | - | YES | NO |
| Merger premium reserve | 3,096 | Merger | - | YES | NO |
| Reserve from business combination ineligible for distribution | 13,903 | Merger | - | NO | NO |
| Revaluation reserve | 197 | Profits/capital | - | YES | YES |
| Legal reserve | 1,658 | Profits/capital | - | YES | NO |
| Other reserves | 453 | Profits/capital | YES | YES | YES |
| Consolidation reserve | 1,845 | | - | NO | NO |
| IFRS first-time adoption reserve ineligible for distribution | 135 | Profits/capital | - | NO | NO |
| Profits (losses) carried forward | (7,127) | Profits/capital | - | NO | NO |
| Reserve for employee severance indemnity discounting | (303) | | - | NO | NO |
| Profit (loss) for the period | 2,383 | | | | |
| | **59,406** | | | | |

| | Result for the period | Shareholders' Equity |
|---|---|---|
| **Balances from accounting schedules at 30 June 2020** | | |
| EBIT and Shareholders' Equity Centrale del Latte d'Italia S.p.A. | 1,038 | 65,959 |
| EBIT and Shareholders' Equity Centrale del Latte della Toscana S.p.A. | 1,506 | 26,442 |
| EBIT and Shareholders' Equity Centrale del Latte di Vicenza S.p.A. | (161) | 24,075 |
| Derecognition of equity investments in companies within the scope of consolidation | - | (57,028) |
| Other consolidation adjustments | - | (42) |
| **Balances as consolidated accounting schedules at 30 June 2020** | **2,383** | **59,406** |

## NON-CURRENT AND CURRENT LIABILITIES

### Staff Provisions

At 30 June 2020 the severance indemnity amounted to € 5,012 thousand.

| | |
|---|---|
| **Initial amount** | **5,514** |
| Interest cost | 10 |
| Decreases and uses | (559) |
| Actuarial (income) loss via OCI | 48 |
| **Final amount** | **5,012** |

In the reference period, the actuarial reports drafted to determine the payable for employee severance indemnity have been revised compared to the previous FY, with reference to a number of input data, in order to adjust the liability shown to the current value at 30 June 2020.

Actuarial gains and losses are shown in the statement of comprehensive income – OCI, net of the fiscal effect and charged to net equity. The key actuarial assumptions pertain to the technical interest rate, inflation rate and the revaluation rate for salaries and employee severance indemnity. Technical assessments were conducted on the basis of the assumptions set forth below:

- technical annual discount rate 0.10% - 0.27%
- annual inflation rate 1.00%
- annual rate of severance indemnity increase 2.25%

The Iboxx Eurozone Corporates AA 7-10 index at 22 June 2020 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:

| **06/30/2020** | **Annual discounting rate** | | **Annual inflation rate** | | **Annual turnover rate** | |
|---|---|---|---|---|---|---|
| | **0.25%** | **-0.25%** | **0.25%** | **-0.25%** | **1.0%** | **-1.0%** |
| Defined benefit obligation | 4,888 | 5,142 | 5,059 | 4,965 | 4,973 | 5,049 |

In addition, the provision for the end of term indemnity for Directors amounted to € 0, following the total renewal of the Board of Directors, because all the sums due have been settled. The methods of calculation used are set out in the Report on Corporate Governance.

| | **Initial amount** | **Additions** | **Decreases** | **Final amount** |
|---|---|---|---|---|
| Directors' severance indemnity | 342 | 209 | 551 | 0 |

### Provision for liabilities and charges

| | **Initial amount** | **Additions** | **Decreases** | **Final amount** |
|---|---|---|---|---|
| Risk provision | 8 | - | - | 8 |
| Provision for customer indemnities | 57 | 1 | - | 58 |
| **TOTAL** | **65** | **1** | **-** | **66** |

**Deferred taxes**

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

| | Initial amount | Increases | Decreases | Final amount |
|---|---|---|---|---|
| Trademarks | 18,294 | 0 | 0 | 18,294 |
| Elimination of tax interference – Accel. deprec. | 1,660 | 0 | (70) | 1,589 |
| Measurement of land | 1,663 | 0 | 0 | 1,663 |
| Equity investments | 6 | 0 | 0 | 6 |
| Capital gains | 233 | 0 | (47) | 187 |
| | **21,855** | **0** | **(117)** | **21,738** |

The following table illustrates the changes in deferred tax liabilities:

| | Initial amount | Increases | Decreases | Final amount |
|---|---|---|---|---|
| Trademarks | 5,104 | 0 | 0 | 5,104 |
| Elimination of tax interference – Accel. deprec. | 459 | 0 | (20) | 439 |
| Measurement of land | 464 | 0 | 0 | 464 |
| Equity investments | 6 | 0 | 0 | 6 |
| Capital gains | 56 | 0 | (11) | 45 |
| | **6,089** | **0** | **(31)** | **6,058** |

**Non-current and current financial liabilities**

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

| | Payables within 12 months | Over 12 months Within 5 years | Over 5 years | Total payables over 12 months | Total payables |
|---|---|---|---|---|---|
| Payables to banks for mortgages and loans | 21,207 | 30,924 | 14,749 | 45,673 | 66,880 |
| Bank lines of credit used | 10,904 | - | - | - | 10,904 |
| Payables to other lenders | 1,947 | 10 | - | 10 | 1,957 |
| Placement of bonds: 2017 - 2024 | 3,414 | 9,923 | | 9,923 | 13,337 |
| **Total** | **37,472** | **40,857** | **14,749** | **55,606** | **93,078** |

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

| Issuer | Amount granted | Amount disbursed | Outstanding balance | Last maturity | Guarantees in favour of subsidiaries |
|---|---|---|---|---|---|
| **Cassa di Risparmio di Bra S.p.A.**<br>Actual rate: 0.90% | 800 | 800 | 0 | 03/21/20 | Patronage from parent company |
| **UBI Banca S.p.A.**<br>Rate: 0.85% | 1,000 | 1,000 | 0 | 06/07/20 | Patronage from parent company |
| **ChiantiBanca Credito Cooperativo s.c.**<br>Euribor rate 6 months + 1.35% | 4,000 | 4,000 | 1,612 | 06/21/20 | --- |
| **Credito Emiliano SpA**<br>Euribor rate 3 months + 2.5% spread | 1,000 | 1,000 | 201 | 07/18/20 | --- |
| **Credito Emiliano SpA**<br>Rate: 1.10% | 700 | 700 | 141 | 07/18/20 | --- |
| **BPER Banca S.p.A.**<br>Euribor rate 3 months + 1% | 2,000 | 2,000 | 169 | 07/28/20 | --- |
| **Intesa San Paolo S.p.A.**<br>Euribor rate 3 months + 1.10% | 5,000 | 5,000 | 500 | 10/01/20 | --- |
| **UBI Banca S.p.A.**<br>Euribor rate 3 months + 0.85% | 1,000 | 1,000 | 168 | 10/16/20 | Patronage from parent company |

| | | | | | |
|---|---|---|---|---|---|
| **BNL BNP Paribas Group**<br>Euribor rate 6 months + 2.2% | 6,000 | 6,000 | 284 | 11/30/20 | |
| **Unicredit S.p.A.**<br>Rate: 3.05% | 10 | 10 | 1 | 12/31/20 | --- |
| **Unicredit S.p.A. Rate**<br>Rate: 3.05% | 41 | 41 | 4 | 12/31/20 | --- |
| **Banca CARIGE S.p.A.**<br>Euribor rate 6 months + 1.35% | 1,000 | 1,000 | 169 | 12/31/20 | --- |
| **UBI Banca S.p.A.**<br>Euribor rate 3 months + 2.50% | 1,500 | 1,500 | 570 | 01/09/21 | --- |
| **Banca Popolare di Sondrio S.c.p.a.**<br>Euribor rate 6 months + 0.60% | 1,500 | 1,500 | 503 | 01/31/21 | --- |
| **Banca Popolare di Sondrio S.c.p.a.**<br>Rate: 0.90% | 1,500 | 1,500 | 566 | 02/01/21 | Patronage from parent company |
| **Banca del Centroveneto Cred. Coop s.c.**<br>Euribor rate 6 months + 1.40% | 1,000 | 1,000 | 794 | 01/22/22 | --- |
| **Intesa San Paolo S.p.A.**<br>Euribor rate 3 months + 1.30% | 2,000 | 2,000 | 382 | 03/31/21 | Patronage from parent company |
| **Credito Emiliano SpA**<br>Euribor rate 6 months + 1.5% spread | 1,000 | 1,000 | 627 | 06/09/21 | --- |
| **Deutsche Bank S.p.A.**<br>Euribor rate 3 months + 1.10 | 2,000 | 2,000 | 500 | 06/30/21 | --- |
| **Intesa San Paolo S.p.A.**<br>Euribor rate 3 months + 1% | 3,000 | 3,000 | 706 | 06/30/21 | Patronage from parent company |
| **Banco BPM S.p.A.**<br>Euribor rate 3 months + 1.2% | 1,500 | 1,500 | 340 | 06/30/21 | --- |
| **Banca del Centroveneto Cred. Coop s.c.**<br>Euribor rate 3 months + 1.7% | 2,500 | 2,500 | 1,055 | 07/30/21 | Patronage from parent company |
| **Unicredit S.p.A.**<br>Euribor rate 6 months + 1.5% | 3,000 | 3,000 | 1,517 | 10/31/21 | Patronage from parent company |
| **Banca CARIGE S.p.A.**<br>Euribor rate 6 months + 1.3% | 1,000 | 1,000 | 381 | 12/31/21 | |
| **Banco BPM S.p.A.**<br>Euribor rate 1 month + 0.7% | 1,500 | 1,500 | 253 | 01/31/21 | |
| **Unicredit S.p.A.**<br>Euribor rate 3 months + 2% | 1,500 | 1,500 | 907 | 12/31/21 | --- |
| **Credit Agricole Cariparma**<br>Euribor rate 3 months + 0.85 | 1,500 | 1,500 | 756 | 05/29/22 | Patronage from parent company |
| **Unicredit Banca d'Impresa S.p.A.**<br>Rate: 1% | 1,500 | 1,500 | 757 | 05/31/22 | Patronage from parent company |
| **Credit Agricole CARIPARMA**<br>Euribor rate 3 months + 1% | 500 | 500 | 315 | 10/12/22 | Patronage from parent company |
| **Deutsche Bank S.p.A.**<br>Euribor rate 3 months + 0.85% | 3,200 | 3,200 | 2,462 | 11/07/22 | --- |
| **Banco BPM S.p.A.**<br>Euribor rate 3 months + 1% | 3,000 | 3,000 | 2,154 | 12/31/22 | Patronage from parent company |
| **Banca Passadore S.p.A.**<br>**Euribor rate 3 months + 1.5%** | 2,000 | 2,000 | 2,000 | 01/01/23 | Patronage from parent company |
| **Banco BPM S.p.A.**<br>Euribor rate 3 months + 2.1% | 3,500 | 3,500 | 2,648 | 06/30/23 | --- |
| **Banca di Credito Cooperativo di Cambiano S.c.p.a.**<br>Euribor rate 3 months + 1.35% | 4,000 | 4,000 | 3,266 | 07/01/23 | --- |
| **Banca Popolare di Sondrio S.c.p.a.**<br>Euribor rate 1 months + 1.10% | 1,000 | 1,000 | 857 | 11/10/23 | --- |
| **ICREA Banca D'Alba**<br>Euribor rate 3 months + 1.5% | 2,000 | 2,000 | 1,500 | 03/31/24 | --- |
| **Banco Desio**<br>Rate: 1.50% | 2,000 | 2,000 | 2,000 | 08/18/24 | |
| **Unicredit S.p.A.**<br>Euribor rate 6 months + 1.80% | 10,000 | 10,000 | 2,858 | 06/30/25 | Mortgage on an owned property in Vicenza for € 20 million |
| **Unicredit S.p.A.**<br>Euribor rate 6 months + 2.75% | 3,000 | 3,000 | 1,000 | 06/30/25 | Mortgage on an owned property in Vicenza for € 20 mln |
| **MPS Capital Services Banca per le Imprese S.p.A.**<br>Euribor rate 6 months + 1.75% | 28,300 | 28,300 | 15,911 | 07/03/28 | Mortgage on a property owned in Florence for € 60 mln and special lien on plants for € 28.3 mln |
| **Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti**<br>Rate: 0.50% - Discounted rate: 2.95% | 2,360 | 2,360 | 2,360 | 12/31/30 | Mortgage on an owned property in Turin |
| **Unicredit S.p.A.**<br>ate - 2.95% | 2,591 | 2,591 | 2,591 | 12/31/30 | Mortgage on an owned property in Turin |
| **Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti**<br>Rate: 0.50% - Discounted rate: 2.95% | 2,400 | 363 | 2,086 | 12/31/30 | Mortgage on an owned property in Vicenza |
| **Unicredit S.p.A.**<br>Rate: 2.95% | 2,400 | 363 | 2,384 | 12/31/30 | Mortgage on an owned property in Vicenza |
| **Invitalia S.p.A.**<br>Rate: 0.124% | 7,453 | 1,242 | 3,735 | 06/30/31 | Mortgage on owned properties in Turin, Casteggio and Rapallo |
| **Mediocredito**<br>Rate: 2.60% | 2,000 | 2,000 | 1,789 | 06/28/24 | |
| **Banco BPM**<br>Euribor rate 3 months + 1.2% | 1,500 | 1,500 | 1,101 | 06/30/24 | Patronage from parent company |

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

| | Within 12 months | Within 5 years | Over 5 years | Total |
|---|---|---|---|---|
| BANCA CARIGE | 423 | 128 | 0 | 551 |
| UNICREDIT BANCA D'IMPRESA | 2,763 | 4,280 | 0 | 7,043 |
| ICREA Banca D'Alba | 400 | 1,100 | 0 | 1,500 |
| MEDIOCREDITO | 430 | 1,359 | 0 | 1,789 |
| CREDEM | 843 | 126 | 0 | 969 |
| UBI BANCA | 739 | 0 | 0 | 739 |
| DEUTSCHE BANK | 2,962 | 0 | 0 | 2,962 |
| INTESA SAN PAOLO | 1,588 | 0 | 0 | 1,588 |
| BANCA POPOLARE DI SONDRIO (SUISSE) | 1,316 | 609 | 0 | 1,925 |
| UNICREDTI CDP | 447 | 1,820 | 2,176 | 4,443 |
| UNICREDIT FILIERA | 463 | 2,121 | 2,391 | 4,975 |
| BANCO BPM | 2,585 | 3,910 | 0 | 6,495 |
| INVITALIA FINANCING ACCOUNT | 102 | 1,782 | 1,850 | 3,734 |
| CARIPARMA | 502 | 570 | 0 | 1,072 |
| CREDITO COOP CENTROVENETO | 1,342 | 507 | 0 | 1,849 |
| BANCA CAMBIANO 1884 | 990 | 2,277 | 0 | 3,267 |
| BNL GRUPPO BNP PARIS BAS | 284 | 0 | 0 | 284 |
| MPS CAPITAL IMPRESE SERVICE BANCA | 1,403 | 6,178 | 8,332 | 15,913 |
| CHIANTI BANCA | 393 | 1,219 | 0 | 1,612 |
| BPER BANCA | 169 | 0 | 0 | 169 |
| BANCA PASSADORE | 656 | 1,344 | 0 | 2,000 |
| BANCO DESIO | 407 | 1,594 | 0 | 2,001 |
| | **21,207** | **30,924** | **14,749** | **66,880** |

**Bond placement 2017 – 2024**

Bond totalling € 15 million issued by Centrale del Latte d'Italia S.p.A., falling due on 1 December 2024. The bond was recognised using the amortised cost method.

| | Within 12 months | Over one year, within 5 years | Over 5 years | Total |
|---|---|---|---|---|
| Bond placement 2017 - 2024 | 3,414 | 9,923 | - | 13,337 |

On 7 August 2020, Centrale del Latte d'Italia S.p.A. announced its intention to proceed with the full early redemption of the Bond Placement. The request for early redemption is subject to the approval to the Regulations governing the Bond Placement by the Meeting of the bondholders of the Bond Placement, convened for 9 September 2020, among the purposes of which is to bring forward that date from which the Company may proceed with the early redemption of the amount of the Bond Placement. The early redemption date will be 16 September 2020.

**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.

Payables to other lenders can be broken down as follows::

| | Within 12 months | Over one year, within 5 years | Over 5 years | Total |
|---|---|---|---|---|
| Sundry payables | 1,947 | 10 | 0 | 1,957 |
| Current lease liabilities | 1,685 | 1,581 | 23 | 3,289 |
| | **3,632** | **1,591** | **23** | **5,246** |

**Financial position.**

The Group's net financial debt at 30 June 2020 amounted to € 69.440 million (€ 77,297 at 31 December 2019) after the application of IFRS 16 accounting standard.

The improvement, superior to the improvement indicated in the Business Plan approved in February 2020, is mainly due to the excellent result of the core activities.

| | 06/30/2020 | 12/30/2019 | Change |
|---|---|---|---|
| Cash and cash equivalents | 21,819 | 18,951 | 2,868 |
| Pooled cash deposits | 5,108 | - | 5,108 |
| **Total current financial assets** | **26,927** | **18,951** | **7,976** |
| Payables to banks | (10,904) | (8,090) | (2,814) |
| Short-term portion of medium/long-term loans | (21,207) | (24,335) | 3,128 |
| Short-term portion of payables to other | (1,947) | (277) | (1,670) |
| Short-term bonds | (3,414) | (2,931) | (483) |
| **Total current financial liabilities** | **(37,473)** | **(35,633)** | (1,840) |
| Long-term loans | (45,673) | (44,358) | (1,315) |
| Long-term payables to other | (10) | (49) | 39 |
| Long-term bonds | (9,923) | (11,872) | 1,949 |
| **Total non-current financial liabilities** | **(55,606)** | **(56,279)** | **673** |
| **Total financial liabilities** | **(93,080)** | **(91,912)** | **(1,168)** |
| **Net financial debt before IFRS 16** | **(66,153)** | **(72,961)** | **6,809** |
| Current lease liabilities | (1,685) | (2,052) | 367 |
| Non-current lease liabilities | (1,604) | (2,284) | 680 |
| **Net financial debt after IFRS 16** | **(69,442)** | **(77,297)** | **7,855** |

## Loan covenants

- Loan issued by Unicredit S.p.A. on behalf of Cassa Depositi e Prestiti and loan issued by Unicredit S.p.A. granted to Centrale del Latte d'Italia S.p.A. and Centrale del Latte di Vicenza S.p.A., both set to mature on 31 December 2030, with a total outstanding balance of € 4.5 million at 30 June 2020: 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 € 2.5 million 30 June 2020: at 12/31 of each year, ratio between EBITDA and financial charges higher than 5; Ratio between net financial position and consolidated EBITDA not higher than 6; Ratio between net financial position and consolidated shareholders' equity not higher or equal to 1.
- Loan granted by Unicredit Banca d'Impresa S.p.A. to Centrale del Latte Vicenza S.p.A. expiring on 30 June 2025, pre-amortized and with an outstanding balance of € 2.9 million at 30 June 2020: at 12/31 of each year ratio between net financial debt and borrower's shareholders' equity not higher than 1.5.
- Unsecured loan granted by BNL BNP Paribas Group to Centrale del Latte della Toscana S.p.A. expiring on 30 November 2020, with an outstanding balance of € 0.3 million at 30 June 2020: at 12/31 of each year ratio between net financial debt and shareholders' equity lower than 6.00; ratio between net financial charges and revenue lower than 2%.

- Unsecured loan granted by Intesa Sanpaolo S.p.A. to Centrale del Latte della Toscana S.p.A. expiring on 31 March 2021, with an outstanding balance of € 0.7 million at 30 June 2020: at 12/31 of each year ratio between EBITDA and net financial charges higher or equal to 1. No losses for two consecutive FYs.
- Unsecured loan granted by Deutsche Bank S.p.A. to Centrale del Latte della Toscana S.p.A., expiring on 30 June 2021, with an outstanding balance of € 0.5 million at 30 June 2020: at 12/31 of each year, ratio between EBITDA and financial charges 4.5 or lower – Ratio between net financial position and EBITDA lower than 6.50 (not complied with at 31 December 2019) – Ratio between net financial position and shareholders' equity lower than 2.
- Mediocredito related to the Contract granted to Centrale del Latte d'Italia S.p.A. expiring on 28 June 2024, with an outstanding balance of € 1.8 million at 30 June: at 12/31 of each year ratio between net financial debt and shareholders' equity 1.5 or lower.

Checks are carried out on annual data at 31 December to ensure covenants have been observed. The Group believes these covenants are almost certain to be honoured for the current year, based on the estimates made by the Directors.

**Non-current and current finance lease liabilities**

Non-current and current finance lease liabilities amounted to € 1,685 thousand (€ 2,052 thousand at 31 December 2019) and € 1,064 thousand (€ 2,284 thousand at 31 December 2019) respectively.
The liability was posted consistent with the provisions of the new IFRS 16, and calculated as the current value of future lease payments, discounted at a marginal interest rate, which, based on the expected duration of each individual contract, was set at 2.95%.
There are no loan repayments beyond 5 years.

**Current tax liabilities**

Current tax liabilities amounted to € 986 thousand (€ 799 thousand at 31 December 2019). Current tax liabilities are broken down in the table below:

| | Initial amount | Final amount | Change |
|---|---|---|---|
| Payables for employees' withholding taxes | 662 | 700 | 37 |
| Withholdings payable on independent contractors' fees | 59 | 34 | (26) |
| Income taxes payables | 12 | 86 | 75 |
| Other taxes payables | 0 | 98 | 98 |
| Other | 65 | 69 | 4 |
| **Total current liabilities** | **799** | **986** | **188** |

**Other Current Liabilities**

Other current liabilities amounted to € 7,454 thousand (€ 5,464 thousand at 31 December 2019):

| | Initial amount | Final amount | Change |
|---|---|---|---|
| Social security authorities payables | 1,268 | 1,686 | 418 |
| Wages and salaries payables | 2,711 | 3,598 | 887 |
| Accrued liabilities and deferred income | 1,284 | 2,063 | 779 |
| Remuneration to directors and auditors payables | 137 | 19 | (118) |
| Other payables | 59 | 83 | 24 |
| Employee union withholdings | 4 | 5 | 1 |
| **Total other payables** | **5,464** | **7,454** | **1,990** |

**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 01/01/2020 | Purchased in 2020 | Sold in 2020 | Shares held at 06/30/2020 |
|---|---|---|---|---|---|
| Angelo MASTROLIA | Chairman | 166,395 | 6,493,847 | - | 6,660,242 |

(*) also through directly controlled Companies

Following the Mandatory Public Tender and Share Swap Offer closed on 30 July 2020, 2,803,460 ordinary shares of Centrale del Latte d'Italia were tendered, representing 20.02% of the share capital of Newlat Food SpA and equal to 38.19% of the ordinary shares subject to the Offer. Based on the final results, taking into account the 6,660,242 ordinary shares of Newlat Food S.p.A., representing the Majority Interest of the Issuer, Newlat Food holds a total of 9,463,702 ordinary shares of Centrale Latte d'Italia S.p.A., representing 67.59% of its share capital.

**Dealings with other related parties.**

Centrale del Latte d'Italia has commercial dealings with Newlat food S.p.A., which holds a majority of the Company's shares.

Dealings with related parties at 30 June 2020 are broken down in the table below:

| | Cash and cash equivalents | Receivables | Payables | Costs | Revenue |
|---|---|---|---|---|---|
| **NEWLAT FOOD SPA vis-à-vis:** | | | | | |
| Centrale del Latte d'Italia S.p.A. - Subsidiary | - | 184 | 458 | 417 | 177 |
| **Centrale del Latte d'Italia vis-à-vis:** | | | | | |
| NEWLAT FOOD S.p.A. - parent company | 2,293 | 458 | 184 | 177 | 417 |
| NEWLAT GROUP S.A. | 2,815 | | | | |
| | **5,108** | **642** | **642** | **594** | **594** |

**Disputes, Contingent Liabilities and Contingent Assets**

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 Company to refund € 811 thousand 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 and then further adjourned to June 2020. On 23 June 2020, the Court of Appeal of Rome (Employment section) rejected the appeal, confirming that Centrale del Latte d'Italia S.p.A. acted correctly.

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. Centrale del Latte d'Italia S.p.A., 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. On 21 March 2019, the Court of Rome, Employment Frist Section, issued a sentence revoking the injunction requested by the Enasarco Foundation regarding the dispute over contributions for the 2011 to 2013, upholding the appeal filed by Centrale del Latte d'Italia S.p.A.. The resolution of these disputes is not expected to generate significant liabilities for the Group for which dedicated risk provision has not already been allowed for. There are no substantial changes to report in the situations regarding disputes or potential liabilities outstanding at 30 June 2020.

**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 quarterly agreements with milk producers and periodically determining the purchase price, save for particular circumstances in which agreements may be reached on a different basis.

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

**Financial risks.**

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

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

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

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

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

**Turnover concentration risk.** The Group's turnover is not concentrated on a small number of subjects. The Group has a variety of customers, belonging both to large-scale and traditional small-scale retail channels.

**Events Subsequent to 30 June 2020**

- The merger by incorporation of the companies Centrale del Latte di Vicenza S.p.A. and Centrale del Latte della Toscana S.p.A. into Centrale del Latte d'Italia S.p.A. became effective on 20 July. The merger by incorporation has retroactive tax and accounting effects from 1 January 2020.
- On 9 July, the BoD resolved to convene the bondholders' meeting for 9 September 2020, to amend the regulations and to resolve upon early redemption.
- On 1 July Centrale del Latte d'Italia obtained a loan of € 31.2 million from MPS, set to mature on 30 June 2026, to be used for repaying existing indebtedness, including the early redemption of the Bond.
- On 1 July BPM resolved upon a loan of € 5 million, guaranteed by CDP.

- On 16 July, Ms. Anna Claudia Pellicelli was co-opted onto the Board as an Independent Director, following the resignation of Antonella Mansi, tendered on 29 June.

**BUSINESS OUTLOOK.**

Since the beginning of the pandemic, the Group has proved ready to cope with this particular situation, offering adequate responses in terms of services and products to the needs that emerged, especially following the various phases in the evolution of the period, from the lockdown to the gradual reopening. The same consideration should be made for the activities carried out consistent with the need to manage and strengthen liquidity and the careful management of trade receivables and operating costs, with satisfying customers and employees remaining, in any case, the main priority. All this has allowed the Group – as can be seen from the results - to achieve excellent results in terms of profit margins and in value creation for its shareholders. This trend also continued during the months of July and August.

In this area, we believe it is worth highlighting that both the sales force and the production system played a fundamental role in accompanying and assisting customers.

This approach places the end consumer at the centre of the Group's policies and guidelines, and at the same time strengthens the link with our brands.

On this positive basis, despite the significant, persistent uncertainty regarding how the Coronavirus phenomenon may evolve in the future, the Management of Centrale del Latte d'Italia continues to have full confidence in the continued implementation of the Business Plan.

That said, at the date of drafting of this report, it is not possible to predict when the spread of the epidemic will be halted, or whether national governments - in Italy and in the other nations where the Company operates in - will adopt any further restrictive measures regarding manufacturing and commercial activity, movement of citizens and any possible developments in consumption in households.

For the above reasons, the Group is unable to predict to what extent the aforementioned events are likely to have significant repercussions on the Company's prospects for FY 2020. Finally, the Directors believe, based on the information available at the date of drafting of this report, that it is reasonable to exclude any significant negative impacts attributable to COVID-19.

It is considered possible that milk raw material prices may experience a slight rise during the coming quarters, which will not have a significant effect on the Company's profits.

Despite the major instability affecting the economic situation of the period and the market, which can only lead to increased caution on the part of the consumer, we believe that the objectives set out in the Business Plan will be achieved and improved upon also in the coming months. We have seen evidence that the ability to serve all distribution channels with a wide-ranging portfolio of products gives us a competitive edge that will allow us to make the most of all the opportunities we will be presented with.

Centrale del Latte d'Italia S.p.A. will continue with all the cost containment measures already provided for, and will also continue the process of integration with the Newlat Food Group in order to make the most of the opportunities this offers.

Belonging to a large group allows the Company to fully exploit both internal and external resources, in order to achieve and improve on the results estimated in the Business Plan, as in the first part of the year.

Turin, 7 September 2020

The Chairman of the Board of Directors Mr.
Angelo Mastrolia

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# REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Centrale del Latte d'Italia S.p.A.

## Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Centrale del Latte d'Italia S.p.A. and subsidiaries, which comprise the consolidated statement of financial position as of 30 June 2020 and the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flows for the six month period then ended, and a summary of significant accounting policies and notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

## Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Centrale del Latte d'Italia S.p.A. and subsidiaries as at 30 June 2020 are not prepared, in all material respects, in accordance with the

International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
**Santo Rizzo**
Partner

Turin, Italy
7 September 2020

This report has been translated into the English language solely for the convenience of international readers.