Centrale del Latte d'Italia

HALF-YEAR FINANCIAL REPORT

AT 30 JUNE 2023

DIRECTORS' REPORT ON OPERATING PERFORMANCE

AT 30 JUNE 2023

Contents

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Centrale del Latte d'Italia S.p.A. | Head office: Via Filadelfia 220, 10137 Turin – Secondary office: Via dell'Olmatello 20, 50127 Florence
Tax and VAT ID: 01934250018 | Registration in the Company Register – Official Archives of the Chamber of Commerce of Turin | REA number: TO - 520409 | Share Capital: Euro 28,840,041.20

Boards and officers

BOARD OF DIRECTORS

E. D.	N.E.D.	I. D.		C.R.C.	R.C.	R.P.C.	I.D.C.
•			**Angelo Mastrolia** Chairman				
•			**Giuseppe Mastrolia** Deputy Chairman				
•			**Stefano Cometto** Chief Executive Officer				
	•		**Edoardo Pozzoli** Director				
	•		**Benedetta Mastrolia** Director		•		
	•	•	**Anna Claudia Pellicelli** Director	•	•	•	•
	•	•	**Valeria Bruni Giordani** Director	•	•	•	•

E.D. = Executive Director
I.D. = Independent Director
N.E.D. = Non-Executive Director
C.R.C. = Control and Risks Committee
R.C. = Remuneration and appointments committee
R.P.C. = Related Party Transactions Committee
I.D.C. = Independent Directors Committee

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A. - Turin

BOARD OF STATUTORY AUDITORS

Deborah Sassorossi Chairperson
Ester Sammartino Standing Auditor
Giovanni Rayneri Standing Auditor

FINANCIAL REPORTING OFFICER

Fabio Fazzari Financial Reporting Officer and Investor Relator

General information

Centrale del Latte d'Italia S.p.A. (hereinafter also referred to as "CLI") is a company incorporated in Italy in the form of a public limited company operating under Italian law. The Company has its registered office at Via Filadelfia 220 in Turin.
The Company operates in the food sector with a large and structured product portfolio organised into the following business units: Milk Products, Dairy Products and Other Products.
67.74% of the Company's share capital is held directly by Newlat Food S.p.A. (hereinafter also referred to as "NLF"), while the remaining part (32.26%) is held by institutional investors.
This management report shows the financial information of the Company at 30 June 2023 compared to the financial statements at 30 June 2022 and the statement of financial position at 31 December 2022.

Alternative performance indicators

The following financial report presents and comments on some financial indicators and reclassified statements (relating to the statement of financial position and the statement of cash flows) not defined by IFRSs.
These amounts, defined below, are used to comment on the Company's business performance in compliance with the provisions of the Consob Communication of 28 July 2006 (DEM 6064293), as subsequently amended and supplemented (Consob comunication no. 5/21 of 29 April 2021, which implements the ESMA guidelines 32-382-1138 of 4 March 2021).
The alternative performance indicators listed below should be used as an information supplement to IFRS requirements to help users of the financial report to better understand the Company's results, assets and liabilities and cash flows. This may differ from the methods used by other companies.

Financial indicators used to measure the economic performance of the Company:

- EBITDA: the operating result (OR) before depreciation, amortisation and write-downs of tangible and intangible assets and write-downs of financial assets.
- Cash conversion: the ratio of EBITDA to the difference between EBITDA and total investments.

Net financial debt is given by the algebraic sum of:

- Liquidity (Cash and cash equivalents and other financial assets);
- Current financial payables and current portion of non-current financial payables;
- Non-current financial payables;
- Debt instruments;
- Trade payables and other non-current payables.

Reclassified statement of cash flows

This is a cash flow that represents a measure of the Company's self-financing and is calculated from the cash flow generated by operating activities, adjusted for net interest paid and cash flow absorbed by investments, less income from the realisation of fixed assets. The statement of cash flows is presented using the indirect method.

The Company presents the income statement by destination (otherwise known as "at cost of sales"), which is considered more representative than the so-called presentation by nature of expenditure, which is also reported in the notes to the Annual Financial Report. The form chosen is, in fact, compliant with the internal reporting and business management methods.

INTRODUCTION TO THE REPORT ON OPERATIONS

As of 1 January 2021 a business unit lease agreement was stipulated between Newlat Food SpA and Centrale del Latte SpA whereby the former leased to the latter the production and sale of products related to the milk and dairy sector. The main characteristics are listed below:

Effective date: 1 January 2021;

Duration: two years with provision for automatic renewal for a further year in the absence of prior termination.

Fee - fixed component: Euro 2.0 million (to be paid in quarterly instalments in advance);

Fee - variable component: 1.5% of the quarterly turnover generated by the BU;

Plants: The BU refers in particular to the production sites in Reggio Emilia, Salerno and Lodi as well as to the warehouses in Reggio Emilia, Lodi, Pozzuoli, Rome, Salerno and Lecce;

Takeover: As a result of the contract, the Lessee takes over relations with customers and agents/brokers and ongoing contracts from the Lessor. Specifically, with regard to the leases of the buildings in Reggio Emilia and Eboli entered into between the Grantor and the company New Property S.p.A.;

State of the goods: CLI agrees to return the assets at the expiry of the Contract, being liable only for deterioration due to improper use;

Inventory differences: The difference between the amount of inventory at the beginning and at the end of the lease is settled in cash based on the initial and final book values of the Business Unit pursuant to articles 2561 and 2562 of the Italian Civil Code.

During 2022 the contract, which expired on 31 December 2022, was automatically renewed in the absence of termination for the entire calendar year 2023. This led to an increase in the value of right-of-use assets and corresponding lease liabilities by approximately Euro 3 million.

The Transaction constitutes a transaction with a related party for CLI pursuant to the Regulation adopted with Consob Resolution no. 17221 of 12 March 2010, as subsequently supplemented and amended, as Newlat Food, CLI's counterpart in the Transaction, exercises legal control over CLI pursuant to art. 93 of Italian Legislative Decree 58/1998, as amended, and art. 2359, paragraph 1, no. 1 of the Italian Civil Code. The Transaction also constitutes a "significant" transaction between related parties pursuant to the provisions of art. 8, paragraph 1 of the RPT Regulation since the relevant indices relating to the equivalent value of the Transaction and the assets of the Business Unit identified in Annex 3 of the RPT Regulation are higher than the relevant threshold of 2.5%. The

Transaction was approved by the CLI Board of Directors during the meeting of 15 December 2020, after a unanimous favourable opinion of the CLI Related Party Transactions Committee issued on the same date. With regard to the Transaction, the functions attributed to the RPT Committee were performed by Professor Anna Claudia Pellicelli and Ms. Valeria Bruni Giordani, independent and unrelated directors of CLI, as well as by the statutory auditor Mr. Giovanni Rayneri. In support of its assessments, the RPT Committee availed itself of the support of Mr. Ferdinando Fraschini, Partner of the Corporate Finance Advisory Department of the company BDO Italia S.p.A., as well as a chartered accountant and auditor, as an independent expert, who issued his opinion of functional adequacy on 14 December 2020.

Performance of H1 2023

Operations in the first half of 2023 show a positive pre-tax result of Euro 4,934 thousand and a total net result of Euro 3,557 thousand.

The aforementioned result is significantly better than in the same period of the previous year.

During the first half of the year, the Company recorded an increase in turnover (+17.1% compared to the same period of the previous year) due to its ability to acquire new customers in the Dairy segment and an increase in the average sales price as a result of the strong inflation that continued in H1 2023.

The company also confirmed its great ability to improve its margins (EBITDA margin of 9.2% of revenues from customers as at 30 June 2023, 8.2% of revenues from customers as at 30 June 2022).

With regard to corporate management, we saw an increase in some costs of supplying goods and services, first of all those relating to the cost of raw materials and packaging.

We saw an improvement in distribution costs thanks to optimisation of the logistics network.

The results achieved during the first half of the year once again highlight the company's ability to generate high margins despite particularly difficult market conditions. The comparison with the 2023-2026 Business Plan shows a very positive trend, beyond expectations.

In a highly unstable environment, and in general with a market characterised by high inflation, we must note how the comparison with the same period of the previous half-year shows a clear improvement (EBITDA of Euro 15.6 million, or 9.2% versus Euro 11.9 million as at 30 June 2022, or 8.2%). This result becomes more important if we consider the inflation that persists in Italy with continuous increases in the main cost components of the finished product.

With this in mind, the company sought to consolidate its market position and create value in the medium to long term with the goal of attracting new customers at the expense of its margins in the short term.

The first half of 2023 closed with a net profit after tax of Euro 3.6 million, up from Euro 2.3 million in the first half of 2022.

Outlook

Considering the short period of time historically covered by the Company's order book and the difficulties and uncertainties of the current global economic situation, it is not easy to develop forecasts for H2 2023, which in any case seems to be very positive. The company will continue to pay particular attention to cost controls and financial management in order to maximise the generation of free cash flow, to be allocated both to organic growth externally and to the remuneration of Shareholders.
At the date of approval of the following interim report, the conflict in Europe involving Russia and Ukraine is ongoing. The onset of the conflict and the crisis raging in the oil and gas sector and in the supply of raw materials has caused a great deal of uncertainty about the development of the world economy.
The gradual increase in the purchase prices of the main finished product components has affected the Company's commercial policies, which has redefined the sales conditions with the main customers. In view of the above, the Company is unable to predict the extent to which these events might affect the outlook for the Company for 2023, but, based on the data available when this report was being prepared, the Directors believe they can reasonably exclude the possibility of significant negative impacts.

Going concern

With reference to the content of the previous paragraph, even taking into account the complexity of a rapidly evolving market, the Company feels it is fair and reasonable to assume it status as a going concern in view of its ability to generate cash flows from operating activities and fulfil its obligations in the foreseeable future, particularly in the next 12 months, based on the solid financial structure as described below:

- The considerable level of cash reserves available at 30 June 2023.
- The presence of authorised and unused lines of credit from the Company to the majority shareholder Newlat Food SpA.
- The continual support given by the leading banks to the Newlat Group, partly because of its market-leading status.

Note that the Company's economic and financial performance in H1 2023 was higher than budgeted. It should also be noted that the cash and cash equivalents, amounting to Euro 21.5 million, the credit lines currently available and the cash flows that will be generated by operational management are considered more than sufficient to fulfil obligations and finance the Company’s operations.

EVENTS AFTER THE END OF H1 2023

After 30 June 2023 there were no atypical or unusual transactions requiring changes to the interim financial report as at 30 June 2023.

MANAGEMENT REPORT

The Company is mainly active in the dairy products sectors, specifically:

- Milk Products
- Dairy Products
- Other Products

The following table contains the income statement of the Company's financial statements:

(In thousands of euros and as a percentage of revenue from contracts with customers)	Half-year ended 30 June					
	2023	%	2022	%	2023 v 2022	%
Revenue from contracts with customers	169,825	100.0%	144,978	100.0%	24,847	17.1%
Cost of sales	(135,209)	(79.6%)	(114,196)	(78.8%)	(21,013)	18.4%
Gross operating profit/(loss)	34,616	20.4%	30,782	21.2%	3,834	12.5%
Sales and distribution costs	(24,705)	(14.5%)	(24,199)	(16.7%)	(506)	2.1%
Administrative costs	(4,137)	(2.4%)	(3,882)	(2.7%)	(255)	6.6%
Net write-downs of financial assets	(201)	(0.1%)	(77)	(0.1%)	(124)	161.0%
Other revenues and income	2,962	1.7%	2,298	1.6%	664	28.9%
Other operating costs	(1,232)	(0.7%)	(1,077)	(0.7%)	(156)	14.5%
Operating profit/(loss) (EBIT)	7,303	4.3%	3,845	2.7%	3,458	89.9%
Financial income	259	0.2%	83	0.1%	176	212.9%
Financial expenses	(2,628)	(1.5%)	(725)	(0.5%)	(1,903)	262.5%
Profit/(loss) before taxes	4,934	2.9%	3,203	2.2%	1,731	54.0%
Income taxes	(1,377)	(0.8%)	(931)	(0.6%)	(446)	47.9%
Net profit/(loss)	3,557	2.1%	2,273	1.6%	1,285	56.5%

Operating income amounted to Euro 7.3 million, a clear increase compared with the same period of 2022.
EBITDA, details of which can be found in the following sections of the segment reporting, was up sharply (+31.3%), as was the EBITDA margin compared to the same period last year.

Revenue from contracts with customers
Revenue from contracts with customers contains the contractual fees to which the Company is entitled in exchange for the transfer of the promised goods or services to customers. The contractual fees may include fixed or variable amounts or both and are recognised net of rebates, discounts and promotions, such as contributions to the mass distribution channel. In particular, in the context of existing contractual relations with mass distribution operators, CLI is expected to recognise contributions as year-end bonuses linked to the achievement of certain turnover volumes or amounts related to the positioning of products.

SEGMENT REPORTING

The following table provides a breakdown of revenue from contracts with customers by business unit as monitored by management.

(In thousands of euros)	Half-year ended 30 June 2023	2022
Milk products	136,098	116,907
Dairy products	26,524	21,009
Other assets	7,203	7,062
Total revenue from contracts with customers	169,825	144,978

Revenues from the **Milk Products** segment were up significantly (+16.4%) due to the combined effect of an increase in the average sales price and higher volumes compared to the same period of the previous year.
Revenues from the **Dairy Products** segment increased sharply as a result of a rise in sales volumes.
Revenues in the **Other Products** segment were in line with the previous period due to the combined effect of a decrease in sales volumes and an increase in the average sales price.

The following table provides a breakdown of revenue from contracts with customers by distribution channels as monitored by management:

(In thousands of euros)	Half-year ended 30 June 2023	2022
Mass Distribution	106,531	91,822
B2B partners	6,401	6,039
Normal trade	41,074	32,765
Private labels	8,525	8,119
Food services	7,294	6,234
Total revenue from contracts with customers	169,825	144,978

Revenues in the **Mass Distribution** channel were up mainly due to an increase in demand, particularly in the Dairy business unit, and an increase in the average sales price.
Revenues from the **B2B Partners** channel increased because of higher average sales prices.
Revenues from the **Normal trade** channel increased because of higher average sales prices.
Revenues from the **Private Label** channel were essentially in line with the same period of the previous year.
Revenues from the **Food Services** channel increased because of higher average sales prices.

The table below provides a breakdown of revenue from contracts with customers by geographical area as monitored by management.

(In thousands of euros)	Half-year ended 30 June 2023	2022
Italy	154,096	132,174
Germany	6,460	4,378
Other countries	9,269	8,426
Total revenue from contracts with customers	169,825	144,978

Revenues from ***Italy*** increased because of higher sales volumes due to the acquisition of new customers and higher average sales prices.
Revenues from ***Germany*** were up due to an increase in the average sales price.
Revenues from Other Countries were substantially in line with the same period of the previous year.

Operating costs

The following table lists the operating costs as shown in the income statement by destination:

(In thousands of euros)	Half-year ended 30 June 2023	2022
Cost of sales	(135,209)	(114,196)
Sales and distribution costs	(24,705)	(24,199)
Administrative costs	(4,137)	(3,882)
Total operating costs	(164,051)	(142,278)

Cost of sales represented 79.6% of turnover (78.8% at 30 June 2022). In absolute terms, the increase in the cost of sales is directly linked to the higher sales volumes recorded in the first half of 2023. The increased impact is mainly due to an increase in the main cost components of the finished product. Commercial sales and distribution expenses decreased in terms of impact due to an optimisation of logistics and transport loads. Administrative expenses were essentially in line with the same period of the previous year. EBITDA amounted to Euro 15.6 million (9.2% of sales) compared with Euro 11.9 million at 30 June 2022 (8.2% of sales), up by 31.3%.

The following table shows EBITDA by activity segment:

(In thousands of euros)	At 30 June 2023 Milk products	Dairy products	Other Products	Total financial statements
Revenue from contracts with customers (third parties)	136,098	26,524	7,203	**169,825**
EBITDA (*)	12,011	3,215	394	**15,620**
EBITDA margin	8.83%	12.12%	5.48%	**9.20%**
Amortisation, depreciation and write-downs	7,834	184	98	**8,116**
Net write-downs of financial assets			201	**201**
Operating profit/(loss)	**4,177**	**3,031**	**95**	**7,303**
Financial income	-	-	259	**259**
Financial expenses	-	-	(2,628)	**(2,628)**
Profit/(loss) before taxes	**4,177**	**3,031**	**(2,274)**	**4,934**
Income taxes	-	-	(1,377)	**(1,377)**
Net profit/(loss)	**4,177**	**3,031**	**(3,651)**	**3,557**

(*) EBITDA is calculated as the absolute sum of the operating result, net write-downs of financial assets and epreciation/amortisation and write-downs.

(In thousands of euros)	At 30 June 2022 Milk products	Dairy products	Other Products	Total financial statements
Revenue from contracts with customers (third parties)	116,907	21,009	7,062	**144,978**
EBITDA (*)	9,531	2,143	226	**11,900**
EBITDA margin	8.2%	10.2%	3.2%	**8.2%**
Amortisation, depreciation and write-downs	7,540	167	271	**7,978**
Net write-downs of financial assets	-	-	77	**77**
Operating profit/(loss)	**1,991**	**1,976**	**(122)**	**3,845**
Financial income	-	-	83	**83**
Financial expenses	-	-	(725)	**(725)**
Profit/(loss) before taxes	**1,991**	**1,976**	**(764)**	**3,203**
Income taxes	-	-	(931)	**(931)**
Net profit/(loss)	**1,991**	**1,976**	**(1,695)**	**2,273**

(*) EBITDA is calculated as the absolute sum of the operating result, net write-downs of financial assets and depreciation/amortisation and write-downs.

EBIT amounted to Euro 7.3 million (4.3% of sales) compared with Euro 3.8 million at 30 June 2022 (2.7% of sales), up by 90%.
The tax rate was 27.9% in line with what was used as at 30 June 2022, and benefits from a positive effect deriving from taxes from previous years for approximately Euro 195 thousand.
Net profit as at 30 June 2023 amounted to Euro 3.6 million, an increase compared to 30 June 2022 (net profit of Euro 2.3 thousand).

EBITDA

The table below provides a reconciliation of EBITDA, the EBITDA margin and cash conversion at 30 June 2023 and 2022.

(In thousands of euros and as a percentage)	Half-year ended 30 June	
	2023	2022
Operating profit/(loss) (EBIT)	7,303	3,845
Amortisation, depreciation and write-downs	8,116	7,978
Net write-downs of financial assets	201	77
EBITDA (*) (A)	15,620	11,900
Revenue from contracts with customers	169,825	144,978
EBITDA margin (*)	9.2%	8.2%
investments (B)	1,295	1.895
Cash conversion [(A) - (B)]/(A)	91.7%	84.1%

(*) Operating profit/(loss) (EBIT), EBITDA, the EBITDA margin and the cash conversion are alternative performance indicators not identified as an accounting measure under IFRS and, therefore, should not be considered alternative measures to those provided by the Company's financial statements when assessing the Company's results.

To assess performance, the Company's management monitors, among other things, EBITDA by business unit as shown in the following table:

(In thousands of euros and as a percentage of revenue from contracts with customers)	Half-year ended 30 June				Changes	
	2023	%	2022	%	2023 v 2022	%
Milk Products	12,011	8.8%	9,531	8.2%	2,480	26.0%
Dairy Products	3,215	12.1%	2,143	10.2%	1,072	50.0%
Other assets	395	5.5%	226	3.2%	169	74.8%
EBITDA	15,620	9.2%	11,900	8.2%	3,720	31.3%

EBITDA for the **Milk Products** segment increased mainly due to improved sales conditions as well as volumes with higher margins.
EBITDA related to the **Dairy Products** segment was up, mainly due to an increase in the average sales price as well as an increase in volumes mainly related to Mascarpone.
EBITDA for the **Other Products** segment increased due to an increase in the sales price of higher-margin products.

Net financial debt

The following table provides details of the composition of the Company's net financial debt as at 30 June 2023 and 31 December 2022, determined in accordance with the provisions of Consob Communication DEM/6064293 of 28 July 2006 and in accordance with paragraph 175 et seq. of the recommendations contained in the document prepared by ESMA, no. 32-382-1138 of 4 March 2021 (guidelines on disclosure requirements under Regulation EU 2017/1129, so-called "Prospectus Regulation"):

(In thousands of euros) Net financial debt	At 30 June 2023	At 31 December 2022
A. Cash and cash equivalents	8,907	9,296
B. Cash equivalents	12,549	17,327
C. Other current financial assets	3,026	3,026
D Cash and cash equivalents (A)+(B)+(C)	24,481	29,648
E. Current financial liabilities	(9,412)	(17,540)
F. Current portion of non-current financial liabilities	(11,630)	(16,267)
G. Current financial indebtedness (E)+(F)	(21,042)	(33,807)
H. Net current financial indebtedness (G)+(D)	3,439	(4,158)
I. Non-current financial liabilities	(48,143)	(54,526)
J. Debt instruments	-	-
K. Trade and other non-current liabilities	-	-
L. Non-current financial indebtedness (I)+(J)+(K)	(48,143)	(54,526)
M. Net financial indebtedness (H)+(L)	(44,704)	(58,684)

The positive change in net financial debt at 30 June compared with 31 December 2022, totalling Euro 14 million, is mainly due to the Company's ability to generate cash from operations.
At 30 June 2023, without considering lease liabilities, net financial debt was as follows:

(In thousands of euros)	At 30 June 2023	At 31 December 2022
Net financial debt with lease liabilities	(44,704)	(58,684)
Non-current lease liabilities	5,715	6,185
Current lease liabilities	6,833	8,516
Net financial debt without lease liabilities	(32,156)	(43,983)

Changes in net financial debt as of 30 June 2023 are shown below:

Net financial position at 31 December 2022 (million euros)	(58.7)
EBITDA	15.6
Net working capital	3.7
Interest and taxes	(2.4)
Investments	(1.3)
Other	(1.6)
Net financial position at 30 June 2023 (million euros)	(44.7)

Net financial debt improved markedly due to the excellent performance in the first half of the year and the Company's ability to generate cash from operations.

INVESTMENTS

The following table provides a breakdown of the Company's investments in property, plant and equipment and intangible assets at 30 June 2023:

(In thousands of euros and as a percentage)	At 30 June			
	2023	%	2022	%
Land and buildings	64	4.9%	74	3.9%
Plant and machinery	750	57.9%	1,668	88.0%
Industrial and commercial equipment	203	15.7%	81	4.3%
Assets under construction and payments on account	278	21.5%	72	3.8%
Investments in property, plant and equipment	1,295	100.0%	1,895	100.0%

During the reporting period, the Company made investments totalling Euro 1,295 thousand.

The Company's investment policy is aimed at innovation and diversification in terms of product supply. In particular, the Company attaches importance to the development of new products, with the aim of continuously improving customer satisfaction.

Investments in property, plant and equipment relate mainly to purchases of plant and machinery, mostly in connection with projects for updating and renovating production and packaging lines, primarily in the Dairy segment.

OTHER INFORMATION

Policy for analysing and managing risks connected with the activities of the Company

This section provides information on exposure to risks connected with the activities of the Company as well as the objectives, policies and processes for managing such risks and the methods used to asses and to mitigate them. The guidelines for the Company's ICRMS, defined by the Board of Directors, identify the internal control system as a cross-sectional process integral to all business activities. The purpose of the ICRMS is to help the Company achieve its performance and profit objectives, obtain reliable economic and financial information and ensure compliance with existing laws and regulations, while shielding the company from reputational damage and financial loss. In this process, particular importance is given to identifying corporate objectives, classifying (based on combined assessments regarding the probability and the potential impact) and controlling related risks by implementing specific containment actions. There are various types of potential business risks: strategic, operational (related to the effectiveness and efficiency of business operations), reporting (related to the reliability of economic-financial information), compliance (related to the observance of the laws and regulations in force, to avoid the company suffering damage to its image or and/or economic losses) and, lastly, financial. Those in charge of the various company departments identify and assess the risks within their jurisdiction, whether these originate within or outside the Company, and identify actions to limit and reduce them (so-called "first-level control").

On top of this come the activities of the Financial Reporting Officer and their staff (so-called "second-level control") and those of the Manager of the Internal Audit function (so-called "third-level control") who continuously monitors the efficiency and effectiveness of the internal audit and risk management system through risk assessment activities, the performance of audit operations and the subsequent management of follow up.
The results of the risk identification procedures are reported and discussed to and discussed by the Company's senior management so that they can be covered and insured and the residual risk can be evaluated.

The following paragraphs describe the risks considered to be significant and connected with the activities of the Company (the order in which they are listed does not imply any classification, either in terms of probability of their occurrence or in terms of possible impact):

STRATEGIC RISKS

Risks relating to the macroeconomic and sector situation

The activity of the Company is influenced by the general conditions of the economy in the various markets where it operates. A period of economic crisis, with a consequent slow-down in consumption, can have a negative impact on the sales trends of the Company. The current macroeconomic context causes significant uncertainty regarding forecasts, with the resulting risk that reduced performance could impact margins in the short term. The Company pursues its aim of increasing its industrial efficiency and improving its production capacity while reducing overheads.

Risks connected with the external growth strategy

The Company has so far based its growth strategy on acquisitions of other companies, businesses or business units, and the plan is to continue this external growth strategy. The Company is therefore exposed to the risk of not being able to identify suitable companies or businesses in the future in order to feed its external growth strategy, or of not having the financial resources necessary to acquire the identified entities. The Company is also exposed to the risk that acquisitions will bring about unexpected costs and/or liabilities that prevent it from achieving its objectives.

OPERATING RISKS

Risks related to the high level of competitiveness of the sector

The food & beverage market in which the Company operates is characterised by a particularly significant level of competition, competitiveness and dynamism. This market is characterised in particular by (i) increasing competitiveness of companies that produce so-called private label products with prices lower than those charged by the Company; (ii) increasing prevalence of online sales (where the Company is starting to have a presence) resulting in a decrease in product prices, especially in the mass distribution channel, through which the Company generates a significant percentage of its revenues, namely 62.7% at 30 June 2023; (iii) frequent promotional campaigns over time and with significant discounts; (iv) consolidation of existing operators (through M&As), especially in the mass distribution channel. The Company pursues its aim of increasing its industrial efficiency and improving its production capacity while reducing overheads and being competitive in its reference markets. Moreover, thanks to the presence of some "unique" products, the Company is able to face any level of competition.

FINANCIAL RISKS

Management of financial risks

The main business risks identified, monitored and, as specified below, actively managed by the Company are as follows:

- Market risk, arising from the fluctuation of interest rates and of exchange rates between the euro and the other currencies in which the Company operates.
- Credit risk, arising from the possibility of counterparty default.
- Liquidity risk, arising from a lack of financial resources to meet commitments.

The Company's objective is to manage its financial exposure over time so that liabilities are balanced with assets on the statement of financial position and that the necessary operational flexibility is in place by using bank loans and the cash generated by current operating activities.

The ability to generate liquidity from core operations, together with the ability to borrow, allows the Company to adequately meet its operational, working capital financing and investment needs, as well as to comply with its financial obligations. The Company's financial policy and the management of the related financial risks are centrally guided and monitored. In particular, the central finance function is responsible for assessing and approving forecast financial requirements, monitoring performance and taking corrective action where necessary.

Exchange risk

Exposure to the risk of exchange rate fluctuations derives from the Company's commercial activities conducted in currencies other than the euro. Revenues and costs denominated in foreign currency can be influenced by fluctuations in the exchange rate, bringing about an impact on trade margins (economic risk), and trade and financial payables and receivables denominated in foreign currency can be impacted by the conversion rates used, with a knock-on effect on the profit or loss (transaction risk). Finally, fluctuations in exchange rates are also reflected in period results and equity.

The main exchange rates to which the Company is exposed are:

- Euro/USD, in relation to transactions carried out in US dollars.
- Euro/GBP, in relation to transactions carried out in pound sterling.
- Euro/CHF, in relation to transactions carried out in Swiss francs.

The Company does not adopt specific policies to hedge exchange rate fluctuations because management does not believe that this risk can significantly harm the Company's results, since the amount of inflows and outflows of foreign currency is not only insignificant, but also fairly similar in terms of volumes and timing.

A hypothetical positive or negative change of 100 bps in the exchange rates relating to the currencies in which the Company operates would not have a significant impact on the net result and shareholders' equity of the periods under review, insofar as foreign-currency exposure is less than 1% of turnover.

Interest rate risk

The Company uses external financial resources in the form of debt and uses the liquidity available in market instruments. Changes in interest rate levels affect the cost and return of the various forms of funding and use, thus affecting net financial expense. Exposure to interest rate risk is constantly monitored according to the trend of the Euribor curve, in order to assess possible interventions to contain the risk of a potential rise in market interest rates. At the reference dates, there were no hedges carried out by trading in derivatives.

With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the income statement for the period and shareholders' equity that would result from a hypothetical positive and negative change of 50 bps in interest rates compared with those actually recorded in each period. The analysis was carried out mainly with regard to the following items: (i) cash and cash equivalents and (ii) short- and medium-/long-term financial liabilities. With regard to cash and cash equivalents, reference was made to the average inventory and the average rate of return for the period, while for short- and medium-/long-term financial liabilities, the precise impact was calculated.

The table below shows the results of the analysis carried out:

(In thousands of euros)	Impact on profit net tax		Impact on shareholders' equity net of tax	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
Half-year as at 30 June 2023	(185)	185	(185)	185
Half-year as at 30 June 2022	(196)	196	(196)	196

Credit risk

The Company is exposed to the credit risk inherent in the possibility of its customers becoming insolvent and/or less creditworthy so it monitors the situation continually.

Credit risk derives essentially from the Company's commercial activity, where its counterparties are predominantly mass and retail distribution operators. Retail receivables are extremely fragmented, while the mass distribution segment is characterised by a larger exposure to a single client.

The following table provides a breakdown of trade receivables at 30 June 2023 and 31 December 2022 grouped by maturity, net of the provision for bad debts:

(In thousands of euros)	Not overdue	1-90 days overdue	91-180 days overdue	More than 181 days overdue	Total
Gross trade receivables at 30 June 2023	27,399	6,981	4,507	3,539	42,426
Provision for bad debts	-	-	-	(3,168)	(3,168)
Net trade receivables at 30 June 2023	27,399	6,981	4,507	371	39,258
Gross trade receivables at 31 December 2022	10,119	19,742	1,159	5,191	36,211
Provision for bad debts	-	-	-	(3,034)	(3,034)
Net trade receivables at 31 December 2022	10,119	19,742	1,159	2,157	33,176

Liquidity risk

Liquidity risk is the risk that, due to the inability to find new funds or to liquidate assets on the market, the Company will not be able to meet its payment obligations, resulting in a negative impact on results if it is forced to incur additional costs to meet its obligations or an insolvency situation.

The liquidity risk to which the Company may be subject comprises the failure to find sufficient financial resources for its operations, as well as for the development of its industrial and commercial activities. The two main factors that determine the Company's liquidity situation are the resources generated or absorbed by operating and investment activities, and the maturity and renewal status of payables or the liquidity of financial commitments and market conditions. In particular, the main factor affecting the Company's liquidity is the resources absorbed by operating activities: the sector in which the Company has seasonal sales phenomena, with peak liquidity requirements in the third quarter caused by a higher volume of trade receivables compared with the rest of the year. The Group's commercial and finance teams work together to manage the changing liquidity requirements, which involves carefully planning financial requirements related to sales, drafting the budget at the beginning of the year and carefully monitoring requirements throughout the year.

Since they are also subject to seasonal phenomena, liquidity requirements linked to inventory dynamics are subject to analysis as well: planning purchases of raw materials for the inventory is managed in accordance with established practices, with the Chairman involved in decisions that could have an impact on the Company's financial equilibrium.

Based on established practices inspired by prudence and stakeholder protection, the Company's financing activity involves negotiating credit lines with the banking system and continually monitoring the Company's cash flows.

The table below provides a breakdown of the Company's financial requirements by contractual maturity:

(In thousands of euros)	Carrying amount at 30 June 2023	Within one year	Expiry	
			Beyond one year	Beyond 5 years
Total financial liabilities	56,637	14,210	34,529	7,898

ENVIRONMENTAL AND CLIMATE RISKS

As part of the Company's ERM (Enterprise Risk Management) model, risks of an operational, financial, strategic and compliance nature were assessed, including ESG risks for the four types mentioned. This assessment showed that with regard to climate change impacts, the Company manages one plant in Italy close to a water course and one plant located not far from a reservoir, which have not caused significant problems in recent years. More potential impacts related to climate change can be found at the level of the supply chain, since agriculture and livestock breeding are closely linked to the climatic conditions of the areas the raw materials come from.
Other potential risks that are not considered critical may relate to the transition of business to a green economy.
These effects were also taken into account in the preparation of the impairment tests which are carried out in the preparation of the annual financial statements.
From the assessments performed, there were no significant impacts to be noted on the Company's business.

Positions or transactions deriving from atypical and/or unusual transactions

Pursuant to CONSOB Communication no. 6064293 of 28 July 2006, note that during the first half of 2023 no atypical and/or unusual transactions occurred outside the normal operation of the company that could give rise to doubts regarding the correctness and completeness of the information in the financial statements, conflicts of interest, protection of company assets and safeguarding the minority shareholders.

Treasury shares and shares of parent companies

In compliance with the provisions of article 2428 of the Italian Civil Code, it is confirmed that as at 30 June 2023 the Company did not trade in any treasury shares or shares of parent companies and does not, at 30 June 2023, hold any treasury shares or shares of parent companies.

Share performance

In H1 2023 the stock of Centrale del Latte d'Italia S.p.A., listed on the Italian stock exchange in the STAR segment (High Requirement Security Segment), reached a maximum value of Euro 2.91 per share compared to a low of Euro 2.5. On the last trading day of the half year the company’s stock closed at Euro 2.7 per share, which is equivalent to a market capitalisation of Euro 37.8 million.

Branch offices

A branch office was opened in Florence, in Via dell'Olmatello 20.

Transactions with related parties

The Company's transactions with related parties (hereinafter, "**Related Party Transactions**"), identified based on criteria defined by IAS 24 – Related Party Disclosures, are mainly of a commercial or financial nature and are carried out under normal market conditions. The explanatory notes to the interim financial statements report on the income statement items at 30 June 2023 and 30 June 2022 and the statement of financial position items at 31 December 2022 pertaining to related party transactions. This information has been extracted from the Interim Financial Statements at 30 June 2023 and from calculations carried out by the Company based on the outcome of general and operational accounting work.
The Company did not carry out Related Party Transactions that were unusual in terms of characteristics, or significant in terms of amount, other than those of an ongoing nature or which have already been illustrated.
The lease of the business unit was subject to verification and approval by the Related Parties Committee as it was considered significant. No issues of note were found.
For information on the remuneration of members of corporate bodies and senior managers, see the explanatory notes to the interim financial statements as at 30 June 2023.

The Company deals with the following related companies:

- Direct or indirect parent company ("**Parent Company**").
- Companies controlled by the direct parent or indirect parent companies other than its own subsidiaries and associates ("**Companies controlled by the parent companies**").

Turin, 11 September 2023

For the Board of Directors
Angelo Mastrolia
Chairman of the Board of Directors

Pursuant to paragraph 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer Fabio Fazzari declares that the accounting information contained in this document corresponds to the contents of accounting documents, books and records.

Turin, 11 September 2023

Mr Fabio Fazzari
Officer in charge of preparing the company's financial reports

Financial statements and explanatory notes

Balance Sheet as at 30 June 2023

(In thousands of euros)	At 30 June 2023	At 31 December 2022
Non-current assets		
Property, plant and equipment	109,094	112,226
Right-of-use assets	9,884	11,918
of which from related parties	5,301	7,074
Intangible assets	19,537	19,547
Equity investments in associates	1,397	1,397
Non-current financial assets measured at fair value through profit or loss	703	703
Deferred tax assets	1,895	1,957
Total non-current assets	142,510	147,748
Current assets		
Inventories	24,073	25,289
Trade receivables	39,258	33,176
of which from related parties	*3,976*	*2,526*
Current tax assets	248	251
Other receivables and current assets	12,901	14,452
of which from related parties	*5,824*	*5,824*
Current financial assets measured at fair value through profit or loss	1	1
Financial receivables measured at amortised cost	3,025	3,025
of which from related parties	*3,025*	*3,025*
Cash and cash equivalents	21,456	26,623
of which from related parties	*12,549*	*17,327*
Total current assets	100,961	102,818
TOTAL ASSETS	243,471	250,566
Shareholders' equity		
Share capital	28,840	28,840
Reserves	34,838	34,683
Net profit/(loss)	3,557	154
Total shareholders' equity attributable to the Group	67,235	63,678
Non-current liabilities		
Provisions for employee benefits	5,949	6,279
Provisions for risks and charges	1,305	1,236
Deferred tax liabilities	5,960	6,221
Non-current financial liabilities	42,427	48,340
Non-current lease liabilities	5,715	6,185
of which from related parties	*3,376*	*3,679*
Total non-current liabilities	61,357	68,262
Current liabilities		
Trade payables	80,910	74,111
of which from related parties	*18,200*	*14,846*
Current financial liabilities	14,210	25,291
of which from related parties	*83*	*7,997*
Current lease liabilities	6,833	8,516
of which from related parties	*5,439*	*6,411*
Current tax liabilities	1,572	-
Other current liabilities	11,355	10,708
of which from related parties	*666*	*665*
Total current liabilities	114,879	118,626
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	243,471	250,566

Income statement as at 30 June 2023

(In thousands of euros)	Half-year ended 30 June	
	2023	2022
Revenue from contracts with customers	169,825	144,978
of which from related parties	*1,224*	*678*
Cost of sales	(135,209)	(114,196)
of which from related parties	*(3,549)*	*(3,762)*
Gross operating profit/(loss)	34,616	30,782
Sales and distribution costs	(24,705)	(24,199)
Administrative costs	(4,137)	(3,882)
of which from related parties	*(24)*	*(65)*
Net write-downs of financial assets	(201)	(77)
Other revenues and income	2,962	2,298
Other operating costs	(1,232)	(1,077)
Operating profit/(loss)	7,303	3,845
Financial income	259	83
of which from related parties	*254*	*-*
Financial expenses	(2,628)	(725)
of which from related parties	*(122)*	*(9)*
Profit/(loss) before taxes	4,934	3,203
Income taxes	(1,377)	(931)
Net profit/(loss)	3,557	2,273
Basic net profit/(loss) per share	0.25	0.16
Diluted net profit/(loss) per share	0.25	0.16

Statement of comprehensive income

Net profit/(loss) (A)	3,557	2,273
a) Other components of comprehensive income that will not be subsequently reclassified to the income statement:		
Actuarial gains/(losses)	-	-
Tax effect on actuarial gains/(losses)	-	-
Total other components of comprehensive income that will not be subsequently reclassified to the income statement	-	-
Total other components of comprehensive income, net of tax effect (B)	-	-
Total comprehensive net profit/(loss) (A)+(B)	3,557	2,273

Statement of changes in shareholders' equity

(In thousands of euros)	Share capital	Reserves	Net profit/(loss)	Total shareholders' equity of the Company
At 31 December 2021	28,840	32,003	2,294	63,137
Allocation of net profit/(loss) for the previous year	-	2,294	(2,294)	-
Net profit/(loss)	-	-	2,273	2,273
Actuarial gains/(losses) net of the related tax effect	-	-	-	-
Other changes	-	-	-	-
Total comprehensive net profit/(loss) for the year	-	2,294	(21)	2,273
At 30 June 2022	28,840	34,297	2,273	65,410
Net profit/(loss)	-	-	(2,118)	(2,118)
Actuarial gains/(losses) net of the related tax effect	-	386	-	386
Other changes	-	-	-	-
Total comprehensive net profit/(loss) for the year	-	386	(2,118)	(1,732)
At 31 December 2022	28,840	34,683	154	63,678
Allocation of net profit/(loss) for the previous year	-	154	(154)	-
Net profit/(loss)	-	-	3557	3,557
Actuarial gains/(losses) net of the related tax effect	-	-	-	-
Other changes	-	-	-	-
Total comprehensive net profit/(loss) for the year	-	-	3,557	3,557
At 30 June 2023	28,840	34,838	3,557	67,235

Statement of cash flows as at 30 June 2023

(In thousands of euros)	At 30 June 2023	At 30 June 2022
Profit/(loss) before taxes	4,934	3,203
- Adjustments for:		
Amortisation, depreciation and write-downs	8,319	8,055
Financial expense/(income)	2,369	642
of which from related parties	*(122)*	*(9)*
Cash flow generated /(absorbed) by operating activities before changes in net working capital	15,622	11,900
Change in inventory	1,217	(2,910)
Change in trade receivables	(6,282)	(1,014)
Change in trade payables	6,799	(938)
Change in other assets and liabilities	2,197	2,833
Use of provisions for risks and charges and for employee benefits	(261)	(376)
Taxes paid	(0)	(557)
Net cash flow generated /(absorbed) by operating activities	19,291	8,938
Investments in property, plant and equipment	(1,295)	(1,890)
Investments in intangible assets	(0)	-
Lyliag acquisition	-	(300)
Net cash flow generated /(absorbed) by investment activities	(1,295)	(2,190)
Repayments of financial debt	(13,969)	(16,565)
Repayments of lease liabilities	(3,800)	(3,030)
of which from related parties	*(1,275)*	*(1,860)*
Net interest expense	(2,369)	(642)
Net cash flow generated/(absorbed) by financing activities	(20,138)	(20,236)
Total changes in cash and cash equivalents	(2,142)	(13,488)
Cash and cash equivalents at start of year	26,623	57,372
of which from related parties	*31,327*	*18,399*
Offsetting of cash and cash equivalents	(3,025)	
Total changes in cash and cash equivalents	(2,142)	(13,488)
Cash and cash equivalents at end of year	21,456	43,884
of which from related parties	*12,549*	*31,327*

Explanatory notes

Basis of preparation

The condensed half-year financial statements at 30 June 2023 were prepared in accordance with the international accounting principles (IAS/IFRS) adopted by the European Union for interim financial statements (IAS 34). The financial statements were prepared in accordance with IAS 1, while the notes were prepared in condensed form applying the option provided for in IAS 34 and therefore do not include all the information required for an annual report prepared in accordance with IFRSs. The interim financial statements at 30 June should therefore be read in conjunction with the annual financial statements for the year ended 31 December 2022.

These notes are presented in summary form in order not to duplicate information that has already been published, as required by IAS 34. Specifically, note that the comments refer exclusively to those components of the income statement and balance sheet whose composition or whose variation in amount, nature or unusual character are essential for the understanding of the Company's economic, financial and equity situation.

The preparation of interim financial statements in accordance with IAS 34 Interim Financial Reporting requires judgements, estimates and assumptions that have an effect on the values of revenues, costs and assets and liabilities, and on the disclosures relating to contingent assets and liabilities at the reporting date. It should be noted that these estimates may differ from the actual results achieved in the future. The financial statement items that most require greater subjectivity on the part of the directors when producing the estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial statements are: goodwill, depreciation and amortisation of non-current assets, deferred taxes, the provision for doubtful receivables, the provision for inventory write-downs, the provisions for risks, the defined benefit plans for employees, payables for the purchase of equity investments contained in the other liabilities and the determination of the fair value of the assets and liabilities acquired as part of the business combinations.

Measurement criteria

The measurement criteria used for the preparation of the financial statements for the six months ending 30 June 2023 are the same as those used for the annual financial statements at 31 December 2022, except for the new accounting standards, amendments and interpretations applicable from 1 January 2023, which are described below and which it is noted did not have a material impact on the Company's current results, assets and liabilities and cash flows.

Accounting standards, amendments and interpretations not yet adopted, but applicable in advance:

Amendments to IAS 1 — Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current	In January 2020, the IASB issued amendments to IAS 1 - Presentation of Financial Statements: Classification of liabilities as current or non-current to clarify how to classify payables and other liabilities as current or non-current, and in particular how to classify liabilities with an uncertain settlement date and liabilities that can be settled by conversion to equity. These amendments will go into effect on 1 January 2024.
IFRS 16 – Leases: Liability in a Sale and Leaseback	In September 2022 the IASB made changes to IFRS 16 - Leases: Liability in a Sale and Leaseback to provide guidelines for the valuation of the liability arising from a sale and leaseback transaction designed to ensure that the seller-lessee does not recognise any amount of gain or loss in respect of the retained right of use. These amendments will go into effect on 1 January 2024. The Company does not expect any significant impact from the adoption of these amendments.
IAS 1 – Presentation of Financial Statements: Non-current Liabilities with Covenants	In October 2022 the IASB amended IAS 1 – Presentation of Financial Statements: Non-current Liabilities with Covenants to clarify how conditions that an entity must meet within twelve months after the reporting period affect the classification of a liability. These amendments will come into force on 1 January 2024. The Company does not expect any significant impact from the adoption of these amendments.

Accounting standards, amendments and interpretations effective from 1 January 2023 and adoptable by the Company

Amendments to IFRS 17 — Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	In December 2021 the IASB issued amendments to IFRS 17 — Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information, which provides a transitional option relating to comparative information on financial assets presented upon initial adoption of IFRS 17. The amendments are intended to help companies avoid temporary accounting mismatches between financial assets and liabilities from insurance contracts, thus improving the usefulness of disclosures for users of the financial statements.

Amendments to IAS 12 – Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	In May 2021 the IASB issued amendments to IAS 12 - Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, to specify how companies should account for deferred taxation on transactions such as leases and decommissioning obligations, transactions for which companies recognise both an asset and a liability. Specifically, it was clarified that the exemption does not apply and that companies are required to recognise deferred taxation on such transactions.
IFRS 17 — Insurance Contracts	In May 2017 the IASB issued IFRS 17 - Insurance Contracts, which establishes standards for the recognition, measurement, presentation and disclosure of insurance contracts issued, as well as guidance on reinsurance contracts held and investment contracts with discretionary participation issued. In June 2020 the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and making it easier for companies to explain their financial performance. The new standard and amendments are effective from 1 January 2023.
Amendments to IAS 1 — Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	In February 2021 the IASB issued amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of accounting policies that require companies to disclose information about their material accounting policies rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to accounting policy disclosures.
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	In February 2021 the IASB issued amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates that clarifies how companies should distinguish changes in accounting principles from changes in accounting estimates.

The Company does not expect any significant economic and financial impacts from the provisions resulting from the entry into force of the aforementioned principles.

In any case, the Company has not opted for the early adoption of any accounting standards or amendments with an effective date in subsequent financial years.

Notes to the half-year report as at 30 June 2023

Criteria and methods

The half-year financial report includes the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the changes in Shareholders' Equity and the Company's Cash Flow Statement and related Explanatory Notes, prepared on the basis of the relative accounting situation in accordance with IFRS accounting standards.

Sectoral information

IFRS 8 - *Operating Segments* defines an operating segment as a component:

- That engages in business activities from which it may earn revenues and incur expenses.
- Whose operating results are reviewed regularly by the entity's chief operating decision maker.
- For which discrete financial information is available.

For the purposes of IFRS 8, the Company's activity is identifiable in the following business segments: Milk Products, Dairy Products and Other Products. The table below shows the main statement of financial position and income statement items examined by the chief operating decision maker in order to assess the Company's performance at and for the interim period ended 30 June 2023, and the reconciliation of these items with respect to the corresponding amount included in the Interim Report.

	At 30 June 2023			
(In thousands of euros)	Milk products	Dairy products	Other Products	Total financial statements
Revenue from contracts with customers (third parties)	136,098	26,524	7,203	**169,825**
EBITDA (*)	12,011	3,215	394	**15,620**
EBITDA margin	8.83%	12.12%	5.48%	**9.20%**
Amortisation, depreciation and write-downs	7,834	184	98	**8,116**
Net write-downs of financial assets			201	**201**
Operating profit/(loss)	**4,177**	**3,031**	**95**	**7,303**
Financial income	-	-	259	**259**
Financial expenses	-	-	(2,628)	**(2,628)**
Profit/(loss) before taxes	**4,177**	**3,031**	**(2,273)**	**4,934**
Income taxes	-	-	(1,377)	**(1,377)**
Net profit/(loss)	**4,177**	**3,031**	**(3,649)**	**3,557**
Total assets as at 30 June 2023	189,879	9,387	44,206	**243,471**
Total liabilities as at 30 June 2023	86,341	14,942	74,953	**176,236**
Investments as at 30 June 2023	710	585	-	**1,295**
Employees (number)	530	63	12	**605**

(*) EBITDA is calculated as the absolute sum of the operating result, net write-downs of financial assets and depreciation/amortisation and write-downs.

(In thousands of euros)	At 30 June 2022 Milk products	Dairy products	Other Products	Total financial statements
Revenue from contracts with customers (third parties)	116,907	21,009	7,062	144,978
EBITDA (*)	9,531	2,143	226	11,900
EBITDA margin	8.2%	10.2%	3.2%	8.2%
Amortisation, depreciation and write-downs	7,540	167	271	7,978
Net write-downs of financial assets			77	77
Operating profit/(loss)	1,991	1,976	(122)	3,845
Financial income			83	83
Financial expenses			(725)	(725)
Profit/(loss) before taxes	1,991	1,976	(764)	3,203
Income taxes			(931)	(931)
Net profit/(loss)	1,991	1,976	(1,695)	2,272
Total assets as at 31.12.2022	215,032	8,911	26,623	250,566
Total liabilities as at 31.12.2022	104,799	8,458	73,631	186,888
Equity investments as at 31.12.2022	1,395	1,306	4	2,705
Employees (number) as at 31.12.2022	530	63	12	605

(*) EBITDA is calculated as the absolute sum of the operating result, net write-downs of financial assets and depreciation/amortisation and write-downs.

The table above shows the main income statement items at 30 June 2022 and the main statement of financial position items at 31 December 2022 examined by the chief operating decision maker in order to assess the Company's performance, and the reconciliation of these items with respect to the corresponding amount included in the half-year financial report.

Non-current assets

Below is a description of the main items that make up the non-current assets.

(In thousands of euros)	At 30 June 2023	At 31 December 2022
Non-current assets		
Property, plant and equipment	109,094	112,226
Right-of-use assets	9,884	11,918
Intangible assets	19,537	19,547
Equity investments in associates	1,397	1,397
Non-current financial assets measured at fair value through profit or loss	703	703
Deferred tax assets	1,895	1,957
Total non-current assets	142,510	147,748

Fixed assets, plant and equipment

(In thousands of euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Assets under construction and payments on account	Total
Historical cost at 31 December 2022	85,255	130,461	18,834	358	184	235,092
Investments	64	750	203	-	278	1,295
Disposals	-	(85)	(447)	-	-	(532)
Reclassifications	-	97	-	-	(97)	-
Historical cost at 30 June 2023	85,319	131,223	18,590	358	365	235,855
Accumulated amortisation/depreciation as at 31 December 2022	26,839	78,041	17,664	322	-	122,865
Depreciation/Amortisation	778	3,337	307	2	-	4,424
Disposals	-	(82)	(447)	-	-	(529)
Accumulated amortisation/depreciation as at 30 June 2023	27,617	81,296	17,524	324	-	126,760
Net carrying amount at 31 December 2022	58,416	52,420	1,170	36	184	112,226
Net carrying amount at 30 June 2023	57,702	49,927	1,066	34	365	109,094

The decrease is mainly due to amortisation/depreciation for the period. The increases for the period mainly relate to the completion of the investment in the Dairy segment.

Right-of-use assets

The changes recorded under the investment item refer mainly to the lease of machinery used in the production process.

(In thousands of euros)	Right-of-use assets
Historical cost at 31 December 2022	29,334
Investments	2,504
Disposals	(2,266)
Historical cost at 30 June 2023	29,572
Accumulated amortisation/depreciation as at 31 December 2022	17,414
Depreciation/Amortisation	3,684
Disposals	(1,412)
Accumulated amortisation/depreciation as at 30 June 2023	19,686
Net carrying amount at 31 December 2022	11,918
Net carrying amount at 30 June 2023	9,884

Intangible assets

(In thousands of euros)	Goodwill	Concessions, licences, trademarks and similar rights	Other assets	Assets under development	Total
Historical cost at 31 December 2022	570	40,753	1,642	2	42,969
Investments	-	-	-	-	-
Historical cost at 30 June 2023	570	40,753	1,642	2	42,969
Accumulated amortisation/depreciation as at 31 December 2022	220	21,627	1,575	-	23,422
Depreciation/Amortisation	-	10	-	-	10
Accumulated amortisation/depreciation as at 30 June 2023	220	21,637	1,575	-	23,432
Net carrying amount at 31 December 2022	350	19,126	68	2	19,547
Net carrying amount at 30 June 2023	350	19,116	68	2	19,537

Goodwill

Goodwill of Euro 350 thousand refers to the effect of the merger between Centrale del Latte d'Italia S.p.A. and Centro Latte Rapallo in 2013.

Concessions, licences, trademarks and similar rights

The following table shows a breakdown of "Concessions, licences, trademarks and similar rights" as at 30 June 2023:

(In thousands of euros)	**At 30 June 2023**	**At 31 December 2022**
Trademarks with an indefinite useful life	19,132	19,132
Total net book value	19,132	19,132

Trademarks with an indefinite useful life

This item refers to the following trademarks:

- "Latte Rapallo", "Latte Tigullio", "Centrale del Latte di Vicenza" and "Mukki" for a total of Euro 19,132 thousand. At the reporting date the trademarks with an indefinite useful life were not subjected to impairment tests because there were no indicators of impairment. In fact, as already described above, the margin is higher than what was forecast in the Business Plan that the Impairment Test of 31 December 2022 was based on.

Given the Company's performance during the first half of the year, there are no indicators of impairment. Therefore, the company continues to consider the impairment results calculated as at 31 December 2022 to be useful and valid.

Equity investments in associates

Equity investments in associate companies, which are valued using the equity method, amounting to Euro 1,397 thousand refer mainly to the stake held by Centrale del Latte d'Italia SpA in Mercafir Scpa.

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

The balance mainly includes the interest in Futura S.r.l. for a total of approximately Euro 689 thousand (less than 5% stake).

Deferred tax assets

At 30 June 2023, this item totalled Euro 1,895 thousand (Euro 1,957 thousand in December 2022). Prepaid taxes refer mainly to the appropriation of taxed provisions. Based on the approved multi-year business plans, management believes that these receivables can be recovered with future taxable income.

Current assets

(In thousands of euros)	At 30 June 2023	At 31 December 2022
Current assets		
Inventories	24,073	25,289
Trade receivables	39,258	33,176
Current tax assets	248	251
Other receivables and current assets	12,901	14,452
Current financial assets measured at fair value through profit or loss	1	1
Financial receivables measured at amortised cost	3,025	3,025
Cash and cash equivalents	21,456	26,623
Total current assets	100,961	102,818

Inventories

Closing inventories were down by Euro 1.2 million on 31 December 2022 because of a decrease in warehouse stock and the average purchase cost.

(In thousands of euros)	At 30 June 2023	At 31 December 2022
Raw materials, supplies, consumables and spare parts	15,171	16,557
Finished products and goods	8,898	8,826
Advance payments	28	26
Total gross inventories	24,097	25,409
Inventory write-down reserve	(24)	(120)
Total inventories	24,073	25,289

The provision for inventory write-downs has changed since 31 December 2022.

(In thousands of euros)	Inventory write-down reserve
Balance at 31 December 2021	(24)
Provisions	(96)
Uses/Releases	-
Balance at 31 December 2022	(120)
Provisions	-
Uses/Releases	96
Balance at 30 June 2023	(24)

Trade receivables

There are no significant changes in the receipt conditions. Total Receivables are shown net of the provision for write-downs estimated prudentially on the basis of information held in order to adjust their value to the presumed realisable value.

At each reporting date, customer receivables are analysed to check for the existence of impairment indicators. To perform this analysis, the Company assesses whether there are expected losses on trade receivables over the entire duration of these receivables and takes into account the expertise it has accrued regarding losses on receivables, grouped into similar categories, based on specific factors pertaining to the Company's receivables as well as on the general economic environment. Customer receivables are written down when there is no reasonable expectation that they will be recovered and the write-down takes place in the income statement under "amortisation, depreciation and write-downs". The provision for doubtful receivables changed as follows during 2023 and the for the period reflects the exposure of the receivables – net of the provision for doubtful receivables – at their presumed realisable value.

(In thousands of euros)	Provision for doubtful trade receivables
Balance at 31 December 2021	(2,788)
Provisions	(411)
Uses	165
Balance at 31 December 2022	(3,034)
Provisions	(201)
Uses	66
Balance at 30 June 2023	(3,168)

Current tax assets

Current tax assets totalled Euro 248 thousand, in line with 31 December 2022.

Current tax liabilities amounted to Euro 1,572 thousand, up from 31 December 2022 due to the recognition of taxes for the period.

Other receivables and current assets

"Other receivables and current assets" consist of tax receivables, advances to suppliers, prepaid expenses and other short-term receivables.

(In thousands of euros)	At 30 June 2023	At 31 December 2022
Tax assets	5,161	6,783
Receivables from social security institutions	5	5
Accrued income and prepaid expenses	650	479
Advance payments	895	864
Other receivables	6,190	6,321
Total other receivables and current assets	12,901	14,452

Financial receivables measured at amortised cost

Financial receivables measured at amortised cost refer to financial receivables from the related party Newlat Property SpA for a total amount of Euro 3,025 thousand.

Cash and cash equivalents

"Cash and cash equivalents" consist of sight current accounts with banks. For details of the net financial debt, please see the report on operations in this document.

At 30 June 2023, cash and cash equivalents were not subject to restrictions or constraints. Part of the aforementioned cash and cash equivalents of Euro 12,549 thousand is attributable to cash pooled with the direct parent Newlat Food SpA and the indirect parent company Newlat Group SA.

Please see the statement of cash flows for changes in the "Cash and cash equivalents" item during the year under review.

Shareholders' equity

Share capital

As at 30 June 2023 the Company's fully subscribed and paid-up share capital totalled Euro 28,840,041.20, divided into 14,000,020 ordinary shares with no nominal value.

As reported in the statement of changes in shareholders' equity, the changes as at 30 June 2023 relate only to the recognition of the net comprehensive income for the period in the amount of Euro 3,557 thousand.

Non-current liabilities

(In thousands of euros)	At 30 June 2023	At 31 December 2022
Non-current liabilities		
Provisions for employee benefits	5,949	6,279
Provisions for risks and charges	1,305	1,236
Deferred tax liabilities	5,960	6,221
Non-current financial liabilities	42,427	48,340
Non-current lease liabilities	5,715	6,185
Total non-current liabilities	61,357	68,262

Provisions for employee benefits

At 30 June 2023, this item totalled Euro 5,949 thousand, down from Euro 6,279 thousand at 31 December 2022, mainly because of the decrease in employees due to resignations and retirements.

(In thousands of euros)	Provisions for employee benefits
Balance at 31 December 2022	6,279
Benefits paid	(330)
Balance at 30 June 2023	5,949

Provisions for risks and charges

The table below shows a breakdown of and changes in the item: "Provisions for risks and charges":

(In thousands of euros)	Provision for agents' indemnities	Other provisions for risks and charges	Total provisions for risks and charges
Balance at 31 December 2022	1,168	68	1,236
Provisions	69	-	69
Uses	-	-	-
Releases	-	-	-
Balance at 30 June 2023	1,237	68	1,305

The provision for agents' indemnities represents a reasonable forecast of the charges that would be borne by the Company in the event of future interruption of agency relationships.

Deferred tax liabilities

Deferred tax liabilities mainly refer to the allocation of capital gains from the acquisition of Centrale del Latte Toscana, the fair value valuation of the Mukki, Rapallo-Tigullio and Vicenza trademarks, and the fair value valuation of the Centrale del Latte land occurred in 2005 at the time of first adoption of the IFRS.

Non-current and current financial liabilities

Please refer to the "Net Financial Debt" section in the management report. As at 30 June 2023, the covenants relating to the loan granted by MPS Capital Services were respected. With regard to the financial constraints on the other financing lines, the check is performed on the annual data as at 31 December, as per contractual requirements. The Company maintains that it is likely that these covenants will be complied with during the current year.

Current and non-current lease liabilities

This item includes the financial debt related to the right-of-use values recorded under fixed assets.

Liabilities were recognised in compliance with the new IFRS 16 and determined as the present value of future lease payments discounted at a marginal rate of interest which, based on the length of each individual agreement, was identified in a range between 4% and 6%.

There are no payables due beyond five years.

Current liabilities

(In thousands of euros)	At 30 June 2023	At 31 December 2022
Current liabilities		
Trade payables	80,910	74,111
Current financial liabilities	14,210	25,291
Current lease liabilities	6,833	8,516
Current tax liabilities	1,572	-
Other current liabilities	11,355	10,708
Total current liabilities	114,879	118,626

Trade payables

Trade payables refer mainly to balances deriving from transactions for the purchase of goods destined for sale.

(In thousands of euros)	At 30 June 2023	At 31 December 2022
Trade payables to suppliers	62,710	59,265
Trade payables to related parties	18,200	14,846
Total trade payables	80,910	74,111

There are no particular changes in payment times to suppliers.

Current financial liabilities

Current financial liabilities refer to maturities within 12 months relating to medium-to-long-term loans and the use of credit lines for down payments.

Current lease liabilities

This item includes short-term financial debt relating mainly to multi-year lease agreements for properties and to the lease of industrial facilities and machinery.

Other current liabilities

Other current liabilities consist mainly of tax payables and payables to employees or social security institutions.

(In thousands of euros)	At 30 June 2023	At 31 December 2022
Payables to employees	5,998	4,708
Payables to social security institutions	1,505	1,526
Tax liabilities	1,464	1,878
Accrued expenses and deferred income	2,112	2,349
Miscellaneous payables	276	246
Total other current liabilities	11,355	10,708

Income statement

Please refer to the management report for a more uniform analysis of the Company's economic situation.

Earnings per share

Basic earnings per share are calculated on the basis of the profit for the period attributable to the shareholders of the Company divided by the weighted average number of ordinary shares, calculated as follows:

(In thousands of euros)	Half-year ended 30 June	
	2023	2022
Profit for the year	3,557	2,273
Weighted average number of shares in circulation	14,000	14,000
Earnings per share	0.254	0.162

Related party transactions

The Company's transactions with related parties, identified based on criteria defined by IAS 24 – Related Party Disclosures, are mainly of a commercial or financial nature and are carried out under normal market conditions.
Despite this, there is no guarantee that, if these transactions had been conducted between or with third parties, said third parties would have negotiated and entered into the relevant contracts, or executed the transactions themselves, under the same conditions and in the same manner.

The Company deals with the following related parties:

- Newlat Food S.p.A. and Newlat Group SA, respectively direct and indirect parent company.
- Companies controlled by the direct parent or indirect parent company other than its own subsidiaries and associates ("Companies controlled by the parent companies").

The following table provides a detailed breakdown of the statement of financial position items relating to the Company's transactions with related parties at 30 June 2023 and 31 December 2022.

(In thousands of euros)	Direct parent company Newlat Food	Indirect parent company Newlat Group	Companies controlled by the parent companies New Property	Total	Total statement of financial position items	% of statement of financial position item
Right-of-use assets						
At 30 June 2023	1,446	-	3,855	5,301	9,884	53.6%
At 31 December 2022	2,894	-	4,180	7,074	11,918	59.4%
Trade receivables						
At 30 June 2023	3,976	-	-	3,976	39,258	10.1%
At 31 December 2022	2,526	-	-	2,526	33,176	7.6%
Other receivables and current assets						
At 30 June 2023	5,824	-	-	5,824	12,901	45.1%
At 31 December 2022	5,824	-	-	5,824	14,452	40.3%
Current financial assets measured at fair value through profit or loss						
At 30 June 2023	-	-	3,025	3,025	3,025	100.0%
At 31 December 2022	-	-	3,025	3,025	3,025	100.0%
Cash and cash equivalents						
At 30 June 2023	9,454	3,095	-	12,549	21,456	58.5%
At 31 December 2022	17,327	-	-	17,327	26,623	65.1%
Non-current lease liabilities						
At 30 June 2023	-	-	3,376	3,376	5,715	59.1%
At 31 December 2022	-	-	3,679	3,679	6,185	59.5%
Trade payables						
At 30 June 2023	18,196	4	-	18,200	80,910	22.5%
At 31 December 2022	14,834	12	-	14,846	74,111	20.0%
Current financial liabilities						
At 30 June 2023	83	-	-	83	14,210	1.2%
At 31 December 2022	49	7,948	-	7,997	25,291	31.6%
Current lease liabilities						
At 30 June 2023	4,839	-	600	5,439	6,833	79.6%
At 31 December 2022	5,830	-	581	6,411	8,516	75.3%
Other current liabilities						
At 30 June 2023	666	-	-	666	11,355	5.9%
At 31 December 2022	665	-	-	665	10,708	6.2%

The table below provides a breakdown of the income statement items relating to the Company's transactions with related parties for the interim periods ended 30 June 2023 and 2022.

(In thousands of euros)	Direct parent company	Indirect parent company	Companies controlled by the parent companies		Total	Total statement of financial position items	% of statement of financial position item
	Newlat Food	Newlat Group	New Property	Other companies controlled by the parent companies			
Revenue from contracts with customers							
At 30 June 2023	1,224	-	-	-	1,224	169,825	0.7%
At 30 June 2022	678	-	-	-	678	144,978	0.5%
Cost of sales							
At 30 June 2023	2890	-	413	246	3,549	135,209	2.6%
At 30 June 2022	3,294	-	347	121	3,762	114,196	3.3%
Administrative costs							
At 30 June 2023	-	24	-	-	24	4,137	0.6%
At 30 June 2022	-	65	-	-	65	3,882	1.7%
Financial income							
At 30 June 2023	212	42	-	-	254	259	98.0%
At 30 June 2022	-	-	-	-	-	254	0.0%
Financial expenses							
At 30 June 2023	35	8	79	-	122	2,628	4.6%
At 30 June 2022	-	-	9	-	9	725	1.2%

Disputes, contingent liabilities and contingent assets

The Company is a party to some disputes concerning relatively small amounts. However, it is considered that the resolution of such disputes is unlikely to generate significant liabilities for the Company for which specific risk provisions are not already allocated. Furthermore, there are no substantial changes to the situations regarding disputes or contingent liabilities from 31 December 2022.

CERTIFICATION OF THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS PURSUANT TO ART. 154 BIS OF ITALIAN LEGISLATIVE DECREE 58/98

Taking into consideration article 154-*bis* (3) and (4) of Italian Legislative Decree no. 58 of 24 February 1998, the undersigned, Angelo Mastrolia, as Chairman, and Fabio Fazzari, as Financial Reporting Officer, of the company Centrale del Latte d'Italia S.p.A. certify:

- The financial statements are adequate, in relation to the characteristics of the company, and
- The effective application of the administrative and accounting procedures for preparing the condensed half-year financial statements during the first half of 2023.

The assessment of the adequacy of the administrative and accounting procedures for drawing up the condensed half-year financial statements at 30 June 2023 is based on a process defined by Centrale del Latte d'Italia S.p.A. in compliance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which is a generally internationally accepted framework of reference.

We can also certify that:

a. the condensed half-year financial statements:
    - Were drafted in conformity with the applicable international accounting standards endorsed by the European Community under the terms of Regulation (EC) N° 1606/2002 of the European Parliament and Council, of 19 July 2002.
    - Correspond with the accounting books and records.
    - Are capable of providing a true and correct representation of the Company's balance sheet, economic and financial situation.
b. The interim report on performance includes a reliable analysis of the references to important events that occurred in the first six months of the year and to their impact on the condensed half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on the significant transactions with related parties.

Turin, 11 September 2023

Angelo Mastrolia	Fabio Fazzari
Chairman of the BoD	Financial Reporting Officer

CENTRALE DEL LATTE D'ITALIA SPA

REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS pwc

REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders of
Centrale del Latte d'Italia SpA

Foreword

We have reviewed the accompanying condensed interim financial statements of Centrale del Latte d'Italia SpA as of June 30, 2023, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flow and related explanatory notes. The directors of Centrale del Latte d'Italia SpA are responsible for the preparation of the condensed interim financial statements in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope 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 on the condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of Centrale del Latte d'Italia SpA as of June 30, 2023 are not prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Turin, September 11, 2023

PricewaterhouseCoopers SpA

Signed by

Monica Maggio
(Partner)

This review report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

PricewaterhouseCoopers SpA

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