Centrale del Latte d'Italia

INTERIM MANAGEMENT REPORT

AT 30 September 2023

DIRECTORS' REPORT ON OPERATIONS
AT 30 September 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 September 2023 compared to the financial statements at 30 September 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 Communication no. 0092543 of 3 December 2015 implementing the ESMA/2015/1415 guidelines).

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:

- Cash and cash equivalents
- Non-current financial assets, recorded under 'other non-current assets'
- Current financial assets, recorded under 'other receivables'
- Payables to banks
- Non-current financial liabilities, recorded under 'other non-current liabilities'.

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.

Performance in the first nine months of 2023

Operations in the first nine months of 2023 show a positive pre-tax result of Euro 8,784 thousand and a total net result of Euro 6,254 thousand.
The aforementioned result is significantly better than in the same period of the previous year.

During the first nine months of the year, the Company recorded an increase in turnover (+12.3% compared to the same period of the previous year) due to its ability to acquire new customers in the Dairy segment and a commercial policy of price increases to counteract the inflationary effects that persist in the Italian economy.
The company also confirmed its great ability to improve its margins (EBITDA margin of 9.6% as at 30 September 2023, 8.0% as at 30 September 2022) returning to pre-crisis levels.

The results achieved during the first nine months 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 year shows a clear improvement (EBITDA of Euro 24 million, or 9.6% versus Euro 18 million as at 30 September 2022, or 8.0%).
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.

The period in question closed with a net profit after tax of Euro 6.3 million, up from Euro 2.2 million in the first nine months of 2022.

Outlook

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 and to the remuneration of Shareholders.
As of the date of approval of this report, another conflict has broken out in Israel, which, together with the ongoing war between Russia and Ukraine, is generating a lot of uncertainty especially in the oil & gas sector and in the supply of raw materials, raising questions about the future evolution of the global economy.
The Company is unable to predict the extent to which these events might affect the outlook for the Company in the coming year, 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 September 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 the first nine months of 2023 was higher than budgeted. It should also be noted that the cash and cash equivalents, amounting to Euro 22.9 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 CLOSE OF THE INTERIM REPORT ON OPERATIONS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

After 30 September 2023 there were no atypical or unusual transactions requiring changes to the interim report at 30 September 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)	Income statement of the first nine months 2023	%	2022	%	Changes 2023v2022	%
Revenue from contracts with customers	250,851	100.0%	223,346	100.0%	27,505	12.3%
Cost of sales	(199,179)	(79.4%)	(178,787)	(80.0%)	(20,392)	11.4%
Gross operating profit/(loss)	51,672	20.6%	44,559	20.0%	7,113	16.0%
Sales and distribution costs	(35,804)	(14.3%)	(36,019)	(16.1%)	215	(0.6%)
Administrative costs	(5,929)	(2.4%)	(5,730)	(2.6%)	(199)	3.5%
Net write-downs of financial assets	(199)	(0.1%)	(67)	-	(132)	197.2%
Other revenues and income	3,708	1.5%	2,947	1.3%	761	25.8%
Other operating costs	(1,624)	(0.6%)	(1,426)	(0.6%)	(198)	13.9%
Operating profit/(loss) (EBIT)	11,824	4.7%	4,264	1.9%	7,560	177.3%
Financial income	426	0.2%	135	0.1%	291	215.3%
Financial expenses	(3,465)	(1.4%)	(1,306)	(0.6%)	(2,159)	165.3%
Profit/(loss) before taxes	8,784	3.5%	3,093	1.4%	5,691	184.0%
Income taxes	(2,530)	(1.0%)	(897)	(0.4%)	(1,633)	182.1%
Net profit/(loss)	6,254	2.5%	2,196	1.0%	4,058	184.8%

Operating income amounted to Euro 11.8 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 (+33.9%), as was the EBITDA margin compared to the same period last year.

<u>*Revenue from contracts with customers*</u>

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 and as a percentage)	Income statement of the first nine months				Changes	
	2023	%	2022	%	2023vs2022	%
Milk Products	200,068	79.8%	181,154	81.1%	18,914	10.4%
Dairy Products	38,702	15.4%	31,026	13.9%	7,676	24.7%
Other Activities	12,081	4.8%	11,166	5.1%	915	8.2%
Revenue from contracts with customers	250,851	100%	223,346	100.0%	27,505	12.3%

Revenues from the Milk Products segment were up significantly (+10.4%) 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 Activities segment increased 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 and as a percentage)	Income statement of the first nine months				Changes	
	2023	%	2022	%	2023vs2022	%
Mass Distribution	154,919	61.8%	138,475	62.0%	16,444	11.9%
B2B partners	9,260	3.7%	8,934	4.0%	326	3.6%
Normal trade	61,673	24.6%	53,603	24.0%	8,070	15.1%
Private labels	11,610	4.6%	11,167	5.0%	443	4.0%
Food services	13,389	5.3%	11,166	5.0%	2,223	19.9%
Total revenue from contracts with customers	250,851	100.0%	223,345	100.0%	27,506	12.3%

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 were essentially in line with the same period of the previous year.
Normal trade revenues increased due to the combined effect of higher sales volumes and a higher average sales price compared to the same period last year.
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 due to the combined effect of higher sales volumes and a higher average sales price compared to the same period last year.

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

(In thousands of euros and as a percentage)	Income statement of the first nine months				Changes	
	2023	%	2022	%	2023vs2022	%
Italy	223,168	89.0%	201,012	90.0%	22,156	11.0%
Germany	12,541	5.0%	8,934	4.0%	3,607	40.4%
Other countries	15,142	6.1%	13,400	6.1%	1,742	13.0%
Total revenue from contracts with customers	250,852	100.0%	223,346	100.0%	27,506	12.3%

Revenues from ***Italy*** increased because of higher sales volumes due to the acquisition of new customers and a higher average sales price than in the same period last year.
Revenues in ***Germany*** increased due to the combined effect of higher sales volumes and a higher average sales price compared to the same period last year.
Revenues from *Other Countries* grew compared with the same period of the previous year due to higher sales volumes in the Milk&Dairy segment.

Operating costs

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

(In thousands of euros)	Income statement of the first nine months	
	2023	2022
Cost of sales	(199,179)	(178,787)
Sales and distribution costs	(35,804)	(36,019)
Administrative costs	(5,929)	(5,730)
Total operating costs	(240,912)	(220,536)

Cost of sales was 79.4%, in line with the same period last year. In absolute terms, the increase in the cost of sales is directly linked to the higher sales volumes recorded in the first nine months of 2023. Commercial sales and distribution expenses decreased in terms of impact due to an optimisation of logistics and transport costs.
Administrative expenses were slightly lower than 30 September 2022 as a result of the rationalisation of certain functions and the optimisation of certain business processes, as well as the retirement of certain persons.

EBITDA amounted to Euro 24 million (9.6% of sales) compared with Euro 18 million at 30 September 2022 (8.0% of sales), up by 33.9%.

The following table shows EBITDA by activity segment:

(In thousands of euros)	At 30 September 2023 Milk products	 Dairy products	 Other Products	 Total financial statements
Revenue from contracts with customers (third parties)	200,068	38,702	12,081	250,851
EBITDA (*)	18,538	4,813	695	24,046
EBITDA margin	9.27%	12.44%	5.75%	9.59%
Amortisation, depreciation and write-downs	11,600	276	147	12,023
Net write-downs of financial assets			199	199
Operating profit/(loss)	6,938	4,537	349	11,824
Financial income	-	-	426	426
Financial expenses	-	-	(3,465)	(3,465)
Profit/(loss) before taxes	6,938	4,537	(2,691)	8,784
Income taxes	-	-	(2,530)	(2,530)
Net profit/(loss)	6,938	4,537	(5,221)	6,254

(*) 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 September 2022 Milk products	 Dairy products	 Other Products	 Total financial statements
Revenue from contracts with customers (third parties)	181,154	31,026	11,166	223,346
EBITDA (*)	14,362	3,258	335	17,955
EBITDA margin	7.9%	10.5%	2.7%	8.0%
Amortisation, depreciation and write-downs	13,026	237	361	13,624
Net write-downs of financial assets			67	67
Operating profit/(loss)	1,336	3,021	(93)	4,264
Financial income			135	135
Financial expenses			(1,306)	(1,306)
Profit/(loss) before taxes	1,336	3,021	(1,264)	3,094
Income taxes			(897)	(897)
Net profit/(loss)	1,336	3,021	(2,161)	2,197

(*) 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 11.8 million (4.7% of sales) compared with Euro 4.3 million at 30 September 2022 (1.9% of sales), up by 177%.
The tax rate was 28.8%.
Net profit as at 30 September 2023 amounted to Euro 6.3 million, an increase compared to 30 September 2022 (net profit of Euro 2.2 million).

EBITDA

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

(In thousands of euros and as a percentage)	At 30 September	
	2023	2022
Operating profit/(loss) (EBIT)	11,824	4,264
Amortisation, depreciation and write-downs	12,023	13,624
Net write-downs of financial assets	199	67
EBITDA (*) (A)	24,046	17,955
Revenue from contracts with customers	250,851	223,346
EBITDA margin (*)	9.6%	8.0%
investments (B)	1,295	2,174
Cash conversion [(A) - (B)]/(A)	94.6%	87.9%

(*) 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 Group's financial statements when assessing the Group'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)	Income statement of the first nine months				Changes	
	2023	%	2022	%	2023vs2022	%
Milk Products	18,538	9.3%	14,362	7.9%	4,176	29.1%
Dairy Products	4,813	12.4%	3,258	10.5%	1,555	47.7%
Other Activities	695	5.8%	335	2.7%	360	107.5%
EBITDA	24,046	9.6%	17,955	8.0%	6,091	33.9%

EBITDA for the Milk Products segment increased mainly due to improved sales conditions as well as volumes of products 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 September 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 September 2023	At 31 December 2022
A. Cash and cash equivalents	5,632	9,296
B. Cash equivalents	17,264	17,327
C. Other current financial assets	3,026	3,026
D Cash and cash equivalents (A)+(B)+(C)	25,922	29,648
E. Current financial payables	(7,241)	(17,540)
F. Current portion of non-current financial debt	(13,249)	(16,267)
G. Current financial indebtedness (E)+(F)	(20,490)	(33,807)
H. Net current financial indebtedness (G)+(D)	5,432	(4,158)
I. Non-current financial payables	(45,842)	(54,526)
J. Debt instruments	-	-
K. Trade and other non-current payables	-	-
L. Non-current financial indebtedness (I)+(J)+(K)	(45,842)	(54,526)
M. Net financial indebtedness (H)+(L)	(40,409)	(58,684)

The positive change in net financial debt at 30 September 2023 compared with 31 December 2022, totalling Euro 18.3 million, is mainly due to the Company's ability to generate cash from operations.
At 30 September 2023, without considering lease liabilities, net financial debt was as follows:

(In thousands of euros)	At 30 September 2023	At 31 December 2022
Net financial debt	(40,409)	(58,684)
Non-current lease liabilities	6,129	6,185
Current lease liabilities	5,898	8,516
Net Financial Position	(28,383)	(43,983)

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

<u>*INVESTMENTS*</u>
The following table provides a breakdown of the Company's investments in property, plant and equipment and intangible assets at 30 September 2023:

(In thousands of euros and as a percentage)	At 30 September			
	2023	%	2022	%
Land and buildings	64	4.6%	74	3.9%
Plant and machinery	850	60.9%	1,668	88.0%
Industrial and commercial equipment	203	14.6%	81	4.3%
Assets under construction and payments on account	278	19.9%	72	3.8%
Investments in property, plant and equipment	1,395	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

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 nine months 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. The accounting and financial effects of transactions occurring in the first nine months of 2023 were illustrated above.

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 September 2023 the Company did not trade in any treasury shares or shares of parent companies and does not, at 30 September 2023, hold any treasury shares or shares of parent companies.

Share performance

In the first nine months of 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 3.18 per share compared to a low of Euro 2.5. On the last trading day the company’s stock closed at Euro 2.9 per share, which is equivalent to a market capitalisation of Euro 40.6 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 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 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").

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.

Turin, 13 November 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, 13 November 2023

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

Financial statements and explanatory notes

Statement of Financial Position at 30 September 2023

(in thousands of euros)	At 30 September 2023	At 31 December 2022
Non-current assets		
Property, plant and equipment	106,747	112,226
Right-of-use assets	9,125	11,918
of which from related parties	*4,415*	*7,074*
Intangible assets	19,532	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	139,399	147,748
Current assets		
Inventories	23,756	25,289
Trade receivables	30,452	33,176
of which from related parties	*5,888*	*2,526*
Current tax assets	248	251
Other receivables and current assets	11,663	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	22,896	26,623
of which from related parties	*17,264*	*17,327*
Total current assets	92,041	102,818
TOTAL ASSETS	231,440	250,566
Shareholders' equity		
Share capital	28,840	28,840
Reserves	34,838	34,683
Net profit/(loss)	6,254	154
Total net equity	69,932	63,678
Non-current liabilities		
Provisions for employee benefits	5,748	6,279
Provisions for risks and charges	1,335	1,236
Deferred tax liabilities	5,895	6,221
Non-current financial liabilities	39,713	48,340
Non-current lease liabilities	6,129	6,185
of which from related parties	*3,223*	*3,679*
Total non-current liabilities	58,819	68,262
Current liabilities		
Trade payables	68,702	74,111
of which from related parties	*19,733*	*14,846*
Current financial liabilities	14,592	25,291
of which from related parties	*716*	*7,997*
Current lease liabilities	5,898	8,516
of which from related parties	*4,947*	*6,411*
Current tax liabilities	2,790	-
Other current liabilities	10,707	10,708
of which from related parties	*666*	*665*
Total current liabilities	102,689	118,626
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	231,440	250,566

Income statement of the first nine months of 2023

(in thousands of euros)	Income statement of the first nine months	
	2023	2022
Revenue from contracts with customers	250,851	223,346
of which from related parties	*2,323*	*911*
Cost of sales	(199,179)	(178,787)
of which from related parties	*(5,234)*	*(4,516)*
Gross operating profit/(loss)	51,672	44,559
Sales and distribution costs	(35,804)	(36,019)
Administrative costs	(5,929)	(5,730)
of which from related parties	*(36)*	*(88)*
Net write-downs of financial assets	(199)	(67)
Other revenues and income	3,708	2,947
Other operating costs	(1,624)	(1,426)
Operating profit/(loss)	11,824	4,264
Financial income	426	135
of which from related parties	*420*	*48*
Financial expenses	(3,465)	(1,306)
of which from related parties	*(360)*	*(12)*
Profit/(loss) before taxes	8,784	3,094
Income taxes	(2,530)	(897)
Net profit/(loss)	6,254	2,197
Basic net profit/(loss) per share	0.45	0.16
Diluted net profit/(loss) per share	0.45	0.16

Statement of comprehensive income

(in thousands of euros)	Statement of comprehensive income	
	2023	2022
Net profit/(loss) (A)	6,254	2,197
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)	6,254	2,197

Statement of changes in shareholders' equity as at 30 September 2023

(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)	-	-	2,197	2,197
Total comprehensive net profit/(loss) for the year	-	-	(97)	2,197
At 30 September 2022	28,840	34,297	2,197	65,334
Net profit/(loss)	-	-	(2,043)	(2,043)
Actuarial gains/(losses) net of the related tax effect	-	386	-	386
Total comprehensive net profit/(loss) for the year	-	386	(2,043)	(1,656)
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)	-	-	6,254	6,254
Total comprehensive net profit/(loss) for the year	-	-	6,254	6,254
At 30 September 2023	28,840	34,838	6,254	69,932

Cash Flow Statement of the first nine months of 2023

(in thousands of euros)	Cash flow statement of the nine months 2023	2022
Profit/(loss) before taxes	8,784	3,094
- Adjustments for:		
Amortisation, depreciation and write-downs	12,222	13,690
Financial expense/(income)	3,040	1,171
of which from related parties	*(360)*	*(12)*
Cash flow generated /(absorbed) by operating activities before changes in net working capital	24,046	17,955
Change in inventory	1,533	(3,723)
Change in trade receivables	2,526	(6,703)
Change in trade payables	(5,410)	2,142
Change in other assets and liabilities	2,788	7,012
Use of provisions for risks and charges and for employee benefits	(433)	(1,509)
Taxes paid	-	(507)
Net cash flow generated /(absorbed) by operating activities	25,050	14,667
Investments in property, plant and equipment	(1,395)	(2,171)
Investments in intangible assets	(3)	(3)
Acquisitions	-	(300)
Net cash flow generated /(absorbed) by investment activities	(1,298)	(2,474)
New long-term financial debt		-
Repayments of long-term financial debt	(16,302)	(19,148)
Change in current financial debt		-
Repayments of lease liabilities	(5,012)	(5,809)
of which from related parties	*(2,786)*	*(2,790)*
Net interest expense	(3,040)	(1,171)
Net cash flow generated/(absorbed) by financing activities	(24,353)	(26,127)
Total changes in cash and cash equivalents	(701)	(13,935)
Cash and cash equivalents at start of year	26,623	57,372
of which from related parties	*35,977*	*18,399*
Offsetting of cash and cash equivalents	(3,025)	
Total changes in cash and cash equivalents	(701)	(13,935)
Cash and cash equivalents at end of year	22,896	43,438
of which from related parties	*17,264*	*35,977*

Explanatory notes

Basis of preparation

The Interim Management Report at 30 September 2023 was 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 report on operations at 30 September 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 first nine months of 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 effective from 1 January 2023 and adopted by the Company:

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 made changes to 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 not yet adopted but applicable in advance

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. These amendments will go into effect on 1 January 2023.

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. These amendments will go into effect on 1 January 2023, with advance application allowed.
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. These amendments will go into effect on 1 January 2023.
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. These amendments will go into effect on 1 January 2023.

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

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.

New accounting standards, amendments and interpretations adopted by the Company

The following standards and amendments in force on 1 January 2022 were adopted by the Company.
The Company adopted the amendments to IFRS 3 - Business Combinations, containing an update to a reference in IFRS 3 to the Conceptual Framework for Financial Reporting that did not result in changes to the accounting requirements for business combinations. The adoption of these amendments had no significant effect.

The Company adopted the amendments to IAS 37, which clarify the nature of costs directly related to the contract, consisting of both incremental costs of contract performance and other costs directly related to contract performance. The adoption of these amendments had no significant effect.

The Company adopted the amendments to IAS 16 that prohibit an entity from deducting from the cost of an item of PP&E any proceeds received from the sale of items produced while the entity is preparing the asset for its intended use. These changes had no impact on the Company's year-end financial statements as there were no sales of such assets from property, plant and equipment made available for use at the beginning or after the beginning of the first period presented.

In May 2020 the IASB published Annual Improvements to IFRSs for the 2018-2020 cycle. The improvements amended four standards: i) IFRS 1 — First-time Adoption of International Financial Reporting Standards, regarding the ability of a subsidiary to measure cumulative translation differences using amounts reported by its parent; ii) IFRS 9 — Financial Instruments, regarding what fees an entity includes when applying the “10%” test for the derecognition of financial liabilities; iii) IAS 41 — Agriculture, regarding the exclusion of tax cash flows in measuring the fair value of a biological asset; and iv) IFRS 16 — Leases, regarding an example of repayment for leasehold improvements.

The adoption of these amendments had no significant effect.

Notes to the Interim Report on Operations at at 30 September 2023

Criteria and methods

The interim report as at 30 September 2023 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 September 2023, and the reconciliation of these items with respect to the corresponding amount included in the Interim Report.

(In thousands of euros)	At 30 September 2023 Milk products	Dairy products	Other Products	Total financial statements
Revenue from contracts with customers (third parties)	200,068	38,702	12,081	250,851
EBITDA (*)	18,538	4,813	695	24,046
EBITDA margin	9.27%	12.44%	5.75%	9.59%
Amortisation, depreciation and write-downs	11,600	276	147	12,023
Net write-downs of financial assets			199	199
Operating profit/(loss)	6,938	4,537	349	11,824
Financial income	-	-	426	426
Financial expenses	-	-	(3,465)	(3,465)
Profit/(loss) before taxes	6,938	4,537	(2,691)	8,784
Income taxes	-	-	(2,530)	(2,530)
Net profit/(loss)	6,938	4,537	(5,221)	6,254
Total assets	189,039	8,001	34,401	231,440
Total liabilities	75,897	13,238	72,374	161,508
Investments	710	685	-	1,395
Employees (number)	533	70	12	615

(*) 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 September 2022 Milk products	Dairy products	Other Products	Total financial statements
Revenue from contracts with customers (third parties)	181,154	31,026	11,166	223,346
EBITDA (*)	14,362	3,258	335	17,955
EBITDA margin	7.9%	10.5%	2.7%	8.0%
Amortisation, depreciation and write-downs	13,026	237	361	13,624
Net write-downs of financial assets			67	67
Operating profit/(loss)	1,336	3,021	(93)	4,264
Financial income			135	135
Financial expenses			(1,306)	(1,306)
Profit/(loss) before taxes	1,336	3,021	(1,264)	3,094
Income taxes			(897)	(897)
Net profit/(loss)	1,336	3,021	(2,161)	2,197
Total fixed assets as at 31 December 2022	215,032	8,911	26,623	250,566
Total liabilities as at 31 December 2022	104,799	8,458	73,631	186,888
Investments as at 30 September 2022	2,174	-	-	2,174
Employees (number)	589	72	16	677

(*) 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 September 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 Interim Management 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 September 2023	At 31 December 2022
Non-current assets		
Property, plant and equipment	106,747	112,226
Right-of-use assets	9,125	11,918
Intangible assets	19,532	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	139,399	147,748

Fixed assets, plant and equipment
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 decrease is mainly due to amortisation/depreciation for the period. The changes recorded under the investment item refer mainly to the lease of machinery used in the production process.

Intangible assets

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 September 2023:

(In thousands of euros)	**At 30 September 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 nine months 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 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 September 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 euro units)	At 30 September 2023	At 31 December 2022
Current assets		
Inventories	23,756	25,289
Trade receivables	30,452	33,176
Current tax assets	248	251
Other receivables and current assets	11,663	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	22,896	26,623
Total current assets	92,041	102,818

Inventories

Closing inventories were down by Euro 1.5 million on 31 December 2022 because of a decrease in warehouse stock.

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 determination of the provision for the period reflects the exposure of receivables – net of the provision for doubtful receivables – at their estimated realisable value.

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

Current tax liabilities amounted to Euro 2,790 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.

Financial receivables measured at amortised cost
Financial receivables measured at amortised cost refer to financial receivables from the related party New 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 September 2023, cash and cash equivalents were not subject to restrictions or constraints. Part of the aforementioned cash and cash equivalents of Euro 17,264 thousand is attributable to cash pooled with the direct parent Newlat Food 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 September 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 September 2023 relate solely to the recognition of the net comprehensive income for the period in the amount of Euro 6,254 thousand.

Non-current liabilities

(In thousands of euros)	At 30 September 2023	At 31 December 2022
Non-current liabilities		
Provisions for employee benefits	5,748	6,279
Provisions for risks and charges	1,335	1,236
Deferred tax liabilities	5,895	6,221

Non-current financial liabilities	39,713	48,340
Non-current lease liabilities	6,129	6,185
Total non-current liabilities	58,819	68,262

Provisions for employee benefits

At 30 September 2023, this item totalled Euro 5,748 thousand, down from Euro 6,279 thousand at 31 December 2022, mainly because of the decrease in employees due to resignations and retirements.

Provisions for risks and charges

The provision for risks and charges consists primarily of the provision for agents' indemnities, which represents a reasonable forecast of the charges that would be borne by the Company in the event of future interruption of agency relationships.
Other provisions for risks and charges refer to disputes and litigation of an immaterial nature.

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.

Non-current and current financial liabilities

Please refer to the "Net Financial Debt" section in the management report. As at 30 September 2023, the covenants relating to the loan granted by MS 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 that came into effect on 1 January 2019 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 September 2023	At 31 December 2022
Current liabilities		
Trade payables	68,702	74,111
Current financial liabilities	14,592	25,291
Current lease liabilities	5,898	8,516
Current tax liabilities	2,790	-
Other current liabilities	10,707	10,708
Total current liabilities	102,689	118,626

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

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)	Income statement of the first nine months	
	2023	2022
Profit for the year attributable to the Group in thousands of euros	6,254	2,197
Weighted average number of shares in circulation	14,000	14,000
Earnings per share (in Euro)	0.45	0.16

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 companies other than its own subsidiaries and associates ("Companies controlled by the parent companies").

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.

Turin, 13 November 2023

Angelo Mastrolia	Fabio Fazzari
Chairman of the BoD	Financial Reporting Officer

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

Turin, 13 November 2023

Angelo Mastrolia	Fabio Fazzari
Chairman of the BoD	Financial Reporting Officer